

***TOWN OF BILLERICA, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2019***

TOWN OF BILLERICA, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

**TABLE OF CONTENTS**

Independent Auditor's Report.....1  
Management's Discussion and Analysis .....3  
Basic Financial Statements .....11  
    Statement of net position .....13  
    Statement of activities .....14  
    Governmental funds – balance sheet .....16  
    Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position .....17  
    Governmental funds – statement of revenues, expenditures and changes in fund balances .....18  
    Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities .....19  
    Proprietary funds – statement of net position .....20  
    Proprietary funds – statement of revenues, expenses, and changes in net position .....21  
    Proprietary funds – statement of cash flows .....22  
    Fiduciary funds – statement of fiduciary net position .....23  
    Fiduciary funds – statement of changes in fiduciary net position .....24  
    Notes to basic financial statements .....25  
Required Supplementary Information.....63  
    General fund budgetary comparison schedule .....64  
        Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual.....65  
    Pension plan schedules .....66  
        Schedule of the Town's proportionate share of the net pension liability .....67  
        Schedule of the Town's contributions .....68  
        Schedule of the special funding amounts .....69  
    Other postemployment benefits plan schedules .....70  
        Schedule of changes in the Town's net OPEB liability and related ratios .....71  
        Schedule of the Town's contributions .....72  
        Schedule of investment returns .....73  
Notes to required supplementary information .....74

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Billerica, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Billerica, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Billerica, Massachusetts' basic financial statements as listed in the table of contents.

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

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

## **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Billerica, Massachusetts, as of June 30, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020 on our consideration of the Town of Billerica, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script, appearing to read "Bowers & Sullivan LLC".

March 23, 2020

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Billerica, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2019. We encourage readers to consider the information presented in this report.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Billerica's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The Town's general fund is considered a major fund for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

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

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

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for self-insured health insurance activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Financial Highlights.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's governmental liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$146.9 million and the business-type assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$77.4 million at the close of the most recent year. Key components of the Town's activities are presented on the following pages.



**Governmental Activities**

Governmental net position of \$163 million reflects investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$5.9 million, represents resources that are subject to external restrictions on how they may be used. At June 30, 2019, the remaining balance of *unrestricted net position* has a deficit of \$315.8 million. The primary reason for this deficit balance is the recognition of the net OPEB and net pension liabilities of \$249.7 million and \$137.1 million, respectively.

Beginning net position of the governmental activities has been restated to update the net OPEB liability measurement date to the current year end (see Note 15 for details).

	2019	2018 (As Restated)
<b>Assets:</b>		
Current assets..... \$	95,867,610	\$ 129,615,632
Capital assets, non depreciable.....	21,291,152	114,437,019
Capital assets, net of accumulated depreciation.....	233,612,175	88,447,631
<b>Total assets.....</b>	<b>350,770,937</b>	<b>332,500,282</b>
<b>Deferred outflows of resources.....</b>	<b>16,304,961</b>	<b>14,575,142</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	17,629,316	16,972,322
Noncurrent liabilities (excluding debt).....	388,721,836	368,690,327
Current debt.....	4,193,379	10,914,015
Noncurrent debt.....	97,928,904	95,635,283
<b>Total liabilities.....</b>	<b>508,473,435</b>	<b>492,211,947</b>
<b>Deferred inflows of resources.....</b>	<b>5,489,805</b>	<b>8,209,396</b>
<b>Net position:</b>		
Net investment in capital assets.....	163,030,569	132,851,100
Restricted.....	5,871,389	5,357,461
Unrestricted.....	(315,789,300)	(291,554,480)
<b>Total net position..... \$</b>	<b>(146,887,342)</b>	<b>(153,345,919)</b>

	2019	2018 (As Restated)
<b>Program Revenues:</b>		
Charges for services..... \$	10,174,158	\$ 10,006,507
Operating grants and contributions.....	39,103,916	39,416,215
Capital grants and contributions.....	15,888,647	32,112,109
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	123,139,648	120,504,685
Tax and other liens.....	1,473,407	1,283,090
Motor vehicle and other excise taxes.....	7,157,445	7,003,112
Hotel/motel tax.....	1,095,926	1,039,961
Meals tax.....	593,042	544,780
Community preservation tax.....	940,340	897,697
Penalties and interest on taxes.....	474,992	399,999
Grants and contributions not restricted to specific programs.....	6,188,386	6,156,324
Unrestricted investment income.....	3,647,760	437,674
<b>Total revenues.....</b>	<b>209,877,667</b>	<b>219,802,153</b>
<b>Expenses:</b>		
General government.....	10,220,641	8,439,445
Public safety.....	37,262,083	33,678,859
Education.....	126,762,069	119,369,422
Public works.....	12,110,367	13,146,706
Human services.....	2,330,837	2,438,517
Culture and recreation.....	6,304,638	4,592,528
Community preservation.....	74,947	3,854
Interest.....	3,415,012	3,762,403
<b>Total expenses.....</b>	<b>198,480,594</b>	<b>185,431,734</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>11,397,073</b>	<b>34,370,419</b>
<b>Transfers.....</b>	<b>(4,938,496)</b>	<b>(5,418,132)</b>
<b>Change in net position.....</b>	<b>6,458,577</b>	<b>28,952,287</b>
<b>Net position, beginning of year (as restated).....</b>	<b>(153,345,919)</b>	<b>(182,298,206)</b>
<b>Net position, end of year..... \$</b>	<b>(146,887,342)</b>	<b>(153,345,919)</b>

Governmental activities net position increased by \$6.5 million during the current year due to several factors. Net position increased as a result of positive budgetary results in the general fund, including revenues received exceeding anticipated amounts by \$6.7 million. Net position also increased due to the receipt of \$15.3 million of capital grant revenue relating to the reimbursement of construction costs on the new middle/high school project through the Massachusetts School Building Authority. The increases to net position were reduced by a \$10 million increase in the Town's net other postemployment benefits liability, as well as a \$5.7 million increase in the net pension liability, after considering the related deferred outflows and inflows of resources related to both liabilities.

The governmental activities supported the operations of the water and sewer enterprise funds in the form of a \$4.7 million operating contribution to cover operating losses.

**Business-type Activities**

	2019	2018 (As Restated)
<b>Assets:</b>		
Current assets.....	\$ 14,812,464	\$ 15,518,693
Noncurrent assets (excluding capital).....	2,332,843	2,817,399
Capital assets, non depreciable.....	716,021	716,021
Capital assets, net of accumulated depreciation....	146,344,256	141,593,605
<b>Total assets.....</b>	<b>164,205,584</b>	<b>160,645,718</b>
<b>Deferred outflows of resources.....</b>	<b>1,721,651</b>	<b>1,696,518</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	3,591,474	1,158,385
Noncurrent liabilities (excluding debt).....	16,118,778	15,102,812
Current debt.....	17,935,886	24,137,491
Noncurrent debt.....	50,327,981	46,050,106
<b>Total liabilities.....</b>	<b>87,974,119</b>	<b>86,448,794</b>
<b>Deferred inflows of resources.....</b>	<b>546,264</b>	<b>860,758</b>
<b>Net position:</b>		
Net investment in capital assets.....	81,721,481	75,574,293
Unrestricted.....	(4,314,629)	(541,609)
<b>Total net position.....</b>	<b>\$ 77,406,852</b>	<b>\$ 75,032,684</b>

Water and sewer business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$77.4 million at the close of 2019. The net investment in capital assets, was \$81.7 million while unrestricted net position was in a deficit balance of \$4.3 million.

	2019	2018 (As Restated)
<b>Program Revenues:</b>		
Charges for services.....	\$ 10,957,027	\$ 11,772,888
Operating grants and contributions.....	373,322	443,006
Capital grants and contributions.....	781,661	-
Unrestricted investment income.....	110,404	15,359
<b>Total revenues.....</b>	<b>12,222,414</b>	<b>12,231,253</b>
<b>Expenses:</b>		
Water.....	7,421,888	6,558,101
Sewer.....	7,364,854	8,027,465
<b>Total expenses.....</b>	<b>14,786,742</b>	<b>14,585,566</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(2,564,328)</b>	<b>(2,354,313)</b>
<b>Transfers.....</b>	<b>4,938,496</b>	<b>5,418,132</b>
<b>Change in net position.....</b>	<b>2,374,168</b>	<b>3,063,819</b>
<b>Net position, beginning of year (as restated).....</b>	<b>75,032,684</b>	<b>71,968,865</b>
<b>Net position, end of year.....</b>	<b>\$ 77,406,852</b>	<b>\$ 75,032,684</b>

Beginning net position of the business-type activities has been restated to update the net OPEB liability measurement date to the current year end (see Note 15 for details).

The business-type activities show a \$2.6 million deficit before transfers. The operating deficit primarily relates to the fact that charges for services for the water enterprise fund and the sewer enterprise fund are not set to recover the respective operating and interest costs. The general fund currently subsidizes the operating deficits.

The business-type activities increased by \$2.4 million during the year primarily due to better than anticipated user charge collections, as well as the sewer fund retaining \$1.7 million for debt stabilization.

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

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$65.6 million, a decrease of \$27.1 million from the prior year. The decrease is related to the School Capital Projects fund.

#### ***General Fund***

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$38.8 million, while total fund balance was \$40.4 million. 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 fund expenditures. Unassigned fund balance represents 22.7% of total general fund expenditures, while total fund balance represents 23.6% of that same amount. Fund balance increase by \$3.6 million mainly due positive budgetary results offset by the use of free cash and prior year reserves used to balance the budget.

#### ***School Capital Projects Fund***

The school capital projects fund is primarily used to account for the activity associated with the construction of the new middle/high school construction project. The fund had a balance of \$9.8 million at year-end, a decrease of \$32.6 million over the prior year. This decrease is largely the result of the increased expenditures for the new middle/high school project which were financed from the prior year's issuance of long-term debt. During the year \$15.3 million of reimbursements were received from the Massachusetts School Building Authority.

### ***General Fund Budgetary Highlights***

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

Actual revenues received were greater than budgeted by \$6.7 million, primarily due to the collection of \$1.6 million of unbudgeted tax lien and tax foreclosure receipts, as well as higher than anticipated real estate and personal property taxes, motor vehicle excise taxes, and investment income.

Actual expenditures and carryovers were \$1.3 million less than budgeted amounts. The budgetary fund balance had an increase of \$1.4 million largely as a result of the greater than anticipated revenues, offset by the Town voting to fund portions of the operating and capital budget with free cash and other reserves.

### ***Capital Asset and Debt Administration***

In conjunction with the operating budget, the Town annually prepares capital budgets for each upcoming year.

