

TOWN OF MILLIS, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2019

Town of Millis, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Millis, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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 Millis, Massachusetts (the Town), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Millis, Massachusetts, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

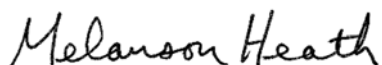
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and certain Pension and OPEB schedules 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 evidence sufficient 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's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



March 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Millis, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial

statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water, sewer, and stormwater operations.

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

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which

is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$22,062,500 (i.e., net position), a change of \$14,391,581 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$13,478,753, a change of \$11,767,466 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,552,251, a change of \$(252,121) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 21,949	\$ 17,362	\$ 4,009	\$ 4,249	\$ 25,958	\$ 21,611
Capital assets	<u>84,926</u>	<u>58,126</u>	<u>15,092</u>	<u>15,517</u>	<u>100,018</u>	<u>73,643</u>
Total assets	106,875	75,488	19,101	19,766	125,976	95,254
Deferred outflows of resources	7,740	2,793	168	39	7,908	2,832
Long-term liabilities	88,170	61,710	5,495	3,860	93,665	65,570
Other liabilities	<u>9,728</u>	<u>16,380</u>	<u>1,628</u>	<u>3,667</u>	<u>11,356</u>	<u>20,047</u>
Total liabilities	97,898	78,090	7,123	7,527	105,021	85,617
Deferred inflows of resources	6,657	4,732	144	66	6,801	4,798
Net investment in capital assets	43,883	33,475	9,319	9,011	53,202	42,486
Restricted	3,386	3,316	-	-	3,386	3,316
Unrestricted	<u>(37,209)</u>	<u>(41,332)</u>	<u>2,683</u>	<u>3,201</u>	<u>(34,526)</u>	<u>(38,131)</u>
Total net position	<u>\$ 10,060</u>	<u>\$ (4,541)</u>	<u>\$ 12,002</u>	<u>\$ 12,212</u>	<u>\$ 22,062</u>	<u>\$ 7,671</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$22,062,500, a change of \$14,391,581 in comparison to the prior year.

The largest portion of net position \$53,202,051 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$3,386,460 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(34,526,011) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,350	\$ 2,943	\$ 3,869	\$ 2,666	\$ 7,219	\$ 5,609
Operating grants and contributions	10,777	10,030	-	-	10,777	10,030
Capital grants and contributions	14,128	4,132	-	-	14,128	4,132
General revenues:						
Property taxes	22,530	20,820	-	-	22,530	20,820
Excises	1,290	1,477	-	-	1,290	1,477
Penalties and interest on taxes	153	151	-	-	153	151
Grants and contributions not restricted to specific programs	1,196	1,163	-	-	1,196	1,163
Investment income	216	34	4	3	220	37
Other	2,449	1,269	-	-	2,449	1,269
Total revenues	56,089	42,019	3,873	2,669	59,962	44,688

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Expenses:						
General government	3,117	2,823	-	-	3,117	2,823
Public safety	4,940	4,831	-	-	4,940	4,831
Education	28,846	27,059	-	-	28,846	27,059
Public works	2,530	2,557	-	-	2,530	2,557
Human services	363	354	-	-	363	354
Culture and recreation	842	853	-	-	842	853
Intergovernmental	371	363	-	-	371	363
Interest on long-term debt	614	500	-	-	614	500
Water	-	-	1,539	1,261	1,539	1,261
Sewer	-	-	1,619	1,291	1,619	1,291
Stormwater	-	-	793	-	793	-
Total expenses	<u>41,623</u>	<u>39,340</u>	<u>3,951</u>	<u>2,552</u>	<u>45,574</u>	<u>41,892</u>
Change in net position before transfers	14,466	2,679	(78)	117	14,388	2,796
Transfers in (out)	132	(69)	(132)	69	-	-
Permanent fund contributions	<u>3</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>4</u>
Change in net position	14,601	2,614	(210)	186	14,391	2,800
Net position - beginning of year	<u>(4,541)</u>	<u>(7,155)</u>	<u>12,212</u>	<u>12,026</u>	<u>7,671</u>	<u>4,871</u>
Net position - end of year	<u>\$ 10,060</u>	<u>\$ (4,541)</u>	<u>\$ 12,002</u>	<u>\$ 12,212</u>	<u>\$ 22,062</u>	<u>\$ 7,671</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$14,602,316. Key elements of this change are as follows:

Net OPEB liability change, net of deferrals	\$ (836,252)
Net pension liability change, net of deferrals	(70,088)
General fund operations, as discussed further in Section D	(351,612)
Capital grants and contributions - Clyde Brown School	14,958,704
Other governmental funds - accrual basis	1,362,526
Depreciation over debt service principal	(651,884)
Other	<u>190,922</u>
Total	<u>\$ 14,602,316</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(210,735). The negative results of operations are primarily attributable to increase in net pension and OPEB liabilities.

D. FINANCIAL ANALYSIS OF FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13,478,753, a change of \$11,767,466 in comparison to the prior year. Most of this change was attributable to the following:

General fund activity, see breakdown below	\$ (351,612)
Clyde Brown School construction expenditures financed by bond issuance and MSBA grants	11,531,280
Nonmajor funds revenues and transfers in over expenditures and transfers out	<u>587,798</u>
Total	<u>\$ 11,767,466</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,552,251 while total fund balance was \$4,732,611. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 2,552,251	\$ 2,804,372	\$ (252,121)	7.5%
Total fund balance	\$ 4,732,611	\$ 5,084,223	\$ (351,612)	14.0%

The total fund balance of the general fund changed by \$(351,612) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (1,269,376)
Revenues in excess of budget	442,284
Budget in excess of expenditures	70,566
Change in stabilization	560,475
Other	<u>(155,561)</u>
Total	<u>\$ (351,612)</u>

Included in the total general unassigned fund balance is the Town's stabilization accounts with the following balances:

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General operating stabilization	\$ 1,769,173	\$ 1,163,709	\$ 605,464
Stabilization - Oak Grove farmhouse	2,052	2,041	11
Stabilization - school bus	<u>-</u>	<u>45,000</u>	<u>(45,000)</u>
Total	<u>\$ 1,771,225</u>	<u>\$ 1,210,750</u>	<u>\$ 560,475</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,682,731 a change of \$(518,620) in comparison to the prior year. Factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$100,017,456 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the completion of the construction of Clyde Brown School.

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt and long-term notes outstanding, including unamortized bond premiums, was \$45,862,895, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director
Town of Millis, Massachusetts
900 Main Street
Millis, Massachusetts 02054

TOWN OF MILLIS, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 18,453,431	\$ 2,641,875	\$ 21,095,306
Investments	1,886,803	-	1,886,803
Receivables, net of allowance for uncollectibles:			
Property taxes	536,417	-	536,417
Excises	110,873	-	110,873
User fees	-	1,057,877	1,057,877
Departmental and other	486,649	-	486,649
Intergovernmental	40,331	-	40,331
Betterments	-	57,668	57,668
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	434,951	-	434,951
Betterments	-	251,855	251,855
Capital assets:			
Nondepreciable capital assets	40,635,425	4,482,244	45,117,669
Other capital assets, net of accumulated depreciation	44,290,229	10,609,558	54,899,787
Deferred Outflows of Resources			
Related to pensions	3,251,292	70,421	3,321,713
Related to OPEB	<u>4,488,856</u>	<u>97,165</u>	<u>4,586,021</u>
Total Assets and Deferred Outflows of Resources	114,615,257	19,268,663	133,883,920
Liabilities			
Current:			
Warrants payable	371,086	35,005	406,091
Accrued liabilities	652,768	-	652,768
Notes payable	6,336,672	887,545	7,224,217
Other current liabilities	9,253	-	9,253
Current portion of long-term liabilities:			
Bonds payable	2,110,874	705,121	2,815,995
Notes payable	30,000	-	30,000
Other	216,825	-	216,825
Noncurrent:			
Bonds payable, net of current portion	38,606,900	4,440,000	43,046,900
Net pension liability	15,738,007	340,871	16,078,878
Net OPEB liability	32,997,519	714,260	33,711,779
Other, net of current portion	827,703	-	827,703
Deferred Inflows of Resources			
Related to pensions	697,462	15,107	712,569
Related to OPEB	<u>5,959,445</u>	<u>128,997</u>	<u>6,088,442</u>
Total Liabilities and Deferred Inflows of Resources	104,554,514	7,266,906	111,821,420
Net Position			
Net investment in capital assets	43,883,025	9,319,026	53,202,051
Restricted for:			
Grants and other statutory restrictions	3,157,039	-	3,157,039
Permanent funds:			
Nonexpendable	188,142	-	188,142
Expendable	41,279	-	41,279
Unrestricted	<u>(37,208,742)</u>	<u>2,682,731</u>	<u>(34,526,011)</u>
Total Net Position	\$ <u>10,060,743</u>	\$ <u>12,001,757</u>	\$ <u>22,062,500</u>

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

TOWN OF MILLIS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues</u>
Governmental Activities					
General government	\$ 3,117,253	\$ 348,945	\$ 316,495	\$ -	\$ (2,451,813)
Public safety	4,939,755	878,426	188,503	-	(3,872,826)
Education	28,845,855	1,081,337	10,051,347	13,826,681	(3,886,490)
Public works	2,529,865	868,151	28,778	272,926	(1,360,010)
Health and human services	363,320	51,961	151,952	-	(159,407)
Culture and recreation	841,895	121,635	39,801	28,796	(651,663)
Intergovernmental	371,216	-	-	-	(371,216)
Interest	<u>614,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(614,025)</u>
Total Governmental Activities	41,623,184	3,350,455	10,776,876	14,128,403	(13,367,450)
Business-Type Activities					
Water services	1,539,373	1,836,391	-	-	297,018
Sewer services	1,619,416	1,371,554	-	-	(247,862)
Stormwater services	<u>793,275</u>	<u>660,682</u>	<u>-</u>	<u>-</u>	<u>(132,593)</u>
Total Business-Type Activities	<u>3,952,064</u>	<u>3,868,627</u>	<u>-</u>	<u>-</u>	<u>(83,437)</u>
Total	<u>\$ 45,575,248</u>	<u>\$ 7,219,082</u>	<u>\$ 10,776,876</u>	<u>\$ 14,128,403</u>	<u>\$ (13,450,887)</u>

(continued)

TOWN OF MILLIS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

(continued)

	Governmental Activities	Business- Type Activities	Total
Changes in Net Position:			
Net (expenses) revenue from previous page	\$ (13,367,450)	\$ (83,437)	\$ (13,450,887)
General Revenues, Transfers, and Contributions			
Property taxes	22,530,177	-	22,530,177
Excises	1,289,619	-	1,289,619
Penalties, interest and other taxes	153,332	-	153,332
Grants and contributions not restricted to specific programs	1,196,468	-	1,196,468
Investment income	216,387	4,244	220,631
Miscellaneous	2,448,868	-	2,448,868
Transfers, net	131,542	(131,542)	-
Permanent fund contributions	3,373	-	3,373
Total general revenues, transfers, and contributions	<u>27,969,766</u>	<u>(127,298)</u>	<u>27,842,468</u>
Change in Net Position	14,602,316	(210,735)	14,391,581
Net Position			
Beginning of year	<u>(4,541,573)</u>	<u>12,212,492</u>	<u>7,670,919</u>
End of year	<u>\$ 10,060,743</u>	<u>\$ 12,001,757</u>	<u>\$ 22,062,500</u>

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

TOWN OF MILLIS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Clyde Brown School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 3,548,551	\$ 10,908,770	\$ 3,996,110	\$ 18,453,431
Investments	1,886,803	-	-	1,886,803
Receivables:				
Property taxes	1,145,780	-	2,588	1,148,368
Excises	218,873	-	-	218,873
Departmental and other	3,150	-	544,500	547,650
Intergovernmental	-	-	40,330	40,330
Total Assets	<u>\$ 6,803,157</u>	<u>\$ 10,908,770</u>	<u>\$ 4,583,528</u>	<u>\$ 22,295,455</u>
Liabilities				
Warrants payable	\$ 315,483	\$ -	\$ 55,603	\$ 371,086
Accrued liabilities	539,655	-	-	539,655
Notes payable	-	5,742,000	594,672	6,336,672
Other current liabilities	9,253	-	-	9,253
Total Liabilities	864,391	5,742,000	650,275	7,256,666
Deferred Inflows of Resources				
Unavailable revenues	1,206,155	-	353,881	1,560,036
Fund Balances				
Nonspendable	-	-	191,515	191,515
Restricted	1,129,882	5,166,770	3,977,448	10,274,100
Committed	261,171	-	-	261,171
Assigned	789,307	-	-	789,307
Unassigned (see note 23)	2,552,251	-	(589,591)	1,962,660
Total Fund Balances	<u>4,732,611</u>	<u>5,166,770</u>	<u>3,579,372</u>	<u>13,478,753</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,803,157</u>	<u>\$ 10,908,770</u>	<u>\$ 4,583,528</u>	<u>\$ 22,295,455</u>

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

TOWN OF MILLIS, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION**

JUNE 30, 2019

Total governmental fund balances	\$ 13,478,753
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	84,925,654
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,214,036
<ul style="list-style-type: none">• Long-term liabilities, net of related deferred outflows of resources, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(89,444,587)
<ul style="list-style-type: none">• Other	<u>(113,113)</u>
Net position of governmental activities	\$ <u>10,060,743</u>

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

TOWN OF MILLIS, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Clyde Brown School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 22,266,044	\$ -	\$ 163,081	\$ 22,429,125
Excises	1,298,308	-	-	1,298,308
Penalties, interest and other taxes	152,899	-	433	153,332
Charges for services	262,676	-	2,499,140	2,761,816
Intergovernmental	8,054,106	13,612,380	2,564,269	24,230,755
Licenses and permits	507,584	-	-	507,584
Fines and forfeitures	16,375	-	-	16,375
Investment income	211,207	-	5,179	216,386
Contributions	-	-	231,049	231,049
Miscellaneous	836,223	1,355,000	257,645	2,448,868
Total Revenues	33,605,422	14,967,380	5,720,796	54,293,598
Expenditures				
General government	2,227,012	-	609,351	2,836,363
Public safety	4,302,743	-	888,938	5,191,681
Education	18,105,999	-	3,536,011	21,642,010
Public works	1,105,882	-	804,018	1,909,900
Health and human services	279,668	-	84,143	363,811
Culture and recreation	425,498	-	164,279	589,777
Employee benefits	4,994,194	-	-	4,994,194
Capital outlay	-	27,081,100	518,677	27,599,777
Debt service				
Principal retirement	1,084,000	-	25,000	1,109,000
Interest and fiscal charges	1,010,427	-	13,075	1,023,502
Intergovernmental	371,216	-	-	371,216
Total Expenditures	33,906,639	27,081,100	6,643,492	67,631,231
Excess (deficiency) of revenues over expenditures	(301,217)	(12,113,720)	(922,696)	(13,337,633)
Other Financing Sources (Uses)				
Issuance of long-term debt	-	23,645,000	809,880	24,454,880
Issuance of capital lease	-	-	518,677	518,677
Transfers in	315,332	-	497,269	812,601
Transfers out	(365,727)	-	(315,332)	(681,059)
Total Other Financing Sources (Uses)	(50,395)	23,645,000	1,510,494	25,105,099
Excess (deficiency) of revenues and other sources over expenditures and other uses	(351,612)	11,531,280	587,798	11,767,466
Fund Equity, at Beginning of Year	5,084,223	(6,364,510)	2,991,574	1,711,287
Fund Equity, at End of Year	\$ 4,732,611	\$ 5,166,770	\$ 3,579,372	\$ 13,478,753