The Town's governmental major capital activity included \$52.4 million for construction of the new middle/high school, \$1.6 million for Town infrastructure improvements, and \$564,000 for a new fire truck. The funding for these capital expenditures came from bond proceeds, general fund appropriations, and capital grants from the Commonwealth. The governmental activities total capital assets net of accumulated depreciation was \$254.9 million at the end of 2019.

The major business-type capital asset activity included \$2.9 million of water infrastructure improvements and \$7 million of sewer infrastructure improvements. The business-type activities total capital assets net of accumulated depreciation was \$147.1 million at the end of 2019.

Outstanding long-term debt, as of June 30, 2019, totaled \$152.2 million, of which \$96.4 million relates to various school and general governmental projects, and \$55.8 million relates to various water and sewer projects.

Outstanding short-term debt, as of June 30, 2019, totaled \$12.3 million, of which \$472,000 relates to roadway improvements, \$410,000 relates to school building improvements, \$11.7 million relates to various sewer projects, and \$605,000 relates to water infrastructure improvements.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Billerica's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 365 Boston Road, Billerica, Massachusetts 01821.

# ***Basic Financial Statements***

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## STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 46,936,239	\$ 9,404,108	\$ 56,340,347
Investments.....	30,633,819	1,562,752	32,196,571
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,000,451	-	1,000,451
Tax liens.....	4,952,940	-	4,952,940
Community preservation fund surtax.....	7,271	-	7,271
Motor vehicle and other excise taxes.....	977,438	-	977,438
User fees.....	-	3,361,048	3,361,048
Departmental and other.....	718,905	-	718,905
Intergovernmental.....	8,573,667	-	8,573,667
Intergovernmental - subsidy.....	-	484,556	484,556
Community preservation state share.....	132,916	-	132,916
Tax foreclosures.....	1,843,264	-	1,843,264
Working capital deposit.....	90,700	-	90,700
Total current assets.....	95,867,610	14,812,464	110,680,074
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental - subsidy.....	-	2,332,843	2,332,843
Capital assets, nondepreciable.....	21,291,152	716,021	22,007,173
Capital assets, net of accumulated depreciation.....	233,612,175	146,344,256	379,956,431
Total noncurrent assets.....	254,903,327	149,393,120	404,296,447
<b>TOTAL ASSETS.....</b>	<b>350,770,937</b>	<b>164,205,584</b>	<b>514,976,521</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows for refunding debt.....	33,759	107,672	141,431
Deferred outflows related to pensions.....	16,216,064	1,613,583	17,829,647
Deferred outflows related to other postemployment benefits.....	55,138	396	55,534
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>16,304,961</b>	<b>1,721,651</b>	<b>18,026,612</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	9,413,037	2,680,053	12,093,090
Accrued payroll.....	2,799,248	72,271	2,871,519
Health claims payable.....	1,093,000	-	1,093,000
Tax refunds payable.....	1,127,000	-	1,127,000
Accrued interest.....	1,417,368	575,150	1,992,518
Other liabilities.....	276,663	-	276,663
Compensated absences.....	1,503,000	264,000	1,767,000
Notes payable.....	882,000	12,281,285	13,163,285
Bonds payable.....	3,311,379	5,654,601	8,965,980
Total current liabilities.....	21,822,695	21,527,360	43,350,055
<b>NONCURRENT:</b>			
Compensated absences.....	1,861,000	307,000	2,168,000
Net pension liability.....	137,125,653	13,644,719	150,770,372
Net other postemployment benefits liability.....	249,735,183	2,167,059	251,902,242
Bonds payable.....	97,928,904	50,327,981	148,256,885
Total noncurrent liabilities.....	486,650,740	66,446,759	553,097,499
<b>TOTAL LIABILITIES.....</b>	<b>508,473,435</b>	<b>87,974,119</b>	<b>596,447,554</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	5,489,805	546,264	6,036,069
<b>NET POSITION</b>			
Net investment in capital assets.....	163,030,569	81,721,481	244,752,050
Restricted for:			
Permanent funds:			
Expendable.....	954,004	-	954,004
Nonexpendable.....	1,316,149	-	1,316,149
Gifts and grants.....	1,532,284	-	1,532,284
Community preservation.....	2,068,952	-	2,068,952
Unrestricted.....	(315,789,300)	(4,314,629)	(320,103,929)
<b>TOTAL NET POSITION.....</b>	<b>\$ (146,887,342)</b>	<b>\$ 77,406,852</b>	<b>\$ (69,480,490)</b>

See notes to basic financial statements.



**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 10,220,641	\$ 1,190,204	\$ 174,194	\$ -	\$ (8,856,243)
Public safety.....	37,262,083	4,156,603	560,033	600	(32,544,847)
Education.....	126,762,069	3,096,533	37,409,230	15,622,476	(70,633,830)
Public works.....	12,110,367	320,270	124,058	-	(11,666,039)
Human services.....	2,330,837	430,645	637,966	-	(1,262,226)
Culture and recreation.....	6,304,638	979,903	65,519	265,571	(4,993,645)
Community preservation.....	74,947	-	132,916	-	57,969
Interest.....	3,415,012	-	-	-	(3,415,012)
<b>Total Governmental Activities.....</b>	<b>198,480,594</b>	<b>10,174,158</b>	<b>39,103,916</b>	<b>15,888,647</b>	<b>(133,313,873)</b>
<i>Business-Type Activities:</i>					
Water.....	7,421,888	5,117,917	373,322	253,597	(1,677,052)
Sewer.....	7,364,854	5,839,110	-	528,064	(997,680)
<b>Total Business-Type Activities.....</b>	<b>14,786,742</b>	<b>10,957,027</b>	<b>373,322</b>	<b>781,661</b>	<b>(2,674,732)</b>
<b>Total Primary Government.....</b>	<b>\$ 213,267,336</b>	<b>\$ 21,131,185</b>	<b>\$ 39,477,238</b>	<b>\$ 16,670,308</b>	<b>\$ (135,988,605)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(133,313,873)</b>	<b>(2,674,732)</b>	<b>(135,988,605)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	123,139,648	-	123,139,648
Tax and other liens.....	1,473,407	-	1,473,407
Motor vehicle and other excise taxes.....	7,157,445	-	7,157,445
Hotel/motel tax.....	1,095,926	-	1,095,926
Meals tax.....	593,042	-	593,042
Community preservation tax.....	940,340	-	940,340
Penalties and interest on taxes.....	474,992	-	474,992
Grants and contributions not restricted to specific programs.....	6,188,386	-	6,188,386
Unrestricted investment income.....	3,647,760	110,404	3,758,164
<i>Transfers, net</i> .....	(4,938,496)	4,938,496	-
Total general revenues and transfers.....	<u>139,772,450</u>	<u>5,048,900</u>	<u>144,821,350</u>
Change in net position.....	6,458,577	2,374,168	8,832,745
<i>Net position:</i>			
Beginning of year, as restated.....	<u>(153,345,919)</u>	<u>75,032,684</u>	<u>(78,313,235)</u>
End of year..... \$	<u><u>(146,887,342)</u></u>	<u><u>77,406,852</u></u>	<u><u>(69,480,490)</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2019

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 14,830,448	\$ 13,998,236	\$ 13,030,048	\$ 41,858,732
Investments.....	28,321,284	-	2,312,535	30,633,819
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,000,451	-	-	1,000,451
Tax liens.....	4,952,940	-	-	4,952,940
Community preservation fund surtax.....	-	-	7,271	7,271
Motor vehicle and other excise taxes.....	977,438	-	-	977,438
Departmental and other.....	718,905	-	-	718,905
Intergovernmental.....	2,487,335	3,860,577	2,225,755	8,573,667
Community preservation state share.....	-	-	132,916	132,916
Tax foreclosures.....	1,843,264	-	-	1,843,264
<b>TOTAL ASSETS.....</b>	<b>\$ 55,132,065</b>	<b>\$ 17,858,813</b>	<b>\$ 17,708,525</b>	<b>\$ 90,699,403</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 1,222,095	\$ 7,643,047	\$ 547,895	\$ 9,413,037
Accrued payroll.....	2,799,248	-	-	2,799,248
Tax refunds payable.....	1,127,000	-	-	1,127,000
Other liabilities.....	276,663	-	-	276,663
Notes payable.....	-	410,000	472,000	882,000
<b>TOTAL LIABILITIES.....</b>	<b>5,425,006</b>	<b>8,053,047</b>	<b>1,019,895</b>	<b>14,497,948</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	9,278,092	-	1,344,175	10,622,267
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	1,316,149	1,316,149
Restricted.....	-	9,805,766	14,028,306	23,834,072
Assigned.....	1,632,767	-	-	1,632,767
Unassigned.....	38,796,200	-	-	38,796,200
<b>TOTAL FUND BALANCES.....</b>	<b>40,428,967</b>	<b>9,805,766</b>	<b>15,344,455</b>	<b>65,579,188</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 55,132,065</b>	<b>\$ 17,858,813</b>	<b>\$ 17,708,525</b>	<b>\$ 90,699,403</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2019