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

TOWN OF MILLIS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2019

Net changes in fund balances - total governmental funds **\$ 11,767,466**

- 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.

Capital outlay purchases 28,860,519

Depreciation (2,060,884)

- The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Repayments of bonds and notes 1,409,000

Premium 100,994

Bond issuances (24,454,880)

Repayments of capital lease 202,966

Issuance of capital lease (518,677)

- Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

157,043

- 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:

Net pension liability and related deferred outflows and inflows of resources (70,088)

Net OPEB liability and related deferred outflows and inflows of resources (836,252)

Other 45,109

Changes in net position of governemtnal activities **\$ 14,602,316**

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

TOWN OF MILLIS, MASSACHUSETTS

GENERAL FUND

**STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>
				<u>(Negative)</u>
Revenues and Transfers In				
Property taxes	\$ 22,335,653	\$ 22,335,653	\$ 22,335,653	\$ -
Excises	1,175,001	1,175,001	1,298,308	123,307
Penalties, interest and other taxes	102,500	102,500	152,899	50,399
Charges for services	213,460	213,460	262,676	49,216
Intergovernmental	6,040,695	6,040,695	6,103,625	62,930
Licenses and permits	565,492	565,492	507,584	(57,908)
Fines and forfeitures	5,000	5,000	16,375	11,375
Investment income	14,000	14,000	129,089	115,089
Miscellaneous	180,099	180,099	267,975	87,876
Total Revenues	30,631,900	30,631,900	31,074,184	442,284
Expenditures and Transfers Out				
General government	2,284,779	2,284,779	2,239,499	45,280
Public safety	4,330,497	4,330,497	4,329,960	537
Education	16,003,231	16,003,231	15,980,820	22,411
Public works	866,450	866,450	796,523	69,927
Snow and ice	218,727	218,727	288,986	(70,259)
Health and human services	281,237	281,237	279,862	1,375
Culture and recreation	424,710	424,710	424,316	394
Employee benefits	5,004,958	5,004,958	5,004,941	17
Debt service	2,161,827	2,161,827	2,160,965	862
Intergovernmental	371,238	371,238	371,216	22
Total Expenditures	31,947,654	31,947,654	31,877,088	70,566
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(1,315,754)	(1,315,754)	(802,904)	512,850
Other Financing Sources				
Transfers in	928,580	928,580	928,580	-
Transfers out	(882,202)	(882,202)	(882,202)	-
Use of free cash:				
Operating budget	110,538	110,538	-	(110,538)
Capital budget	511,652	511,652	-	(511,652)
Transfer to stabilization fund(s)	533,013	533,013	-	(533,013)
OPEB trust fund contribution	50,000	50,000	-	(50,000)
Other source(s)	64,173	64,173	-	(64,173)
Total Other Financing Sources/Uses	1,315,754	1,315,754	46,378	(1,269,376)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (756,526)	\$ (756,526)

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

TOWN OF MILLIS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	Total
Assets				
Current:				
Cash and short-term investments	\$ 1,319,357	\$ 1,085,903	\$ 236,615	\$ 2,641,875
User fees	546,110	461,679	50,088	1,057,877
Betterment	-	57,668	-	57,668
Total current assets	1,865,467	1,605,250	286,703	3,757,420
Noncurrent:				
Betterment	-	251,855	-	251,855
Capital assets:				
Nondepreciable capital assets	3,739,928	742,316	-	4,482,244
Other capital assets, net of accumulated depreciation	5,922,738	4,686,820	-	10,609,558
Total noncurrent assets	9,662,666	5,680,991	-	15,343,657
Deferred Outflows of Resources				
Related to pensions	13,951	28,235	28,235	70,421
Related to OPEB	19,433	38,866	38,866	97,165
Total Assets and Deferred Outflows of Resources	11,561,517	7,353,342	353,804	19,268,663
Liabilities				
Current:				
Warrants payable	19,332	9,306	6,367	35,005
Notes payable	887,545	-	-	887,545
Current portion of long-term liabilities:				
Bonds payable	451,831	253,290	-	705,121
Total current liabilities	1,358,708	262,596	6,367	1,627,671
Noncurrent:				
Bonds payable, net of current portion	3,140,000	1,300,000	-	4,440,000
Net pension liability	67,531	136,670	136,670	340,871
Net OPEB liability	142,852	285,704	285,704	714,260
Total noncurrent liabilities	3,350,383	1,722,374	422,374	5,495,131
Deferred Inflows of Resources				
Related to pensions	2,993	6,057	6,057	15,107
Related to OPEB	25,799	51,599	51,599	128,997
Total Liabilities and Deferred Inflows of Resources	4,737,883	2,042,626	486,397	7,266,906
Net Position				
Net investment in capital assets	5,295,848	4,023,178	-	9,319,026
Unrestricted	1,527,786	1,287,538	(132,593)	2,682,731
Total Net Position	\$ 6,823,634	\$ 5,310,716	\$ (132,593)	\$ 12,001,757

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

TOWN OF MILLIS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Funds			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Stormwater Fund</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 1,736,214	\$ 1,361,554	\$ 660,682	\$ 3,758,450
Other	<u>100,177</u>	<u>10,000</u>	<u>-</u>	<u>110,177</u>
Total Operating Revenues	1,836,391	1,371,554	660,682	3,868,627
Operating Expenses				
Personnel services	211,735	370,794	584,265	1,166,794
Nonpersonnel	1,001,544	978,942	209,010	2,189,496
Depreciation	<u>238,574</u>	<u>208,605</u>	<u>-</u>	<u>447,179</u>
Total Operating Expenses	<u>1,451,853</u>	<u>1,558,341</u>	<u>793,275</u>	<u>3,803,469</u>
Operating Income (Loss)	384,538	(186,787)	(132,593)	65,158
Nonoperating Revenues (Expenses)				
Interest income	2,542	1,702	-	4,244
Interest expense	<u>(87,520)</u>	<u>(61,075)</u>	<u>-</u>	<u>(148,595)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(84,978)</u>	<u>(59,373)</u>	<u>-</u>	<u>(144,351)</u>
Income (Loss) Before Transfers	299,560	(246,160)	(132,593)	(79,193)
Transfers				
Transfers in	52,149	-	-	52,149
Transfers out	<u>-</u>	<u>(183,691)</u>	<u>-</u>	<u>(183,691)</u>
Change in Net Position	351,709	(429,851)	(132,593)	(210,735)
Net Position at Beginning of Year	<u>6,471,925</u>	<u>5,740,567</u>	<u>-</u>	<u>12,212,492</u>
Net Position at End of Year	\$ <u><u>6,823,634</u></u>	\$ <u><u>5,310,716</u></u>	\$ <u><u>(132,593)</u></u>	\$ <u><u>12,001,757</u></u>