Total governmental fund balances.....	\$	65,579,188
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		254,903,327
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		10,622,267
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		10,815,156
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		4,075,207
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,417,368)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(101,240,283)	
Net pension liability.....	(137,125,653)	
Net other postemployment benefits liability.....	(249,735,183)	
Compensated absences.....	<u>(3,364,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(491,465,119)</u>
Net position of governmental activities.....	\$	<u><u>(146,887,342)</u></u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 123,538,382	\$ -	\$ -	\$ 123,538,382
Tax liens.....	1,638,947	-	2,295	1,641,242
Motor vehicle and other excise taxes.....	7,153,764	-	-	7,153,764
Hotel/motel tax.....	1,095,926	-	-	1,095,926
Meals tax.....	593,042	-	-	593,042
Charges for services.....	-	-	594,887	594,887
Penalties and interest on taxes.....	474,992	-	-	474,992
Fees and rentals.....	2,811,794	-	-	2,811,794
Licenses and permits.....	1,234,974	-	-	1,234,974
Intergovernmental - state aid.....	26,059,002	-	-	26,059,002
Intergovernmental - School Building Authority.....	-	15,305,713	-	15,305,713
Intergovernmental - Teachers Retirement.....	14,113,754	-	-	14,113,754
Intergovernmental - other.....	-	-	7,462,804	7,462,804
Departmental and other.....	587,835	-	4,733,817	5,321,652
Community preservation taxes.....	-	-	949,245	949,245
Contributions and donations.....	-	-	20,574	20,574
Investment income.....	3,388,872	-	178,356	3,567,228
<b>TOTAL REVENUES.....</b>	<b>182,691,284</b>	<b>15,305,713</b>	<b>13,941,978</b>	<b>211,938,975</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	5,385,662	-	931,057	6,316,719
Public safety.....	19,469,001	-	1,471,644	20,940,645
Education.....	75,128,612	52,408,353	8,121,759	135,658,724
Public works.....	7,526,761	-	3,495,978	11,022,739
Human services.....	1,124,015	-	421,826	1,545,841
Culture and recreation.....	2,872,555	-	1,508,552	4,381,107
Community preservation.....	-	-	74,947	74,947
Pension benefits.....	11,555,045	-	-	11,555,045
Pension benefits - Teachers Retirement.....	14,113,754	-	-	14,113,754
Employee benefits.....	19,289,549	-	-	19,289,549
Building insurance.....	859,795	-	-	859,795
State and county charges.....	5,001,747	-	-	5,001,747
Capital outlay.....	1,399,993	-	-	1,399,993
Debt service:				
Principal.....	3,705,000	-	-	3,705,000
Interest.....	3,814,082	-	-	3,814,082
<b>TOTAL EXPENDITURES.....</b>	<b>171,245,571</b>	<b>52,408,353</b>	<b>16,025,763</b>	<b>239,679,687</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>11,445,713</b>	<b>(37,102,640)</b>	<b>(2,083,785)</b>	<b>(27,740,712)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds.....	-	3,090,000	2,515,000	5,605,000
Operating subsidy to enterprise funds.....	(4,716,282)	-	-	(4,716,282)
Transfers in.....	159,548	1,400,000	2,761,582	4,321,130
Transfers out.....	(3,323,429)	-	(1,219,915)	(4,543,344)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(7,880,163)</b>	<b>4,490,000</b>	<b>4,056,667</b>	<b>666,504</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,565,550</b>	<b>(32,612,640)</b>	<b>1,972,882</b>	<b>(27,074,208)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>36,863,417</b>	<b>42,418,406</b>	<b>13,371,573</b>	<b>92,653,396</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 40,428,967</b>	<b>\$ 9,805,766</b>	<b>\$ 15,344,455</b>	<b>\$ 65,579,188</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds.....	\$	(27,074,208)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		58,174,771
Depreciation expense.....		<u>(6,156,094)</u>
Net effect of reporting capital assets.....		52,018,677
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(2,350,841)
<p>The issuance of long-term debt 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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....		(5,605,000)
Net amortization of premium from issuance of bonds.....		363,015
Net change in deferred charge on refunding.....		(14,640)
Debt service principal payments.....		<u>3,705,000</u>
Net effect of reporting long-term debt.....		(1,551,625)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		97,000
Net change in accrued interest on long-term debt.....		50,695
Net change in deferred outflow/(inflow) of resources related to pensions.....		4,426,424
Net change in net pension liability.....		(10,137,085)
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....		37,626
Net change in net other postemployment benefits liability.....		<u>(10,025,424)</u>
Net effect of recording long-term liabilities.....		(15,550,764)
The net activity of internal service funds is reported with Governmental Activities.....		<u>967,338</u>
Change in net position of governmental activities.....	\$	<u><u>6,458,577</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 3,247,274	\$ 6,156,834	\$ 9,404,108	\$ 5,077,507
Investments.....	-	1,562,752	1,562,752	-
Receivables, net of allowance for uncollectibles:				
User fees.....	1,444,555	1,916,493	3,361,048	-
Intergovernmental - subsidy.....	484,556	-	484,556	-
Working capital deposit.....	-	-	-	90,700
Total current assets.....	<u>5,176,385</u>	<u>9,636,079</u>	<u>14,812,464</u>	<u>5,168,207</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Intergovernmental - subsidy.....	2,332,843	-	2,332,843	-
Capital assets, non depreciable.....	65,957	650,064	716,021	-
Capital assets, net of accumulated depreciation.....	<u>44,187,161</u>	<u>102,157,095</u>	<u>146,344,256</u>	<u>-</u>
Total noncurrent assets.....	<u>46,585,961</u>	<u>102,807,159</u>	<u>149,393,120</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<b><u>51,762,346</u></b>	<b><u>112,443,238</u></b>	<b><u>164,205,584</u></b>	<b><u>5,168,207</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on refunding.....	8,102	99,570	107,672	-
Deferred outflows related to pensions.....	1,048,383	565,200	1,613,583	-
Deferred outflows related to other postemployment benefits.....	<u>252</u>	<u>144</u>	<u>396</u>	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b><u>1,056,737</u></b>	<b><u>664,914</u></b>	<b><u>1,721,651</u></b>	<b><u>-</u></b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	446,107	2,233,946	2,680,053	-
Accrued payroll.....	44,791	27,480	72,271	-
Health claims payable.....	-	-	-	1,093,000
Accrued interest.....	223,334	351,816	575,150	-
Compensated absences.....	159,000	105,000	264,000	-
Notes payable.....	605,000	11,676,285	12,281,285	-
Bonds payable.....	<u>2,148,086</u>	<u>3,506,515</u>	<u>5,654,601</u>	<u>-</u>
Total current liabilities.....	<u>3,626,318</u>	<u>17,901,042</u>	<u>21,527,360</u>	<u>1,093,000</u>
<b>NONCURRENT:</b>				
Compensated absences.....	206,000	101,000	307,000	-
Net pension liability.....	8,865,298	4,779,421	13,644,719	-
Net other postemployment benefits liability.....	1,417,741	749,318	2,167,059	-
Bonds payable.....	<u>14,225,374</u>	<u>36,102,607</u>	<u>50,327,981</u>	<u>-</u>
Total noncurrent liabilities.....	<u>24,714,413</u>	<u>41,732,346</u>	<u>66,446,759</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>28,340,731</u></b>	<b><u>59,633,388</u></b>	<b><u>87,974,119</u></b>	<b><u>1,093,000</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions.....	<u>354,921</u>	<u>191,343</u>	<u>546,264</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets.....	30,100,159	51,621,322	81,721,481	-
Unrestricted.....	<u>(5,976,728)</u>	<u>1,662,099</u>	<u>(4,314,629)</u>	<u>4,075,207</u>
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 24,123,431</u></b>	<b><u>\$ 53,283,421</u></b>	<b><u>\$ 77,406,852</u></b>	<b><u>\$ 4,075,207</u></b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b>OPERATING REVENUES:</b>				
Charges for services.....	\$ 5,117,917	\$ 5,839,110	\$ 10,957,027	\$ -
Employee contributions.....	-	-	-	5,301,049
Employer contributions.....	-	-	-	15,172,601
Other operating revenues.....	253,597	528,064	781,661	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>5,371,514</b>	<b>6,367,174</b>	<b>11,738,688</b>	<b>20,473,650</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration.....	5,250,001	2,678,589	7,928,590	-
Depreciation.....	1,534,393	3,538,142	5,072,535	-
Employee benefits.....	-	-	-	19,586,844
<b>TOTAL OPERATING EXPENSES.....</b>	<b>6,784,394</b>	<b>6,216,731</b>	<b>13,001,125</b>	<b>19,586,844</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(1,412,880)</b>	<b>150,443</b>	<b>(1,262,437)</b>	<b>886,806</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	-	110,404	110,404	80,532
Interest expense.....	(637,494)	(1,148,123)	(1,785,617)	-
Intergovernmental - subsidy.....	373,322	-	373,322	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(264,172)</b>	<b>(1,037,719)</b>	<b>(1,301,891)</b>	<b>80,532</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(1,677,052)</b>	<b>(887,276)</b>	<b>(2,564,328)</b>	<b>967,338</b>
<b>TRANSFERS:</b>				
Operating subsidy from the general fund.....	1,388,894	3,327,388	4,716,282	-
Transfers in.....	22,214	200,000	222,214	-
<b>TOTAL TRANSFERS.....</b>	<b>1,411,108</b>	<b>3,527,388</b>	<b>4,938,496</b>	<b>-</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(265,944)</b>	<b>2,640,112</b>	<b>2,374,168</b>	<b>967,338</b>
<b>NET POSITION AT BEGINNING OF YEAR, AS RESTATED.....</b>	<b>24,389,375</b>	<b>50,643,309</b>	<b>75,032,684</b>	<b>3,107,869</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 24,123,431</b>	<b>\$ 53,283,421</b>	<b>\$ 77,406,852</b>	<b>\$ 4,075,207</b>



**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 5,482,618	\$ 6,339,864	\$ 11,822,482	\$ -
Receipts from interfund services provided.....	-	-	-	20,473,650
Payments to vendors.....	(2,669,421)	(1,882,250)	(4,551,671)	-
Payments to employees.....	(1,696,999)	(1,028,481)	(2,725,480)	-
Payments for interfund services used.....	-	-	-	(19,475,844)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>1,116,198</b>	<b>3,429,133</b>	<b>4,545,331</b>	<b>997,806</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in.....	22,214	200,000	222,214	-
Operating contribution.....	1,388,894	3,327,388	4,716,282	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>1,411,108</b>	<b>3,527,388</b>	<b>4,938,496</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	4,900,000	5,257,459	10,157,459	-
Acquisition and construction of capital assets.....	(2,538,258)	(4,829,075)	(7,367,333)	-
Principal payments on bonds and notes.....	(5,031,175)	(6,519,322)	(11,550,497)	-
Interest expense.....	(309,398)	(1,171,697)	(1,481,095)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(2,978,831)</b>	<b>(7,262,635)</b>	<b>(10,241,466)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments.....	-	(511,235)	(511,235)	-
Investment income.....	-	110,404	110,404	80,532
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>-</b>	<b>(400,831)</b>	<b>(400,831)</b>	<b>80,532</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(451,525)</b>	<b>(706,945)</b>	<b>(1,158,470)</b>	<b>1,078,338</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>3,698,799</b>	<b>6,863,779</b>	<b>10,562,578</b>	<b>3,999,169</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 3,247,274</b>	<b>\$ 6,156,834</b>	<b>\$ 9,404,108</b>	<b>\$ 5,077,507</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ (1,412,880)	\$ 150,443	\$ (1,262,437)	\$ 886,806
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	1,534,393	3,538,142	5,072,535	-
Deferred (outflows)/inflows related to pensions.....	(284,192)	(122,588)	(406,780)	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(182)	(102)	(284)	-
Changes in assets and liabilities:				
User charges.....	111,104	(27,310)	83,794	-
Warrants payable.....	10,963	(30,608)	(19,645)	-
Accrued payroll.....	(7,195)	(1,623)	(8,818)	-
Health claims payable.....	-	-	-	111,000
Compensated absences.....	96,000	38,000	134,000	-
Net pension liability.....	615,461	(285,530)	329,931	-
Net other postemployment benefits liability.....	452,726	170,309	623,035	-
Total adjustments.....	2,529,078	3,278,690	5,807,768	111,000
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 1,116,198</b>	<b>\$ 3,429,133</b>	<b>\$ 4,545,331</b>	<b>\$ 997,806</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>				
Change in the deferred loss on debt refunding.....	\$ (4,983)	\$ (62,454)	\$ (67,437)	\$ -
Intergovernmental subsidy of debt service.....	459,756	-	459,756	-

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 30,429	\$ 30,565	\$ 1,495,655
Investments:			
Government sponsored enterprises.....	665,756	1,722,563	-
Corporate bonds.....	297,508	-	-
Equity securities.....	3,012,365	-	-
<b>TOTAL ASSETS.....</b>	<b>4,006,058</b>	<b>1,753,128</b>	<b>1,495,655</b>
<b>LIABILITIES</b>			
Liabilities due depositors.....	-	-	1,495,655
<b>NET POSITION</b>			
Restricted for other postemployment benefits.....	4,006,058	-	-
Held in trust for other purposes.....	-	1,753,128	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 4,006,058</b>	<b>\$ 1,753,128</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<b><u>ADDITIONS:</u></b>		
Contributions:		
Employer contributions.....	\$ 1,150,000	\$ -
Employer contributions for other postemployment benefit payments....	10,894,860	-
Private donations.....	-	25,607
<b>Total contributions.....</b>	<b>12,044,860</b>	<b>25,607</b>
Net investment income:		
Investment income.....	192,259	114,907
<b>TOTAL ADDITIONS.....</b>	<b>12,237,119</b>	<b>140,514</b>
<b><u>DEDUCTIONS:</u></b>		
Other postemployment benefit payments.....	10,894,860	-
Educational scholarships.....	-	129,394
<b>TOTAL DEDUCTIONS.....</b>	<b>10,894,860</b>	<b>129,394</b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b>1,342,259</b>	<b>11,120</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>2,663,799</b>	<b>1,742,008</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 4,006,058</b>	<b>\$ 1,753,128</b>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town of Billerica is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

*Joint Ventures*

The Town is a member of the Shawsheen Regional Technical High School District that provides for the education of only the Town's high school students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2019 assessment was \$10,917,400.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

*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.

*Major Fund Criteria*

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

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least

10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service and fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 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 particular 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 particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of 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 un-matured interest on general long-term debt which is recognized when due, and certain

compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. 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.

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 the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *school capital projects fund* is used to account for all financial resources associated with school capital projects, including the new middle/high school project.

The nonmajor governmental funds consist of other special revenue, capital projects 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:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is 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 of the governmental funds.

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

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, 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.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operations within the water department.

The *sewer enterprise fund* is used to account for the financial activity that occurs as a result of the ongoing operations within the sewer department.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

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

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is primarily used to account for public works and planning board performance bonds, police detail activity and student activity funds but also accounts for any asset that is held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### D. Cash 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. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

#### E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

##### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on July 1<sup>st</sup> and 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. Tax liens are processed within 30 days of the close of the following year end for all taxes that are considered delinquent at that time. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

##### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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



**Sewer**

User fees are levied three times a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

**Water**

User fees are levied three times a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

**Intergovernmental**

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

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

**G. Inventories*****Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

**H. Capital Assets*****Government-Wide Financial Statements***

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund 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 fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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 process) are depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of capital assets being depreciated 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
Infrastructure.....	40 - 50

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

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial 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 so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has recorded deferred losses on refunding and deferred outflows of resources related to pensions and OPEB in this category in the government-wide statement of net position.

In addition to liabilities, the statement of financial 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 so will not be recognized as an inflow of resources (revenue) until that time. The Town has recorded deferred inflows of resources related to pensions in this category.

*Governmental Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

Unavailable revenue at the governmental fund financial statement level 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, i.e. receivables that are not considered to be available to liquidate liabilities (full accrual) financial statements.

### J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

#### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental and internal service 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 and within 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.

### K. Interfund Transfers and Operating Subsidy

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

#### *Government-Wide Financial Statements*

Transfers between and within 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 activities as "Transfers, net."

#### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

#### *Operating Subsidy*

The Town has voted to account for the operation of the water and sewer activities as enterprise funds. The direct expenses of each enterprise fund is budgeted and the total revenues rates are approved annually. At the current time revenues are not sufficient to cover the budgeted expenses and therefore the general fund provides an operating subsidy to balance the budget. The Town has elected to not budget the expense related to pension, health insurance and indirect charges for each enterprise fund. The Town has not estimated the cost of providing this non-cash subsidy and therefore has not been reported in the financial statements.

### L. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not factored into the calculation of the net investment of capital assets.

Net position is reported as restricted when amounts are not otherwise available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts. Only investment earnings may be expended from this category.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

“Grants and gifts” – represents amounts held for school and other Town grants, and for gift funds.

“Community preservation” – represents amounts held for uses restricted by law for community preservation purposes.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. For the Town, Town Meeting is the highest level of decision-making authority that can, by adoption of a Town Meeting warrant article, vote to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount.

## M. Long-term Debt

### *Government-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

### *Governmental Fund Financial Statements*

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

## N. Pensions

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 both the Middlesex County Contributory Retirement System (MCCRS) and the Massachusetts Teachers Retirement System (MTRS) additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## O. Investment Income

Excluding the permanent funds, 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 from proprietary fund operations is voluntarily assigned and transferred to the general fund.

## P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

### *Government-Wide Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

### *Governmental Fund Financial Statements*

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following a retirement or resignation. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

### Q. Appropriation Deficit

Actual expenditures exceeded appropriations for public works due to snow and ice by \$127,922. Massachusetts General Law allows communities to overspend their snow and ice removal appropriation line; however, deficits must be raised in the subsequent year.

### R. 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 and liabilities 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 year. Actual results could vary from estimates that were used.

### S. 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 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 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Town participates in MMDT, which maintains a cash portfolio with an average maturity of approximately 28 to 68 days. The Town's investments in MMDT are unrated.

### Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$57,168,539 and the bank balance totaled \$61,611,614. Of the bank balance, \$3,240,164 was covered by Federal Depository Insurance, \$27,030,676 was

covered by the Depositors Insurance Fund insurance, \$2,038,271 was covered by the Share Insurance Fund insurance, \$24,768,911 was collateralized, and \$4,533,592 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Share Insurance Fund (SIF) is a private fund owned by the member co-operative banks, which insures all deposits at co-operative banks in Massachusetts above Federal Deposit Insurance Corporation (FDIC) limits.

The Town’s investment policy addresses custodial credit risk of deposits by establishing the following policy: The Town will not have on deposit with a single financial institution more than 60% of the institutions total equity presented on the specific institution’s annual audited financial statements. Additionally, no single bank or bank holding company shall hold in excess of 75% of the Treasurer’s cash balance for greater than three consecutive days.

Investments

As of June 30, 2019, the Town had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
<u>Debt securities:</u>			
U.S. treasury notes.....	\$ 1,434,546	\$ 425,341	\$ 1,009,205
Government sponsored enterprises.....	14,064,112	8,874,534	5,189,578
Corporate bonds.....	5,849,933	1,661,612	4,188,321
Total debt securities.....	21,348,591	\$ 10,961,487	\$ 10,387,104
<u>Other investments:</u>			
Equity securities.....	15,110,580		
Equity mutual funds.....	49,832		
Certificates of deposit.....	810,984		
International securities.....	574,776		
Money market mutual funds.....	670,348		
MMDT - Cash portfolio.....	58,109		
Total investments.....	\$ 38,623,220		

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$14,064,112 in government sponsored enterprises, \$5,849,933 in corporate bonds, and \$15,110,580 in equity securities are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. Excluding investments in United States treasury notes, and MMDT, no more than 75% of the Town’s total investment portfolio will be held by any single financial institution.

Interest Rate Risk

The Town’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

The Town has not adopted a formal policy related to credit risk. The investment rates were as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ 454,824
AA+.....	14,064,112	-
AA-.....	-	200,178
A+.....	-	2,205,869
A.....	-	869,232
A-.....	-	491,711
BBB+.....	-	857,578
BBB.....	-	770,541
Total.....	<u>\$ 14,064,112</u>	<u>\$ 5,849,933</u>

Concentration of Credit Risk

The Town will minimize the concentration of credit risk by diversifying the investment portfolio, so that the impact of potential losses from any one type of security or issuer will be minimized. The Town did not have more than 5% of its investments in any one individual security.

Fair Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.



The following table presents financial assets at June 30, 2019, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2019	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 measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 1,434,546	\$ 1,434,546	\$ -	\$ -
Government sponsored enterprises.....	14,064,112	14,064,112	-	-
Corporate bonds.....	5,849,933	-	5,849,933	-
Total debt securities.....	21,348,591	15,498,658	5,849,933	-
<u>Other investments:</u>				
Equity securities.....	15,110,580	15,110,580	-	-
Equity mutual funds.....	49,832	49,832	-	-
Certificates of deposit.....	810,984	810,984	-	-
International securities.....	574,776	574,776	-	-
Money market mutual funds.....	670,348	670,348	-	-
Total other investments.....	17,216,520	17,216,520	-	-
Total investments measured at fair value.....	38,565,111	\$ 32,715,178	\$ 5,849,933	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	58,109			
Total investments.....	\$ 38,623,220			

U.S. treasury notes, government sponsored enterprises, equity securities, equity mutual funds, certificates of deposit, international securities and money market mutual funds classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

**NOTE 3 – RECEIVABLES**

At June 30, 2019, receivables for the individual major and the nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,500,651	\$ (500,200)	\$ 1,000,451
Tax liens.....	4,952,940	-	4,952,940
Community preservation fund surtax.....	7,271	-	7,271
Motor vehicle and other excise taxes.....	1,892,538	(915,100)	977,438
Departmental and other.....	718,905	-	718,905
Intergovernmental.....	8,573,667	-	8,573,667
Community preservation state share.....	132,916	-	132,916
Total.....	<u>\$ 17,778,888</u>	<u>\$ (1,415,300)</u>	<u>\$ 16,363,588</u>