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

TOWN OF MILLIS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities			
	Enterprise Funds		Enterprise Funds	
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 1,804,604	\$ 1,412,257	\$ 610,594	\$ 3,827,455
Payments to vendors and employees	(1,547,327)	(1,226,945)	(373,979)	(3,148,251)
Net Cash Provided By Operating Activities	257,277	185,312	236,615	679,204
Cash Flows From Noncapital Financing Activities				
Transfer in	52,149	-	-	52,149
Transfer out	-	(183,691)	-	(183,691)
Net Cash Provided By Noncapital Financing Activities	52,149	(183,691)	-	(131,542)
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(22,065)	-	-	(22,065)
Payments on short-term notes	(1,798,830)	(218,290)	-	(2,017,120)
Proceeds from long-term bonds	1,696,830	208,290	-	1,905,120
Principal payments on long-term bonds	(355,000)	(195,000)	-	(550,000)
Interest expense	(87,520)	(61,075)	-	(148,595)
Net Cash (Used For) Capital and Related Financing Activities	(566,585)	(266,075)	-	(832,660)
Cash Flows From Investing Activities				
Investment income	2,542	1,702	-	4,244
Net Cash Provided By Investing Activities	2,542	1,702	-	4,244
Net Change in Cash and Short-Term Investments	(254,617)	(262,752)	236,615	(280,754)
Cash and Short-Term Investments, Beginning of Year	1,573,974	1,348,655	-	2,922,629
Cash and Short-Term Investments, End of Year	\$ 1,319,357	\$ 1,085,903	\$ 236,615	\$ 2,641,875
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 384,538	\$ (186,787)	\$ (132,593)	\$ 65,158
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	238,574	208,605	-	447,179
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(31,787)	(29,390)	(50,088)	(111,265)
Betterments	-	70,093	-	70,093
Deferred outflows - related to pensions	7,556	(10,973)	(28,235)	(31,652)
Deferred outflows - related to OPEB	(19,421)	(38,856)	(38,866)	(97,143)
Warrants and accounts payable	(180,680)	(2,546)	6,367	(176,859)
Net pension liability	(36,069)	53,518	136,670	154,119
Net OPEB liability	(97,831)	93,157	285,704	281,030
Deferred inflows - related to pensions	(15,966)	(9,160)	6,057	(19,069)
Deferred inflows - related to OPEB	8,363	37,651	51,599	97,613
Net Cash Provided By Operating Activities	\$ 257,277	\$ 185,312	\$ 236,615	\$ 679,204

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

TOWN OF MILLIS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Other Post Employment Benefits <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets			
Cash	\$ -	\$ 14,205	\$ 86,681
Investments:			
Equity mutual funds	177,818	-	-
Certificates of deposit	<u>-</u>	<u>90,453</u>	<u>-</u>
Total Investments	<u>177,818</u>	<u>90,453</u>	<u>-</u>
Total Assets	177,818	104,658	86,681
Liabilities			
Other liabilities	<u>-</u>	<u>-</u>	<u>86,681</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 86,681</u>
Net Position			
Restricted for OPEB purposes	177,818	-	
Restricted for other purposes	<u>-</u>	<u>104,658</u>	
Total net position	<u>\$ 177,818</u>	<u>\$ 104,658</u>	

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

TOWN OF MILLIS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Other Post Employment Benefit <u>Fund</u>	Private Purpose <u>Trust Funds</u>
Additions		
Contributions	\$ 1,002,611	\$ 11,364
Investment income	<u>13,251</u>	<u>666</u>
Total additions	1,015,862	12,030
Deductions		
Payments to beneficiaries	<u>952,611</u>	<u>20,824</u>
Total deductions	<u>952,611</u>	<u>20,824</u>
Net increase (decrease)	63,251	(8,794)
Net position restricted for pensions and other purposes		
Beginning of year	<u>114,567</u>	<u>113,452</u>
End of year	<u><u>\$ 177,818</u></u>	<u><u>\$ 104,658</u></u>

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

TOWN OF MILLIS, MASSACHUSETTS

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Millis, Massachusetts (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Clyde Brown School fund* accounts for constructing the new Clyde Brown Elementary School.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- Water Fund
- Sewer Fund

The fiduciary fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *other post-employment trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Deposits with financial institutions consist primarily of demand deposits, money markets, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income. Certain special revenue and fiduciary funds segregate cash.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the

U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$10,245.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Machinery, equipment, and furnishings	5

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, net pension liability, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities/deferred inflows of resources. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles 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 fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the general fund results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
(GAAP Basis)	\$ 33,605,422	\$ 33,906,639	\$ (50,395)
Adjust tax revenue to accrual basis	69,609	-	-
To reverse expenditures of prior year appropriation carryforwards	-	(534,333)	-
Add end-of-year appropriation carryforwards from expenditures	-	448,379	-
Remove effect of combining stabilization and general fund	(82,118)	(9,656)	(488,013)
To reverse the effect of non-budgeted state contributions for teachers retirement	(1,950,481)	(1,950,481)	-
Other	<u>(568,248)</u>	<u>16,540</u>	<u>584,786</u>
Budgetary Basis	\$ <u>31,074,184</u>	\$ <u>31,877,088</u>	\$ <u>46,378</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2019. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts general law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2019, none of the Town's bank balance of \$20,996,293 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. Investments (Excluding OPEB Trust Fund)

Town

The following is a summary of the Town's investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 601,307
Corporate bonds	478,276
Equity mutual funds	302,631
Federal agency securities	288,924
U.S. Treasury notes	306,118
Total investments	<u>\$ 1,977,256</u>

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts general law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town does not have formal investment policies related to credit risk.

Presented below is the actual rating as of year-end for each investment type of the Town. (All federal agency securities have an implied rating of AAA):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>			
		<u>AAA</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB</u>
Certificates of deposit	\$ 601,307	\$ 601,307	\$ -	\$ -	\$ -
Corporate bonds	478,276	-	74,859	287,718	61,010
Total	<u>\$ 1,079,583</u>	<u>\$ 601,307</u>	<u>\$ 74,859</u>	<u>\$ 287,718</u>	<u>\$ 61,010</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have formal investment policies related to custodial credit risk. The Town manages custodial credit risk exposure with SIPC and excess SIPC insurance.

As of June 30, 2019, none of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured,

unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>
Equity mutual funds	\$ 302,631	\$ 302,631
Federal agency securities	288,924	288,924
Corporate bonds	<u>478,276</u>	<u>478,276</u>
Total	<u>\$ 1,069,831</u>	<u>\$ 1,069,831</u>

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2019, the Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Certificates of deposits	\$ 601,307	\$ 90,453	\$ 510,854
Corporate bonds	478,276	124,551	353,725
Federal agency securities	288,924	-	288,924
U.S. Treasury notes	<u>306,118</u>	<u>254,003</u>	<u>52,115</u>
Total	<u>\$ 1,674,625</u>	<u>\$ 469,007</u>	<u>\$ 1,205,618</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk. The Town does not have any exposure to foreign currency risk.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Town has the following fair value measurements as of June 30, 2019:

		Fair Value Measurements Using:		
<u>Investment Type</u>	<u>Amount</u>	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Corporate bonds	\$ 478,276	\$ 478,276	\$ -	\$ -
Equity mutual funds	302,631	302,631	-	-
Federal agency securities	288,924	-	288,924	-
U.S. Treasury notes	<u>306,118</u>	-	306,118	-
Total	<u>\$ 1,375,949</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Investments – OPEB Trust Fund

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ <u>177,818</u>
Total investments	\$ <u>177,818</u>

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The OPEB Trust Fund does not have formal investment policies related to credit risk.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The OPEB Trust Fund does not have formal investment policies related to custodial credit risk.

As of June 30, 2019, all of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the OPEB Trust Fund's brokerage firm, which is also the counterparty to these securities as follows:

		Rating as of <u>Year End</u>
<u>Investment Type</u>	<u>Amount</u>	<u>Unrated</u>
Equity mutual funds	\$ <u>177,818</u>	\$ <u>177,818</u>
Total	\$ <u><u>177,818</u></u>	\$ <u><u>177,818</u></u>

C. Concentration of Credit Risk

The OPEB Trust Fund places no limit on the amount the OPEB Trust Fund may invest in any one issuer. The OPEB Trust Fund does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2019, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The OPEB Trust Fund does not have formal investment policies related to foreign currency risk.

E. Fair Value

The OPEB Trust Fund categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The OPEB Trust Fund has the following fair value measurements as of June 30, 2019:

		Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)
<u>Investment Type</u>	<u>Amount</u>	
Investments by fair value level:		
Equity mutual funds	\$ <u>177,818</u>	\$ 177,818
Total	\$ <u><u>177,818</u></u>	

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

6. Property Taxes and Excises Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 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 a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excises receivable at June 30, 2019 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 617,571	\$ (98,000)	\$ 519,571	\$ -
Personal property taxes	45,258	(31,000)	14,258	-
Community preservation act	2,588	-	2,588	-
Tax liens	482,951	(48,000)	-	434,951
Total property taxes	<u>\$ 1,148,368</u>	<u>\$ (177,000)</u>	<u>\$ 536,417</u>	<u>\$ 434,951</u>
Motor vehicle excise	<u>\$ 218,873</u>	<u>\$ (108,000)</u>	<u>\$ 110,873</u>	
Total excises	<u>\$ 218,873</u>	<u>\$ (108,000)</u>	<u>\$ 110,873</u>	
Ambulance	<u>\$ 208,472</u>	<u>\$ (61,000)</u>	<u>\$ 147,472</u>	
Total departmental	<u>\$ 208,472</u>	<u>\$ (61,000)</u>	<u>\$ 147,472</u>	

7. Betterment Receivable

Betterment receivables represent special assessments billed to property owners for sewer infrastructure improvements.

8. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund Financial Statements. The following is an analysis of interfund transfers made in fiscal year 2019:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 315,332	\$ 365,727
Nonmajor Funds:		
Special Revenue Funds:		
Town funds (includes ambulance)	-	315,000
Expendable trust funds	-	332
Capital Project Funds:		
Town capital funds	<u>497,269</u>	<u>-</u>
Subtotal Nonmajor Funds	497,269	315,332
<u>Business-Type Funds:</u>		
Water fund	52,149	-
Sewer fund	<u>-</u>	<u>183,691</u>
Subtotal Business-Type Funds	<u>52,149</u>	<u>183,691</u>
Grand Total	<u>\$ 864,750</u>	<u>\$ 864,750</u>

Transfer out from the Ambulance Fund to the general fund of \$255,000 is used to fund salaries, equipment, and other various public safety expenses in the general fund. The Ambulance Fund generates approximately \$300,000 in revenues annually. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

9. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets, being depreciated:					
Buildings and improvements	\$ 26,528	\$ -	\$ -	\$ 11,060	\$ 37,588
Machinery, equipment, furnishings, and vehicles	8,766	1,519	(114)	1,200	11,371
Infrastructure	25,781	269	-	-	26,050
Total capital assets, being depreciated	61,075	1,788	(114)	12,260	75,009
Less accumulated depreciation for:					
Buildings and improvements	(11,809)	(671)	-	-	(12,480)
Machinery, equipment, furnishings, and vehicles	(6,179)	(705)	114	-	(6,770)
Infrastructure	(10,784)	(684)	-	-	(11,468)
Total accumulated depreciation	(28,772)	(2,060)	114	-	(30,718)
Total capital assets, being depreciated, net	32,303	(272)	-	12,260	44,291
Capital assets, not being depreciated:					
Land	3,402	-	-	-	3,402
Construction in progress	22,421	27,072	-	(12,260)	37,233
Total capital assets, not being depreciated	25,823	27,072	-	(12,260)	40,635
Governmental activities capital assets, net	<u>\$ 58,126</u>	<u>\$ 26,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,926</u>
Business-Type Activities					
Capital assets, being depreciated:					
Buildings and improvements	\$ 2,620	\$ -	\$ -	\$ -	\$ 2,620
Machinery, equipment, furnishings, and vehicles	2,579	22	-	-	2,601
Infrastructure	13,365	-	-	476	13,841
Total capital assets, being depreciated	18,564	22	-	476	19,062
Less accumulated depreciation for:					
Buildings and improvements	(1,745)	(53)	-	-	(1,798)
Machinery, equipment, furnishings, and vehicles	(1,393)	(75)	-	-	(1,468)
Infrastructure	(4,868)	(319)	-	-	(5,187)
Total accumulated depreciation	(8,006)	(447)	-	-	(8,453)
Total capital assets, being depreciated, net	10,558	(425)	-	476	10,609
Capital assets, not being depreciated:					
Land	1,376	-	-	-	1,376
Construction in progress	3,583	-	-	(476)	3,107
Total capital assets, not being depreciated	4,959	-	-	(476)	4,483
Business-type activities capital assets, net	<u>\$ 15,517</u>	<u>\$ (425)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,092</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 82
Public safety	426
Education	505
Public works	839
Health and human services	4
Culture and recreation	<u>204</u>
Total depreciation expense - governmental activities	\$ <u>2,060</u>
Business-Type Activities	
Water	\$ 238
Sewer	<u>209</u>
Total depreciation expense - business-type activities	\$ <u>447</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Warrants Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019 as permitted by law.

12. Notes Payable

The Town had the following short- term notes outstanding at June 30, 2019:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/19
Governmental:				
Clyde Brown School	3.00%	11/01/18	11/01/19	\$ 5,742,000
Veterans Memorial HVAC	2.90%	09/14/18	09/13/19	107,000
Auditorium repairs	2.90%	09/14/18	09/13/19	90,000
Varsity baseball field	2.90%	09/14/18	09/13/19	60,000
Bobcat excavator	2.90%	09/14/18	09/13/19	56,253
Fire vehicle	2.90%	09/14/18	09/13/19	51,872
Fuel dispensing system	2.90%	09/14/18	09/13/19	50,000
School bus	2.90%	09/14/18	09/13/19	45,000
Advanced life support equipment	2.90%	09/14/18	09/13/19	40,537
Middle/High school bathroom upgrades	2.90%	09/14/18	09/13/19	40,000
Veterans memorial drainage	2.90%	09/14/18	09/13/19	30,150
Advanced life support medications	2.90%	09/14/18	09/13/19	12,860
IT/Data processing	2.90%	09/14/18	09/13/19	11,000
Subtotal				6,336,672
Enterprise - Water Fund:				
Dover road phase II	3.00%	05/03/19	11/01/19	887,545
Subtotal				887,545
Total notes payable				\$ 7,224,217