At June 30, 2019, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 1,444,555	\$ -	\$ 1,444,555
Water intergovernmental - subsidy.....	2,817,399	-	2,817,399
Sewer user fees.....	1,916,493	-	1,916,493
Total.....	<u>\$ 6,178,447</u>	<u>\$ -</u>	<u>\$ 6,178,447</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues and advance collections that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 785,243	\$ -	\$ 785,243
Tax liens.....	4,952,940	-	4,952,940
Community preservation fund surtax.....	-	7,271	7,271
Motor vehicle and other excise taxes.....	977,438	-	977,438
Departmental and other.....	718,905	-	718,905
Intergovernmental - highway improvements.....	-	1,203,710	1,203,710
Community preservation state share.....	-	132,916	132,916
<u>Other assets:</u>			
Tax foreclosures.....	1,843,264	-	1,843,264
Total.....	<u>\$ 9,277,790</u>	<u>\$ 1,343,897</u>	<u>\$ 10,621,687</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 21,009,852	\$ 281,300	\$ -	\$ 21,291,152
Construction in progress.....	93,427,167	-	(93,427,167)	-
Total capital assets not being depreciated.....	114,437,019	281,300	(93,427,167)	21,291,152
<u>Capital assets being depreciated:</u>				
Land improvements.....	8,026,513	-	-	8,026,513
Buildings.....	97,881,645	145,835,520	-	243,717,165
Machinery and equipment.....	8,999,153	233,304	(551,402)	8,681,055
Vehicles.....	13,727,117	1,523,396	(871,691)	14,378,822
Infrastructure.....	57,180,885	3,728,418	(23,633,404)	37,275,899
Total capital assets being depreciated.....	185,815,313	151,320,638	(25,056,497)	312,079,454
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,527,306)	(283,356)	-	(3,810,662)
Buildings.....	(45,134,218)	(3,889,457)	-	(49,023,675)
Machinery and equipment.....	(7,930,432)	(261,081)	551,402	(7,640,111)
Vehicles.....	(10,921,849)	(814,115)	871,691	(10,864,273)
Infrastructure.....	(29,853,877)	(908,085)	23,633,404	(7,128,558)
Total accumulated depreciation.....	(97,367,682)	(6,156,094)	25,056,497	(78,467,279)
Total capital assets being depreciated, net.....	88,447,631	145,164,544	-	233,612,175
Total governmental activities capital assets, net.....	\$ 202,884,650	\$ 145,445,844	\$ (93,427,167)	\$ 254,903,327

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 65,957	\$ -	\$ -	\$ 65,957
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	834,281	-	(122,540)	711,741
Vehicles.....	803,831	-	(493,903)	309,928
Infrastructure.....	65,751,889	2,867,538	(3,952,420)	64,667,007
Total capital assets being depreciated.....	67,390,001	2,867,538	(4,568,863)	65,688,676
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(464,163)	(69,632)	122,540	(411,255)
Vehicles.....	(586,439)	(58,745)	493,903	(151,281)
Infrastructure.....	(23,485,383)	(1,406,016)	3,952,420	(20,938,979)
Total accumulated depreciation.....	(24,535,985)	(1,534,393)	4,568,863	(21,501,515)
Total capital assets being depreciated, net.....	42,854,016	1,333,145	-	44,187,161
Total water activities capital assets, net.....	\$ 42,919,973	\$ 1,333,145	\$ -	\$ 44,253,118
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 650,064	\$ -	\$ -	\$ 650,064
<u>Capital assets being depreciated:</u>				
Buildings.....	2,924,117	-	-	2,924,117
Machinery and equipment.....	470,172	-	(282,945)	187,227
Vehicles.....	1,498,587	-	(403,466)	1,095,121
Infrastructure.....	144,880,221	6,955,648	(2,127,749)	149,708,120
Total capital assets being depreciated.....	149,773,097	6,955,648	(2,814,160)	153,914,585
<u>Less accumulated depreciation for:</u>				
Buildings.....	(2,083,433)	(73,103)	-	(2,156,536)
Machinery and equipment.....	(393,089)	(15,518)	282,945	(125,662)
Vehicles.....	(1,050,584)	(100,958)	403,466	(748,076)
Infrastructure.....	(47,506,402)	(3,348,563)	2,127,749	(48,727,216)
Total accumulated depreciation.....	(51,033,508)	(3,538,142)	2,814,160	(51,757,490)
Total capital assets being depreciated, net.....	98,739,589	3,417,506	-	102,157,095
Total sewer activities capital assets, net.....	\$ 99,389,653	\$ 3,417,506	\$ -	\$ 102,807,159

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

<b>Governmental Activities:</b>	
General government.....	\$ 224,463
Public safety.....	736,376
Education.....	3,381,129
Public works.....	1,356,164
Human services.....	32,234
Culture and recreation.....	<u>425,728</u>
 Total depreciation expense - governmental activities.....	 \$ <u>6,156,094</u>
 <b>Business-Type Activities:</b>	
Water.....	\$ 1,534,393
Sewer.....	<u>3,538,142</u>
 Total depreciation expense - business-type activities.....	 \$ <u>5,072,535</u>

**NOTE 5 – INTERFUND TRANSFERS AND OPERATING SUBSIDY**

Interfund transfers for the year ended June 30, 2019, are summarized as follows:

Transfers Out:	Transfers In:					Total	
	General fund	School capital projects	Nonmajor governmental funds	Water enterprise fund	Sewer enterprise fund		
General fund.....	\$ -	\$ 1,400,000	\$ 1,723,429	\$ 1,388,894	\$ 3,527,388	\$ 8,039,711	(1)
Nonmajor governmental funds..	<u>159,548</u>	<u>-</u>	<u>1,038,153</u>	<u>22,214</u>	<u>-</u>	<u>1,219,915</u>	(2)
Total.....	\$ <u>159,548</u>	\$ <u>1,400,000</u>	\$ <u>2,761,582</u>	\$ <u>1,411,108</u>	\$ <u>3,527,388</u>	\$ <u>9,259,626</u>	

- 1) Budgeted transfers from the general fund to the school capital projects and nonmajor governmental funds, as well as transfers to subsidize the water and sewer enterprise fund operations.
- 2) Budgeted transfers from the nonmajor rink revolving fund for operations and from the water enterprise fund and other nonmajors for surplus bond proceeds, as well as to and from various nonmajor funds.

The Town currently budgets an annual general fund subsidy to both the water and sewer enterprise funds since the current rates are not sufficient to cover the expenses of those funds. In 2019, the water fund received an operating subsidy of \$1,388,894 and the sewer fund received \$3,327,388.

**NOTE 6 – 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 or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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 General Fund.

Details related to the short-term debt activity for the year ended June 30, 2019, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
<b>Governmental Funds:</b>							
BAN	Municipal Purpose.....	1.70%	12/07/18	\$ 3,500,000	\$ -	\$ (3,500,000)	\$ -
BAN	Municipal Purpose.....	1.27%	11/16/18	2,666,000	-	(2,666,000)	-
BAN	Municipal Purpose.....	3.00%	06/28/19	680,000	-	(680,000)	-
BAN	Municipal Purpose.....	2.70%	09/27/19	-	3,500,000	(3,090,000)	410,000 (A)
BAN	Municipal Purpose.....	3.00%	09/27/19	-	2,307,000	(1,980,000)	327,000 (A)
BAN	Municipal Purpose.....	2.75%	09/27/19	-	680,000	(535,000)	145,000 (A)
Total Governmental Funds.....				\$ 6,846,000	\$ 6,487,000	\$ (12,451,000)	\$ 882,000
<b>Water Enterprise Fund:</b>							
BAN	Municipal Purpose.....	3.00%	06/28/19	\$ 3,400,000	\$ -	\$ (3,400,000)	\$ -
BAN	Municipal Purpose.....	3.00%	09/27/19	-	900,000	(810,000)	90,000 (A)
BAN	Municipal Purpose.....	2.75%	09/27/19	-	4,000,000	(3,485,000)	515,000 (A)
Total Water Enterprise Fund.....				3,400,000	4,900,000	(7,695,000)	605,000
<b>Sewer Enterprise Fund:</b>							
BAN*	MCWT Interim Financing.....	0.00%	04/11/19	4,287,728	-	(4,287,728)	-
BAN*	MCWT Interim Financing.....	0.00%	06/30/20	8,285,760	142,929	(401,934)	8,026,755
BAN*	MCWT Interim Financing.....	0.00%	04/11/19	80,167	-	(80,167)	-
BAN*	MCWT Interim Financing.....	0.00%	06/30/20	-	2,497,530	-	2,497,530
BAN	Municipal Purpose.....	1.27%	11/16/18	900,000	-	(900,000)	-
BAN	Municipal Purpose.....	3.00%	06/28/19	1,750,000	-	(1,750,000)	-
BAN	Municipal Purpose.....	3.00%	09/27/19	-	867,000	(760,000)	107,000 (A)
BAN	Municipal Purpose.....	2.75%	09/27/19	-	1,750,000	(705,000)	1,045,000 (A)
Total Sewer Enterprise Fund.....				15,303,655	5,257,459	(8,884,829)	11,676,285
Total Enterprise Funds.....				\$ 18,703,655	\$ 10,157,459	\$ (16,579,829)	\$ 12,281,285

\* The Massachusetts Clean Water Trust (MCWT) Temporary Financing relates to a program in which the Town is able to rehabilitate, expand, or upgrade the existing sewer infrastructure network. The Town has been approved for construction costs up to \$22.8 million at an interest rate of 0%. The Town entered into financing agreements in November of 2015 and September of 2018 and at that time the Town was allowed 2 years to expend funds against the loan. After the two years, the Town will determine the final construction costs and a permanent debt schedule will be agreed upon and payable over 20 years. The permanent debt schedule will be issued during fiscal year 2020 for one loan and the unspent project funds will be subtracted from the total amount of the loan.

(A) On September 19, 2019 the Town issued \$14,725,000 of general obligation bonds, of which \$11,365,000 was used to pay down bond anticipation notes on September 27, 2019. These notes have been recorded as long-term debt at June 30, 2019. The remaining \$2,639,000 of BANs were paid off on September 27, 2019 with Town funds.

#### NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2019, and the debt service requirements are as follows:

#### Bond Payable Schedule – Governmental Activities

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Municipal Purpose Bonds of 2011.....	2031	\$ 2,932,000	2.00-4.75	\$ 1,460,000
Municipal Purpose Bonds of 2013.....	2033	15,535,000	2.00-4.00	6,275,000
Municipal Purpose Bonds of 2013 - Refunding....	2025	2,524,000	1.00-4.00	1,380,000
Municipal Purpose Bonds of 2017 - Refunding....	2028	675,000	3.00-5.00	570,000
Municipal Purpose Bonds of 2017.....	2047	85,310,000	3.00-5.00	81,110,000
Municipal Purpose Bonds of 2019.....	2040	5,605,000	2.75-5.00	5,605,000
Total Bonds Payable.....		\$ 112,581,000		96,400,000
Add: Unamortized premium on bonds.....				4,840,283
Total Bonds Payable, net.....				\$ 101,240,283

Debt service requirements for principal and interest for governmental general obligation bonds payable in future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020.....	\$ 2,975,000	\$ 3,709,837	\$ 6,684,837
2021.....	2,980,000	3,665,325	6,645,325
2022.....	2,995,000	3,523,094	6,518,094
2023.....	3,025,000	3,384,462	6,409,462
2024.....	3,050,000	3,240,656	6,290,656
2025.....	3,130,000	3,110,375	6,240,375
2026.....	3,005,000	2,976,714	5,981,714
2027.....	3,145,000	2,832,931	5,977,931
2028.....	3,250,000	2,687,081	5,937,081
2029.....	3,215,000	2,537,681	5,752,681
2030.....	3,290,000	2,437,093	5,727,093
2031.....	3,310,000	2,335,356	5,645,356
2032.....	3,325,000	2,181,382	5,506,382
2033.....	3,405,000	2,081,194	5,486,194
2034.....	3,080,000	1,978,606	5,058,606
2035.....	3,165,000	1,882,650	5,047,650
2036.....	3,265,000	1,780,375	5,045,375
2037.....	3,360,000	1,675,144	5,035,144
2038.....	3,465,000	1,566,825	5,031,825
2039.....	3,585,000	1,430,650	5,015,650
2040.....	3,710,000	1,289,700	4,999,700
2041.....	3,630,000	1,146,800	4,776,800
2042.....	3,775,000	1,001,600	4,776,600
2043.....	3,925,000	850,600	4,775,600
2044.....	4,085,000	693,600	4,778,600
2045.....	4,245,000	530,200	4,775,200
2046.....	4,415,000	360,400	4,775,400
2047.....	4,595,000	183,800	4,778,800
Total.....	\$ <u>96,400,000</u>	\$ <u>57,074,129</u>	\$ <u>153,474,129</u>



**Bond Payable Schedule – Water Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
MCWT of 2004.....	2025	\$ 29,686,086	3.00-5.35	\$ 9,446,169
Water Mains of 2010.....	2030	500,000	2.38-4.75	275,000
Water Treatment Facility of 2011.....	2033	132,000	2.00-5.00	20,000
Water Department Equipment of 2011.....	2020	600,000	2.38-4.75	65,000
Water Refunding of 2013.....	2025	1,106,000	1.00-4.00	415,000
Water Refunding of 2017.....	2028	2,065,000	3.00-5.00	1,840,000
Water Bonds of 2019.....	2040	4,295,000	2.50-5.00	4,295,000
Total Bonds Payable.....		\$ 38,384,086		16,356,169
Add: Unamortized premium on bonds.....				17,291
Total Bonds Payable, net.....				\$ 16,373,460

Debt service requirements for principal and interest for the water enterprise fund general obligation bonds and loans payable in future years are as follows:

Year	Principal	Interest	Total
2020.....	\$ 2,140,130	\$ 644,181	\$ 2,784,311
2021.....	2,589,729	621,540	3,211,269
2022.....	2,653,928	494,240	3,148,168
2023.....	2,618,128	365,565	2,983,693
2024.....	2,657,328	238,250	2,895,578
2025.....	996,926	151,047	1,147,973
2026.....	680,000	110,657	790,657
2027.....	680,000	77,657	757,657
2028.....	670,000	44,407	714,407
2029.....	210,000	18,816	228,816
2030.....	65,000	13,275	78,275
2031.....	40,000	11,150	51,150
2032.....	40,000	9,750	49,750
2033.....	40,000	8,650	48,650
2034.....	40,000	7,550	47,550
2035.....	40,000	6,350	46,350
2036.....	40,000	5,150	45,150
2037.....	40,000	4,000	44,000
2038.....	40,000	2,850	42,850
2039.....	40,000	1,650	41,650
2040.....	35,000	525	35,525
Total.....	\$ 16,356,169	\$ 2,837,261	\$ 19,193,430

**Bond Payable Schedule – Sewer Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Sewer Bonds of 2005.....	2020	\$ 5,155,510	3.90	\$ 460,000
Sewer Treatment Facility of 2009....	2030	6,530,000	2.50-4.20	3,485,000
MCWT of 2011.....	2031	9,527,457	2.00	6,012,910
Sewer Bonds of 2011.....	2031	3,000,000	2.00-4.25	1,800,000
Sewer Bonds of 2013.....	2033	1,412,000	1.00-4.00	960,000
Sewer Refunding of 2013.....	2025	6,330,000	3.00-5.00	2,940,000
MCWT of 2015.....	2035	21,876,550	2.00	17,486,596
Sewer Refunding of 2017.....	2027	882,000	2.75-3.00	700,000
MCWT of 2019.....	2037	4,172,475	2.00	4,172,475
Sewer Bonds of 2019.....	2040	<u>1,465,000</u>	2.75-5.00	<u>1,465,000</u>
Total Bonds Payable.....		<u>\$ 60,350,992</u>		39,481,981
Add: Unamortized premium on bonds.....				<u>127,141</u>
Total Bonds Payable, net.....				<u>\$ 39,609,122</u>

Debt service requirements for principal and interest for the sewer enterprise fund general obligation bonds and loans payable in future years are as follows:

Year	Principal	Interest	Total
2020.....	\$ 3,457,712	\$ 1,000,196	\$ 4,457,908
2021.....	3,275,913	932,314	4,208,227
2022.....	3,284,388	836,440	4,120,828
2023.....	3,283,142	741,028	4,024,170
2024.....	2,717,177	658,350	3,375,527
2025.....	2,716,504	590,944	3,307,448
2026.....	2,481,128	525,454	3,006,582
2027.....	2,496,053	460,806	2,956,859
2028.....	2,426,285	397,199	2,823,484
2029.....	2,441,836	334,352	2,776,188
2030.....	2,357,703	272,768	2,630,471
2031.....	2,148,899	217,347	2,366,246
2032.....	1,446,285	171,651	1,617,936
2033.....	1,446,684	137,937	1,584,621
2034.....	1,387,198	103,959	1,491,157
2035.....	1,392,834	71,655	1,464,489
2036.....	305,680	39,005	344,685
2037.....	311,560	21,001	332,561
2038.....	35,000	2,625	37,625
2039.....	35,000	1,575	36,575
2040.....	<u>35,000</u>	<u>525</u>	<u>35,525</u>
Total.....	<u>\$ 39,481,981</u>	<u>\$ 7,517,125</u>	<u>\$ 46,999,106</u>

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Future subsidies of capital expenses are structured as principal subsidies of principal payments. Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in repayment of this future debt. Future principal subsidies of \$2,817,399 have been recorded as an intergovernmental receivable in the water enterprise fund. Future interest subsidies total approximately \$958,000 and will be recognized as revenue when incurred. During 2019, the Town’s principal and interest subsidy amounted to approximately \$833,000.

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, 2019, the Town had authorized and unissued debt as follows:

Purpose	Amount
Pump station upgrade 10/05/10.....	\$ 1,829,814
Sewer 10/04/11.....	248,850
Wastewater pump St. upgrade 05/10/12.....	958,604
Wastewater treatment facility 10/10/13.....	398,500
Wastewater 05/06/14.....	4,275,038
Sewer, water, traffic signals 10/13/15.....	1,500,000
School construction 2/23/16.....	82,495,239
Sewer 05/10/16.....	400,000
Sewer planning 05/04/17.....	350,000
Wastewater sewer line construction 05/04/17.....	14,000,000
Water mains 05/09/17.....	350,000
Cemetery 10/02/18.....	3,000,000
<b>Total.....</b>	<b>\$ <u>109,806,045</u></b>

Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 94,500,000	\$ 5,605,000	\$ (3,705,000)	\$ -	\$ -	\$ 96,400,000	\$ 2,975,000
Add: Unamortized premium on bonds.....	5,203,298	-	(363,015)	-	-	4,840,283	336,379
Total bonds payable.....	99,703,298	5,605,000	(4,068,015)	-	-	101,240,283	3,311,379
Compensated absences.....	3,461,000	-	-	1,372,000	(1,469,000)	3,364,000	1,503,000
Net pension liability.....	126,988,568	-	-	20,646,398	(10,509,313)	137,125,653	-
Net other postemployment benefits.....	239,709,759	-	-	21,993,197	(11,967,773)	249,735,183	-
Total governmental activity long-term liabilities.....	<u>\$ 469,862,625</u>	<u>\$ 5,605,000</u>	<u>\$ (4,068,015)</u>	<u>\$ 44,011,595</u>	<u>\$ (23,946,086)</u>	<u>\$ 491,465,119</u>	<u>\$ 4,814,379</u>
<b>Business-Type Activities:</b>							
Long-term bonds payable.....	\$ 51,268,574	\$ 9,932,475	\$ (5,362,899)	\$ -	\$ -	\$ 55,838,150	\$ 5,597,842
Add: Unamortized premium on bonds.....	215,368	-	(70,936)	-	-	144,432	56,759
Total bonds payable.....	51,483,942	9,932,475	(5,433,835)	-	-	55,982,582	5,654,601
Compensated absences.....	437,000	-	-	327,000	(193,000)	571,000	264,000
Net pension liability.....	13,314,788	-	-	1,375,663	(1,045,732)	13,644,719	-
Net other postemployment benefits.....	1,544,024	-	-	700,122	(77,087)	2,167,059	-
Total business-type activity long-term liabilities.....	<u>\$ 66,779,754</u>	<u>\$ 9,932,475</u>	<u>\$ (5,433,835)</u>	<u>\$ 2,402,785</u>	<u>\$ (1,315,819)</u>	<u>\$ 72,365,360</u>	<u>\$ 5,918,601</u>

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. These categories of fund balance are further discussed in Note 1.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the Town from its highest level of decision-making authority. The Town's highest level of decision-making authority is the Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the Town to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with Statement No. 54, the stabilization funds have been reported in the general fund. At year end the balance of the general Town stabilization fund is \$4.8 million, the balance of the land stabilization fund is \$558,000, the School stabilization fund is \$750,000, the governmental debt stabilization fund is \$16.7 million, and the sewer debt stabilization is \$1.7 million. The stabilization funds are reported as unassigned fund balance within the general fund, with the exception of the sewer debt stabilization fund which is reported in the sewer enterprise fund.