The following summarizes activity in notes payable during fiscal year 2019:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental:				
Street sweeper	\$ 193,000	\$ -	\$ (193,000)	\$ -
Ambulance	230,000	-	(230,000)	-
Clyde Brown School	13,000,000	-	(13,000,000)	-
Front end loader	182,698	-	(182,698)	-
DPW garage repairs	250,000	-	(250,000)	-
Clyde Brown school	-	5,742,000	-	5,742,000
Veterans memorial HVAC	-	107,000	-	107,000
Auditorium repairs	-	90,000	-	90,000
Varsity baseball field	-	60,000	-	60,000
Bobcat excavator	-	56,253	-	56,253
Fire vehicle	-	51,872	-	51,872
Fuel dispensing system	-	50,000	-	50,000
School bus	-	45,000	-	45,000
Advanced life support equipment	-	40,537	-	40,537
Middle/High school bathroom upgrades	-	40,000	-	40,000
Veterans memorial drainage	-	30,150	-	30,150
Advanced life support medications	-	12,860	-	12,860
IT/Data processing	-	11,000	-	11,000
Subtotal	13,855,698	6,336,672	(13,855,698)	6,336,672
Enterprise - Sewer Fund:				
Sewer I&I planning	218,290	-	(218,290)	-
Enterprise - Water Fund:				
Dover road phase II	887,545	887,545	(887,545)	887,545
Water mains	1,609,630	-	(1,609,630)	-
Water treatment facility	88,400	-	(88,400)	-
Well improvements	100,800	-	(100,800)	-
Subtotal	2,904,665	887,545	(2,904,665)	887,545
Total	\$ 16,760,363	\$ 7,224,217	\$ (16,760,363)	\$ 7,224,217

13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2023. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2019:

	Governmental <u>Activities</u>
2020	\$ 186,573
2021	113,457
2022	89,999
2023	<u>90,001</u>
Total minimum lease payments	480,030
Less: amounts representing interest	<u>(4,763)</u>
Present Value of Minimum Lease Payments	<u>\$ 475,267</u>

The following is an analysis for the leased assets included in capital assets at June 30, 2019:

	Governmental <u>Activities</u>
Machinery, vehicles and equipment	\$ 796,148
Less: accumulated depreciation	<u>(79,696)</u>
Equipment under capital leases, net	<u>\$ 716,452</u>

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/19
<u>Governmental Activities</u>			
Library construction	02/15/33	3.09%	\$ 3,500,000
Culvert repairs - Main St	02/15/23	3.30%	40,000
Public way - Crestview/Klifford	02/15/26	3.31%	145,000
Police and fire building	08/01/35	2.0 - 5.0%	8,460,000
Additional police and fire	08/01/36	2.0 - 5.0%	1,060,000
VMB boiler	08/01/24	2.0 - 5.0%	55,000
VMB restoration/masonry	08/01/26	2.0 - 5.0%	310,000
Additional library	08/01/26	2.0 - 5.0%	47,000
Quint fire truck	08/01/28	2.0 - 5.0%	545,000
DPW vehicles	08/01/28	2.0 - 5.0%	128,000
Drainage - Acorn St (refunded)	08/01/25	2.0 - 5.0%	155,000
General obligation bond	11/01/28	5.00%	<u>24,454,880</u>
Total Governmental Activities			<u>\$ 38,899,880</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/19
<u>Business-Type Activities</u>			
Water - Paine well engineering and land purchase	10/15/20	2.80%	\$ 85,001
Water - Forest Rd. mains	02/15/33	3.30%	472,000
Water - Irving St. mains	02/15/33	3.30%	53,000
Water - System improvement chlorine contact loop	08/01/23	2.0 - 5.0%	210,000
Water - Storage tank painting	08/01/24	2.0 - 5.0%	445,000
Water - Ross Ave. improvements	08/01/35	2.0 - 5.0%	200,000
Water - Well 5 and 6 (refunded)	08/01/23	2.0 - 5.0%	370,000
Water - Paine well (refunded)	08/01/23	2.0 - 5.0%	60,000
General obligation bond	11/01/28	5.00%	1,696,830
Sewer improvements - area A&B	10/15/20	2.80%	135,000
Sewer improvements - Franklin	02/15/23	3.30%	60,000
Sewer - Water St. pump station	08/01/35	2.0 - 5.0%	550,000
Sewer improvements - area E (refunded)	08/01/26	2.0 - 5.0%	600,000
General obligation bond	11/01/28	5.00%	<u>208,290</u>
Total Business-Type Activities			<u>\$ 5,145,121</u>

B. Long Term Notes Payable

The Town had the following long-term notes outstanding at June 30, 2019:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/19</u>
<u>Governmental</u>				
Field Improvement	2.90%	09/14/18	09/13/19	\$ 30,000
Total				<u>\$ 30,000</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,009,880	\$ 2,086,082	\$ 4,095,962
2021	1,990,000	1,450,038	3,440,038
2022	1,980,000	1,353,513	3,333,513
2023	1,980,000	1,257,388	3,237,388
2024	1,970,000	1,161,588	3,131,588
2025 - 2029	9,515,000	4,535,811	14,050,811
2030 - 2034	8,765,000	2,736,232	11,501,232
2035 - 2039	5,965,000	1,433,525	7,398,525
2040 - 2044	<u>4,725,000</u>	<u>472,500</u>	<u>5,197,500</u>
Total	<u>\$ 38,899,880</u>	<u>\$ 16,486,677</u>	<u>\$ 55,386,557</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2019.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 705,121	\$ 233,356	\$ 938,477
2021	610,000	161,820	771,820
2022	525,000	136,320	661,320
2023	520,000	111,045	631,045
2024	440,000	91,271	531,271
2025 - 2029	1,115,000	307,472	1,422,472
2030 - 2034	745,000	149,201	894,201
2035 - 2038	<u>485,000</u>	<u>40,100</u>	<u>525,100</u>
Total	<u>\$ 5,145,121</u>	<u>\$ 1,230,585</u>	<u>\$ 6,375,706</u>

D. Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-term Portion</u>
Governmental Activities						
Bonds payable	\$ 15,485	\$ 24,455	\$ (1,040)	\$ 38,900	\$ (2,010)	\$ 36,890
Unamortized bond premium	<u>1,919</u>	<u>-</u>	<u>(101)</u>	<u>1,818</u>	<u>(101)</u>	<u>1,717</u>
Subtotal	17,404	24,455	(1,141)	40,718	(2,111)	38,607
Notes payable	399	-	(369)	30	(30)	-
Net pension liability	13,445	2,293	-	15,738	-	15,738
Net OPEB liability	31,362	1,636	-	32,998	-	32,998
Other:						
Landfill closure	103	-	(10)	93	(11)	82
Accrued employee benefits	503	-	(27)	476	(24)	452
Capital leases payable	<u>159</u>	<u>519</u>	<u>(203)</u>	<u>475</u>	<u>(182)</u>	<u>293</u>
Subtotal - other	<u>765</u>	<u>519</u>	<u>(240)</u>	<u>1,044</u>	<u>(217)</u>	<u>827</u>
Totals	<u>\$ 63,375</u>	<u>\$ 28,903</u>	<u>\$ (1,750)</u>	<u>\$ 90,528</u>	<u>\$ (2,358)</u>	<u>\$ 88,170</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-term Portion</u>
Business-Type Activities						
Bonds payable	\$ 3,790	\$ 1,905	\$ (550)	\$ 5,145	\$ (705)	\$ 4,440
Net pension liability	187	154	-	341	-	341
Net OPEB liability	<u>433</u>	<u>281</u>	<u>-</u>	<u>714</u>	<u>-</u>	<u>714</u>
Totals	<u>\$ 4,410</u>	<u>\$ 2,340</u>	<u>\$ (550)</u>	<u>\$ 6,200</u>	<u>\$ (705)</u>	<u>\$ 5,495</u>

E. Long-Term Debt Supporting Governmental and Business-Type Activities

General obligation bonds, issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$92,792 reported as landfill postclosure care liability at June 30, 2019 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

17. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2019:

Nonspendable - This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting.

Assigned - This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned – This fund balance classification includes the remaining general fund, fund balance, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54) and deficits in nonmajor governmental funds.

Following is a breakdown of the Town's fund balances at June 30, 2019:

	General Fund	Clyde Brown School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 191,515	\$ 191,515
Total Nonspendable	-	-	191,515	191,515
Restricted				
Reserved for debt service	1,129,882	-	-	1,129,882
Bonded projects	-	5,166,770	755,643	5,922,413
Special revenue funds:				
Community preservation	-	-	707,745	707,745
School choice tuition	-	-	530,056	530,056
Circuit breaker	-	-	266,361	266,361
Ambulance	-	-	381,177	381,177
Cellular antennae lease	-	-	164,827	164,827
Extended day care	-	-	104,286	104,286
Other	-	-	1,026,074	1,026,074
Expendable permanent funds	-	-	41,279	41,279
Total Restricted	1,129,882	5,166,770	3,977,448	10,274,100
Committed				
Stabilization - Oak Grove Farmhouse	2,052	-	-	2,052
Reserved for articles				
General government	67,265	-	-	67,265
Education	71,128	-	-	71,128
Public works	21,695	-	-	21,695
Culture and recreation	24,579	-	-	24,579
Employee benefits	74,452	-	-	74,452
Total Committed	261,171	-	-	261,171
Assigned				
Encumbrances				
General government	24,805	-	-	24,805
Public safety	28,050	-	-	28,050
Education	123,495	-	-	123,495
Public works	12,685	-	-	12,685
Health and human services	225	-	-	225
Reserved for appropriation	37,098	-	-	37,098
Reserved for expenditures:				
Next year's capital	346,008	-	-	346,008
Next year's expenditures	56,560	-	-	56,560
Reserved for excluded debt	160,381	-	-	160,381
Total Assigned	789,307	-	-	789,307
Unassigned				
Unassigned	783,078	-	(589,591)	193,487
General stabilization fund	1,769,173	-	-	1,769,173
Total Unassigned	2,552,251	-	(589,591)	1,962,660
Total Fund Balance	\$ 4,732,611	\$ 5,166,770	\$ 3,579,372	\$ 13,478,753

18. Norfolk County Retirement System

The Town follows the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Town (except teachers under contract employed by the School Department) are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at Norfolk County Retirement System at 480 Neponset Street, Building 15, Canton, MA 02021.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended December 31, 2018 was \$1,728,057 which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$16,078,878 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. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the Town's proportion was 2.4701%.

For the year ended June 30, 2019, the Town recognized pension expense of \$1,983,834. In addition, the Town reported the following deferred outflows and (inflows) of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 874,760	\$ -
Net difference between projected and actual earnings on pension plan investments	1,951,628	-
Changes of assumptions	475,455	(260,959)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>19,870</u>	<u>(451,610)</u>
Total	<u>\$ 3,321,713</u>	<u>\$ (712,569)</u>

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

Year ended June 30:

2020	\$ 825,337
2021	668,247
2022	482,940
2023	<u>632,620</u>
Total	\$ <u><u>2,609,144</u></u>

D. Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2018
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	3.50 - 5.50%
Inflation rate	4.00%
Post-retirement cost-of-living adjustment	3.00% of first \$17,000 of retirement income

It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.

E. Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates

of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	32.00%	8.10%
International equity	17.50%	8.20%
Fixed income	19.00%	3.20%
Real estate	9.00%	7.30%
Private equity	8.50%	10.40%
Hedge funds	9.00%	7.40%
Real assets	5.00%	10.40%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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.

G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 20,164,324	\$ 16,078,878	\$ 12,605,646

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

19. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all 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 does not issue a stand-alone audited financial report.

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

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

- (a) 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	5.00%
Portfolio completion strategies	13.00%	3.70%
Core fixed income	12.00%	0.90%
Private equity	12.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.80%
Timber/natural resources	4.00%	3.40%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

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

<u>1% Decrease to 6.35%</u>	<u>Current Discount Rate 7.35%</u>	<u>1% Increase to 8.35%</u>
\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$35,175,704 based on a proportionate share of 0.148350%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$1,950,481 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$3,564,548 as both a revenue and expense in the governmental activities.

20. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through the Group Insurance Commission. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	187
Active employees	<u>285</u>
Total	<u><u>472</u></u>

B. Investments

The OPEB trust fund assets consist of equity mutual funds.

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 9.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3%, average, including inflation
Investment rate of return	7.04%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	3.25%
Healthcare cost trend rates	4.5% for 2019

Mortality rates were based on RP-2014 Employees Mortality Table projected generationally with scale MP-2016 for males and females.

The long-term expected rate of return on OPEB 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 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 target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	19.25%	4.00%
Domestic Equity - Small/Mid Cap	15.75%	6.00%
International Equity - Developed Market	13.00%	4.50%
International Equity - Emerging Market	9.00%	7.00%
Domestic Fixed Income	21.50%	2.00%
International Fixed Income	5.25%	3.00%
Alternatives	15.75%	6.50%
Real Estate	0.00%	6.25%
Cash	0.50%	0.00%
Total	<u>100.00%</u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 3.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 7.04% and municipal bond rate of 2.79% (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2019).

E. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 33,889,597
Plan fiduciary net position	<u>(177,818)</u>
Net OPEB liability	<u>\$ 33,711,779</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.52%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

F. Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, beginning of year	\$ 31,909,375	\$ 114,567	\$ 31,794,808
Changes for the year:			
Service cost	1,407,036	-	1,407,036
Interest	1,067,427	-	1,067,427
Contributions - employer	-	1,002,611	(1,002,611)
Net investment income	-	13,251	(13,251)
Differences between expected and actual experience	(4,978,489)	-	(4,978,489)
Changes in assumptions or other inputs	5,436,859	-	5,436,859
Benefit payments	<u>(952,611)</u>	<u>(952,611)</u>	<u>-</u>
Net Changes	<u>1,980,222</u>	<u>63,251</u>	<u>1,916,971</u>
Balances, end of year	\$ <u>33,889,597</u>	\$ <u>177,818</u>	\$ <u>33,711,779</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.75% in 2018 to 3.25% in 2019.