At June 30, 2019, the governmental fund balances consisted of the following:

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 1,316,149	\$ 1,316,149
Restricted for:				
School capital projects.....	-	9,805,766	-	9,805,766
Highway capital projects.....	-	-	495,413	495,413
Town revolving funds.....	-	-	770,946	770,946
Town state grant funds.....	-	-	747,589	747,589
Town receipts reserved.....	-	-	504,592	504,592
School lunch.....	-	-	44,426	44,426
School revolving funds.....	-	-	2,928,788	2,928,788
School grant funds.....	-	-	784,695	784,695
Recreation revolving.....	-	-	193,260	193,260
Community preservation.....	-	-	1,928,487	1,928,487
Other special revenue funds.....	-	-	2,879,961	2,879,961
Town capital projects.....	-	-	681,933	681,933
Stormwater drainage capital projects.....	-	-	550,000	550,000
Cemetery capital projects.....	-	-	236,618	236,618
Public safety capital projects.....	-	-	327,594	327,594
Cemetery perpetual care.....	-	-	954,004	954,004
Assigned to:				
Encumbrances:				
General government.....	193,261	-	-	193,261
Public safety.....	169,987	-	-	169,987
Education.....	967,123	-	-	967,123
Public works.....	55,936	-	-	55,936
Human services.....	3,263	-	-	3,263
Culture and recreation.....	1,000	-	-	1,000
Capital outlay.....	242,197	-	-	242,197
Unassigned.....	38,796,200	-	-	38,796,200
<b>Total Fund Balances.....</b>	<b>\$ 40,428,967</b>	<b>\$ 9,805,766</b>	<b>\$ 15,344,455</b>	<b>\$ 65,579,188</b>

**NOTE 9 – RISK FINANCING**

The Town is self-insured for portions of its workers’ compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund. The workers’ compensation activities are accounted for in the general fund.

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

*Insurance*

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 participates in a premium-based health care plan for its active and eligible retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town estimates its' incurred but not reported (IBNR) health claims based on historical and current claim payment analysis. The Town purchases individual stop loss insurance for claims in excess of the \$125,000 coverage provided by the Town. At June 30, 2019, the amount of the liability for health insurance claims totaled \$1,093,000.

Changes in the reported liability since July 1, 2017, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2018.....	\$ 1,042,000	\$ (18,264,917)	\$ 18,204,917	\$ 982,000
2019.....	982,000	(19,475,844)	19,586,844	1,093,000

*Workers' Compensation*

The Town participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighter's worker's compensation is not material at June 30, 2019, and is therefore not reported.

**NOTE 10 – PENSION PLAN**

*Plan Descriptions*

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting [www.middlesexretirement.org](http://www.middlesexretirement.org).

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

### *Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$14,113,754 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$139,277,465 as of the measurement date.

### *Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System 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 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. Members become vested after ten years of creditable service.

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

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

### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned amongst the employers based on the actuarial data. The Town's proportionate share of the actuarial required contribution was \$11.5 million. This amount when combined with plan member contributions is expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. The total member contribution is equal to 33.96% of covered payroll. The Town's actual contribution was \$11.6 million, which was higher than its share of the actuarial required contribution.

### *Pension Liabilities*

At June 30, 2019, the Town reported a liability of \$150.8 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to

calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to update the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2018, the Town's proportion was 9.67%; which decreased from its 9.89% proportion measured at December 31, 2017.

#### *Pension Expense*

For the year ended June 30, 2019, the Town recognized pension expense of \$17.2 million. At June 30, 2019, the Town reported deferred outflows of resources related to pensions of \$17.8 million and deferred inflows of resources related to pensions of \$6 million.

The balances of deferred outflows and inflows at June 30, 2019 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 308,471	\$ (525,520)	\$ (217,049)
Difference between projected and actual earnings, net.....	6,720,388	-	6,720,388
Changes in assumptions.....	9,370,081	-	9,370,081
Changes in proportion and proportionate share of contributions...	<u>1,430,707</u>	<u>(5,510,549)</u>	<u>(4,079,842)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 17,829,647</u>	<u>\$ (6,036,069)</u>	<u>\$ 11,793,578</u>

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

<u>Year ended June 30:</u>	
2020.....	\$ 4,910,436
2021.....	3,822,327
2022.....	1,051,184
2023.....	<u>2,009,631</u>
Total.....	<u>\$ 11,793,578</u>

#### *Actuarial Assumptions*

The total pension liability in the January 1, 2018 actuarial valuation was determined using the actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2018, on the following page.



Valuation date.....	January 1, 2018.
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Prior year's total contribution increased by 6.50% for fiscal 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	As of July 1, 2018, 1 year remaining for 2002 ERI liability, 2 years remaining for 2003 ERI liability, 4 years remaining for 2010 ERI liability, and 17 years for remaining unfunded liability.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the market value.
Investment rate of return.....	7.50%, net of pension plan investment expense, including inflation (previously 7.75%).
Discount rate.....	7.50% (previously 7.75%).
Inflation rate.....	3.25% (previously 3.50%).
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living adjustments.....	3.00% of the first \$14,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality rates:	
Pre-Retirement.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disabled Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

### *Investment policy*

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. 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.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	17.00%	7.62%
International developed markets equity....	14.90%	7.80%
International emerging markets equity.....	6.00%	9.31%
Core fixed income.....	13.00%	4.00%
Value added fixed income.....	8.10%	7.58%
Private equity.....	12.10%	11.15%
Real estate.....	9.40%	6.59%
Timberland.....	4.10%	7.00%
Hedge Funds/PCS.....	14.20%	6.83%
Liquidating Portfolios.....	0.30%	0.00%
Overlay.....	0.90%	0.00%
Total.....	<u>100.00%</u>	

*Rate of return*

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. 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.

*Sensitivity of the net pension liability to changes in the discount rate*

The table on the following page presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount (7.50%)</u>	<u>1% Increase (8.50%)</u>
The Town's proportionate share of the net pension liability.....	\$ 182,891,222	\$ 150,770,372	\$ 123,687,789

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The Town of Billerica administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides health, dental and life insurance for eligible retirees and their spouses through a single employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy*

The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining percentage of their premium costs. For 2019, the Town’s age-adjusted contribution to the plan totaled \$10.9 million.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2019, the Town pre-funded future OPEB liabilities totaling \$1.2 million, by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2019, the balance of this fund totaled \$4.0 million.

*Investment policy*

The Town’s policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

*Measurement Date*

GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019.

*Employees Covered by Benefit Terms*

The following table represents the Plan’s membership at June 30, 2019:

Active members.....	1,213
Retired, disabled, survivors and beneficiaries receiving benefits.....	<u>830</u>
Total.....	<u><u>2,043</u></u>

*Components of OPEB Liability*

The following table represents the components of the Plan's OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$	255,908,300
Less: OPEB plan's fiduciary net position.....		<u>(4,006,058)</u>
Net OPEB liability.....	\$	<u>251,902,242</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		1.57%

*Significant Actuarial Methods and Assumptions*

The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2019, to be in accordance with GASB Statement #74:

Valuation date.....	January 1, 2019.
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets with payables and receivables.
Investment rate of return.....	7.50%, net of pension plan investment expense, including inflation.
Discount rate.....	7.50% per year, net of investment expenses.
Inflation rate.....	2.50% per year.
Payroll growth.....	3.00% per year and 2.75% CPI-U
Mortality rates:	
Actives.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.
Retirees.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.
Disabled.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

*Rate of return* – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.78%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected real rate of reflects the expected rate of return on plan assets adjusted for the expected rate of inflation. Note that the discount rate includes the effect of inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a best estimate of future experience, based on the expected asset allocation. The allocation percentages are based on information provided by the Town and the Plan's asset consultant, Morgan Stanley. The real rates of return below are based on the long-term nominal return estimates provided by Morgan Stanley. These rates were converted to real rates of return by adjusting by a 2.50% inflation assumption. Best estimates of real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities.....	61.00%	4.78%
International developed equities.....	7.00%	2.19%
International emerging market equities....	7.00%	3.16%
Fixed income.....	25.00%	0.24%
Total.....	100.00%	

#### *Discount rate*

The discount rate used to measure the total OPEB liability was 7.50% as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members.

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

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 7.50%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB liability..... \$	286,336,141	\$ 251,902,242	\$ 228,859,121

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

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB liability..... \$	<u>225,084,767</u>	<u>\$ 251,902,242</u>	<u>\$ 291,484,891</u>

*Changes in the Net OPEB Liability*

	<u>Increase (Decrease)</u>		
	Total OPEB Liability (a)	Plan	
		Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018..... \$	243,917,582	\$ 2,663,799	\$ 241,253,783
Changes for the year:			
Service cost.....	4,649,371	-	4,649,371
Interest.....	18,236,207	-	18,236,207
Benefit payments.....	(10,894,860)	(10,894,860)	-
Contributions - employer.....	-	12,044,860	(12,044,860)
Net investment income.....	-	192,259	(192,259)
Net change.....	<u>11,990,718</u>	<u>1,342,259</u>	<u>10,648,459</u>
Balances at June 30, 2019..... \$	<u>255,908,300</u>	<u>\$ 4,006,058</u>	<u>\$ 251,902,242</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended June 30, 2019, the Town recognized OPEB expense of \$22,655,410. At June 30, 2019, the Town reported deferred outflows of resources related to OPEB of \$55,534 from the difference between projected and actual investment earnings, net.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2020.....	\$ 14,985
2021.....	14,985
2022.....	14,985
2023.....	<u>10,579</u>
Total deferred outflows of resources.....	\$ <u>55,534</u>

*Changes of Assumptions* – None.

*Changes in Plan Provisions* – None.

#### **NOTE 12 – COMMITMENTS**

The Town is currently authorized to commit and expend \$82.5 million for the construction of a new high school facility, \$22.1 million relative to wastewater treatment and other sewer capital activities, \$1.8 million in pump station improvements, and \$3.3 million to complete various other Town projects.

#### **NOTE 13 – CONTINGENCIES**

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 through June 30, 2019, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. 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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

#### **NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 23, 2020, which is the date the financial statements were available to be issued.