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(2.25%)</u>	Current Discount Rate <u>(3.25%)</u>	1% Increase <u>(4.25%)</u>
\$ 39,455,256	\$ 33,711,779	\$ 29,147,127

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 28,599,021	\$ 33,711,779	\$ 40,297,096

I. 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 an OPEB expense of \$2,120,363. At June 30, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (4,199,383)
Change in assumptions	4,586,021	(1,887,521)
Net difference between projected and actual OPEB investment	-	(1,538)
Total	\$ <u>4,586,021</u>	\$ <u>(6,088,442)</u>

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

<u>Year Ended June 30:</u>	
2020	\$ (344,304)
2021	(344,304)
2022	(344,302)
2023	(344,712)
2024	(152,777)
Thereafter	<u>27,978</u>
Total	\$ <u><u>(1,502,421)</u></u>

21. **MBTA Paratransit Expenses**

The Town participates in an expense reimbursement program provided by the Massachusetts Bay Transportation Authority (MBTA) related to new paratransit service provided in communities currently without paratransit service. The program requires audited financial statement footnote disclosure to document actual costs paid by the community.

The following summarizes payroll expenses paid by the Town during fiscal year 2019 related to the program, and charged to the general fund Council on Aging appropriation and Council on Aging Transportation Revolving:

<u>Month</u>	<u>Amount</u>
July	\$ 544
August	1,069
September	910
October	932
November	1,649
December	834
January	831
February	726
March	961
April	1,063
May	1,509
June	<u>1,486</u>
Total	\$ <u><u>12,514</u></u>

22. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Abatements - There are cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Board of Assessors, the probable outcome of these cases, at the present time, is indeterminable, although the Town expects such amounts, if any, to be immaterial.

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

Encumbrances – At year-end the Town's general fund has \$189,260 in encumbrances that will be honored in the next fiscal year.

23. Subsequent Events

On May 13, 2019, the Town voted to appropriate \$402,568 of free cash for the use in fiscal year 2020 budget for the following:

- \$36,000 – Independent audit
- \$120,936 – Capital purchases
- \$15,560 – Personal property and real estate revaluation
- \$89,999 – School bus lease
- \$69,900 – Computer lease
- \$65,173 - Police cruiser lease
- \$5,000 – Medicare/Medicaid reimbursement

Debt

Subsequent to June 30, 2019, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Rate</u>	<u>Date of issue</u>	<u>Date of Maturity</u>
General Obligation Bond	\$ 3,940,000	2.00%	10/16/2019	10/15/2039
Bond Anticipation Notes:				
Clyde Brown Elementary School	<u>1,511,789</u>	2.00%	10/16/2019	10/30/2020
	<u>\$ 5,451,789</u>			

Subsequent Event - COVID-19

The COVID-19 outbreak in the United States and across the globe has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

24. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town in future fiscal years to be determined by GASB. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town in future fiscal years to be determined by GASB. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF MILLIS, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
JUNE 30, 2019
(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	December 31, 2018	2.470100%	\$16,078,878	\$ 7,548,460	213.01%	58.30%
June 30, 2018	December 31, 2017	2.465000%	\$13,631,557	\$ 7,293,198	186.91%	63.50%
June 30, 2017	December 31, 2016	2.517100%	\$13,139,831	\$ 7,263,859	180.89%	61.60%
June 30, 2016	December 31, 2015	2.517064%	\$13,673,007	\$ 6,886,081	198.56%	58.60%
June 30, 2015	December 31, 2014	2.673889%	\$13,867,460	\$ 6,536,914	212.14%	60.12%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	June 30, 2018	0.148350%	\$ -	\$ 35,175,704	\$ 35,175,704	\$ 10,418,422	337.63%	54.84%
June 30, 2018	June 30, 2017	0.148369%	\$ -	\$ 33,954,875	\$ 33,954,875	\$ 10,074,949	337.02%	54.25%
June 30, 2017	June 30, 2016	0.149593%	\$ -	\$ 33,445,967	\$ 33,445,967	\$ 9,839,711	339.91%	52.73%
June 30, 2016	June 30, 2015	0.152794%	\$ -	\$ 31,306,951	\$ 31,306,951	\$ 9,685,441	323.24%	55.38%
June 30, 2015	June 30, 2014	0.145897%	\$ -	\$ 23,192,239	\$ 23,192,239	\$ 8,945,666	259.26%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent See Independent Auditors' Report.

TOWN OF MILLIS, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019
(Unaudited)

Norfolk County Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 31, 2018	\$ 1,728,057	\$ 1,728,057	\$ -	\$ 7,548,460	22.89%
June 30, 2018	December 31, 2017	\$ 1,577,876	\$ 1,577,876	\$ -	\$ 7,293,198	21.63%
June 30, 2017	December 31, 2016	\$ 1,494,769	\$ 1,494,769	\$ -	\$ 7,263,859	20.58%
June 30, 2016	December 31, 2015	\$ 1,355,413	\$ 1,355,413	\$ -	\$ 6,886,081	19.68%
June 30, 2015	December 31, 2014	\$ 1,293,722	\$ 1,293,722	\$ -	\$ 6,536,914	19.79%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$ 1,950,481	\$ 1,950,481	\$ -	\$ 10,418,422	18.72%
June 30, 2018	June 30, 2017	\$ 1,833,124	\$ 1,833,124	\$ -	\$ 10,074,949	18.19%
June 30, 2017	June 30, 2016	\$ 1,682,301	\$ 1,682,301	\$ -	\$ 9,839,711	17.10%
June 30, 2016	June 30, 2015	\$ 1,561,448	\$ 1,561,448	\$ -	\$ 9,685,441	16.12%
June 30, 2015	June 30, 2014	\$ 1,367,604	\$ 1,367,604	\$ -	\$ 8,945,666	15.29%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF MILLIS, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (GASB 74 AND 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 1,407,036	\$ 1,345,204	\$ 1,443,288
Interest on unfunded liability - time value of \$	1,067,427	1,268,037	1,049,653
Differences between expected and actual experience	(4,978,489)	-	1
Changes of assumptions	5,436,859	(2,719,027)	-
Benefit payments, including refunds of member contributions	<u>(952,611)</u>	<u>(899,608)</u>	<u>(856,944)</u>
Net change in total OPEB liability	1,980,222	(1,005,394)	1,635,998
Total OPEB liability - beginning	<u>31,909,375</u>	<u>32,914,769</u>	<u>31,278,771</u>
Total OPEB liability - ending (a)	33,889,597	31,909,375	32,914,769
Plan Fiduciary Net Position			
Contributions - employer	1,002,611	899,608	856,944
Net investment income	13,251	5,668	7,573
Benefit payments, including refunds of member contributions	<u>(952,611)</u>	<u>(899,608)</u>	<u>(856,944)</u>
Net change in plan fiduciary net position	63,251	5,668	7,573
Plan fiduciary net position - beginning	<u>114,567</u>	<u>108,899</u>	<u>101,326</u>
Plan fiduciary net position - ending (b)	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>
Net OPEB liability - ending (a-b)	<u>\$ 33,711,779</u>	<u>\$ 31,794,808</u>	<u>\$ 32,805,870</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF MILLIS, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 33,889,597	\$ 31,909,375	\$ 32,914,769
Plan fiduciary net position	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>
Net OPEB liability (asset)	<u>\$ 33,711,779</u>	<u>\$ 31,794,808</u>	<u>\$ 32,805,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.52%	0.36%	0.33%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 3,127,127	\$ 3,064,043	\$ 3,034,070
Contributions in relation to the actuarially determined contribution	<u>1,002,611</u>	<u>899,608</u>	<u>856,944</u>
Contribution deficiency (excess)	<u>\$ 2,124,516</u>	<u>\$ 2,164,435</u>	<u>\$ 2,177,126</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	9.25%	5.20%	7.20%

*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Select Board
Town of Millis, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millis, Massachusetts (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned

functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Melanson Heath".

March 23, 2020