**NOTE 15 – RESTATEMENT OF NET POSITION PREVIOUSLY REPORTED**

The Town restarted its beginning net position as management has determined that it would be preferable to use the fiscal year end measurement date for GASB #75 to coincide with similar information reported for GASB #74. Accordingly, the beginning net position was updated to bring the measurement date from June 30, 2017, to June 30, 2018. The cumulative effect of the restatement is as follows:

	06/30/2018 Previously Reported Balances	Update of OPEB measurement date	06/30/2018 Restated Balances
<b>Government-Wide Financial Statements</b>			
Governmental activities.....	\$ (116,305,466)	\$ (37,040,453)	\$ (153,345,919)
Business-type activities.....	74,789,274	243,410	75,032,684
Total.....	<u>\$ (41,516,192)</u>	<u>\$ (36,797,043)</u>	<u>\$ (78,313,235)</u>
<b>Business-type Activities - Enterprise Funds</b>			
Water enterprise fund.....	\$ 24,183,316	\$ 206,059	\$ 24,389,375
Sewer enterprise fund.....	50,605,958	37,351	50,643,309
Total.....	<u>\$ 74,789,274</u>	<u>\$ 243,410</u>	<u>\$ 75,032,684</u>

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, *Certain Asset Retirement Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2022.



- The GASB issued Statement #92, Omnibus 2020, which is required to be implemented in 2021.

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

# ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

The General Fund is the general operating fund of the Town. It is used to account for the entire Town's financial resources, except those required to be accounted for in another fund.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 121,901,704	\$ 121,901,704	\$ 123,880,383	\$ -	\$ 1,978,679
Tax liens.....	-	-	1,638,947	-	1,638,947
Motor vehicle and other excise taxes.....	6,300,000	6,300,000	7,153,764	-	853,764
Hotel/motel tax.....	1,000,000	1,000,000	1,095,926	-	95,926
Meals tax.....	500,000	500,000	593,042	-	93,042
Penalties and interest on taxes.....	350,000	350,000	474,992	-	124,992
Fees.....	2,500,000	2,500,000	2,811,794	-	311,794
Licenses and permits.....	675,000	675,000	1,234,974	-	559,974
Intergovernmental.....	26,146,844	26,146,844	26,059,002	-	(87,842)
Departmental and other.....	534,000	534,000	587,835	-	53,835
Investment income.....	225,000	225,000	1,278,044	-	1,053,044
<b>TOTAL REVENUES.....</b>	<b>160,132,548</b>	<b>160,132,548</b>	<b>166,808,703</b>	<b>-</b>	<b>6,676,155</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	5,810,094	5,828,597	5,385,662	193,261	249,674
Public safety.....	18,612,597	20,113,094	19,469,001	169,987	474,106
Education.....	76,695,735	76,095,735	75,128,612	967,123	-
Public works.....	7,284,531	7,454,775	7,526,761	55,936	(127,922)
Human services.....	1,300,489	1,300,489	1,124,015	3,263	173,211
Culture and recreation.....	2,923,350	2,964,106	2,872,555	1,000	90,551
Pension benefits.....	11,509,447	11,556,039	11,555,045	-	994
Employee benefits.....	18,336,267	18,216,267	18,139,549	-	76,718
Building insurance.....	1,020,000	1,020,000	859,795	-	160,205
State and county charges.....	5,219,905	5,219,905	5,001,747	-	218,158
Capital outlay.....	1,692,190	1,642,190	1,399,993	242,197	-
Debt service:					
Principal.....	3,720,000	3,720,000	3,720,000	-	-
Interest.....	4,158,283	4,158,283	4,158,082	-	201
<b>TOTAL EXPENDITURES.....</b>	<b>158,282,888</b>	<b>159,289,480</b>	<b>156,340,817</b>	<b>1,632,767</b>	<b>1,315,896</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>1,849,660</b>	<b>843,068</b>	<b>10,467,886</b>	<b>(1,632,767)</b>	<b>7,992,051</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Use of prior year reserves.....	2,889,239	2,889,239	-	-	(2,889,239)
Use of free cash.....	3,874,904	5,379,904	-	-	(5,379,904)
Use of overlay.....	-	1,189,429	-	-	(1,189,429)
Other amounts raised on recap.....	(1,314,979)	(1,158,387)	-	-	1,158,387
Operating subsidy to enterprise funds.....	(4,716,282)	(4,716,282)	(4,716,282)	-	-
Transfers in.....	1,753,656	1,753,656	1,784,548	-	30,892
Transfers out.....	(4,336,198)	(6,180,627)	(6,180,627)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(1,849,660)</b>	<b>(843,068)</b>	<b>(9,112,361)</b>	<b>-</b>	<b>(8,269,293)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>1,355,525</b>	<b>(1,632,767)</b>	<b>(277,242)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>16,916,676</b>	<b>16,916,676</b>	<b>16,916,676</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 16,916,676</b>	<b>\$ 16,916,676</b>	<b>\$ 18,272,201</b>	<b>\$ (1,632,767)</b>	<b>\$ (277,242)</b>

See notes to required supplementary information.

# ***Pension Plan Schedules***

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MIDDLESEX COUNTY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2018.....	9.67%	\$ 150,770,372	\$ 34,022,034	443.16%	46.40%
December 31, 2017.....	9.89%	140,303,356	32,623,751	430.07%	49.27%
December 31, 2016.....	10.14%	143,712,635	33,403,976	430.23%	45.49%
December 31, 2015.....	9.85%	127,076,615	31,382,222	404.93%	46.13%
December 31, 2014.....	9.98%	119,887,544	30,175,213	397.30%	46.13%

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**MIDDLESEX COUNTY RETIREMENT SYSTEM**

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Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019.....	\$ 11,509,447	\$ (11,555,045)	\$ (45,598)	\$ 34,022,034	33.96%
June 30, 2018.....	10,782,712	(10,790,894)	(8,182)	32,575,501	33.13%
June 30, 2017.....	9,826,635	(9,826,635)	-	33,356,235	29.46%
June 30, 2016.....	9,204,554	(9,204,554)	-	31,332,099	29.38%
June 30, 2015.....	8,541,268	(8,541,268)	-	30,138,758	28.34%

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

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2019.....	\$ 139,277,465	\$ 14,113,754	54.84%
2018.....	132,605,589	13,840,431	54.25%
2017.....	129,786,436	13,239,067	52.73%
2016.....	117,828,979	9,556,979	55.38%
2015.....	90,660,017	6,298,586	61.64%

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

See notes to required supplementary information.



# ***Other Postemployment Benefits Plan Schedules***

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE  
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019
<b>Total OPEB Liability</b>			
Service Cost.....	\$ 4,467,069	\$ 4,668,087	\$ 4,649,371
Interest.....	15,457,336	16,268,614	18,236,207
Changes of benefit terms.....	-	-	-
Differences between expected and actual experience....	-	(8,925,294)	-
Changes of assumptions.....	-	24,729,757	-
Benefit payments.....	<u>(8,729,000)</u>	<u>(10,018,137)</u>	<u>(10,894,860)</u>
Net change in total OPEB liability.....	11,195,405	26,723,027	11,990,718
Total OPEB liability - beginning.....	<u>205,999,150</u>	<u>217,194,555</u>	<u>243,917,582</u>
Total OPEB liability - ending (a).....	<u>\$ 217,194,555</u>	<u>\$ 243,917,582</u>	<u>\$ 255,908,300</u>
<b>Plan fiduciary net position</b>			
Employer contributions.....	\$ -	\$ 1,000,000	\$ 1,150,000
Employer contributions for OPEB payments.....	8,729,000	10,018,137	10,894,860
Net investment income.....	93,675	(55,878)	192,259
Benefit payments.....	<u>(8,729,000)</u>	<u>(10,018,137)</u>	<u>(10,894,860)</u>
Net change in plan fiduciary net position.....	93,675	944,122	1,342,259
Plan fiduciary net position - beginning of year.....	<u>1,626,002</u>	<u>1,719,677</u>	<u>2,663,799</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 1,719,677</u>	<u>\$ 2,663,799</u>	<u>\$ 4,006,058</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 215,474,878</u>	<u>\$ 241,253,783</u>	<u>\$ 251,902,242</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.79%	1.09%	1.57%
Covered-employee payroll.....	\$ 77,488,000	\$ 72,727,000	\$ 84,915,000
Net OPEB liability as a percentage of covered-employee payroll.....	278.08%	331.73%	296.65%

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Statutorily determined contribution</u>	<u>Contributions in relation to the statutorily determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee-payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2019.....	\$ 12,044,860	\$ (12,044,860)	\$ -	\$ 84,915,000	14.18%
June 30, 2018.....	11,018,137	(11,018,137)	-	72,727,000	15.15%
June 30, 2017.....	8,729,000	(8,729,000)	-	77,488,000	11.26%

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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Year	Annual money-weighted rate of return, net of investment expense
June 30, 2019.....	6.78%
June 30, 2018.....	-2.51%
June 30, 2017.....	6.15%

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

See notes to required supplementary information.

**NOTE A – BUDGETARY BASIS OF ACCOUNTING****A. Budgetary Information**

Municipal Law requires the Town to adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to the Town Meeting Representatives (the Representatives), which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Representatives, 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 and within departments subsequent to the approval of the annual budget, requires majority Representative approval via a special article.

The majority of the Town's appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

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, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Representatives.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2019 approved budget authorized \$165.8 million in appropriations and other amounts to be raised, as well as \$2.9 million in encumbrances carried forward from the prior year. During 2019 the Town authorized \$2.7 million of supplemental appropriations for transfers to the capital project funds and stabilization funds.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town's accounting system.

**B. Budgetary - GAAP Reconciliation**

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) 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 year ended June 30, 2019, is presented on the following page.

Net change in fund balance - budgetary basis.....	\$ 1,355,525
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	2,336,059
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	91,000
Net change in recording 60 day receipts.....	(217,034)
Recognition of revenue for on-behalf payments.....	14,113,754
Recognition of expenditures for on-behalf payments.....	<u>(14,113,754)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 3,565,550</u>

C. Appropriation Deficits

During 2019, actual expenditures exceeded appropriations for public works due to snow and ice by \$128,000.

**NOTE B – PENSION PLAN**

***Pension Plan Schedules***

A. Schedule of the Town’s Proportionate Share of the Net Pension Liability

The Schedule of the Town’s Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town’s Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the “total appropriation”.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth’s 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan’s fiduciary net position as a percentage of the total liability.

D. Changes of Assumptions – None.

E. Changes in Plan Provisions – None.

## **NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“the Plan”). The plan provides lifetime healthcare for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

### **The Other Postemployment Benefit Plan**

#### A. The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

#### B. Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the statutorily determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered employee payroll. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	January 1, 2019.
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets with payables and receivables.
Investment rate of return.....	7.50%, net of pension plan investment expense, including inflation.
Discount rate.....	7.50% per year, net of investment expenses.
Inflation rate.....	2.50% per year.
Payroll growth.....	3.00% per year and 2.75% CPI-U

## Mortality rates:

Actives.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.
Retirees.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.
Disabled.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

C. Schedule of Investment Returns

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes of Assumptions – None.

E. Changes in Provisions – None.