

TOWN OF MILLIS, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

Town of Millis, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
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, 2018, 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, 2018, 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 the Pension and OPEB schedules appearing on pages 60 to 63 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 26, 2019 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 Town'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 Town's internal control over financial reporting and compliance.

Melanson Heath

March 26, 2019

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, 2018.

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 and sewer 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 and sewer operations, which are considered to be major funds.

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 \$7,670,919 (i.e., net position), a change of \$2,800,193 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$1,711,287, a change of \$(6,465,651) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,804,372, a change of \$(225,357) 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 17,362	\$ 11,079	\$ 4,249	\$ 3,639	\$ 21,611	\$ 14,718
Capital assets	<u>58,126</u>	<u>48,533</u>	<u>15,517</u>	<u>15,103</u>	<u>73,643</u>	<u>63,636</u>
Total assets	75,488	59,612	19,766	18,742	95,254	78,354
Deferred outflows of resources	2,793	1,341	39	83	2,832	1,424
Long-term liabilities	61,710	42,459	3,860	4,168	65,570	46,627
Other liabilities	<u>16,380</u>	<u>3,524</u>	<u>3,667</u>	<u>2,305</u>	<u>20,047</u>	<u>5,829</u>
Total liabilities	78,090	45,983	7,527	6,473	85,617	52,456
Deferred inflows of resources	4,732	1,248	66	77	4,798	1,325
Net position:						
Net investment in capital assets	33,475	31,202	9,011	9,243	42,486	40,445
Restricted	3,316	5,221	-	-	3,316	5,221
Unrestricted	<u>(41,332)</u>	<u>(22,701)</u>	<u>3,201</u>	<u>3,032</u>	<u>(38,131)</u>	<u>(19,669)</u>
Total net position	<u>\$ (4,541)</u>	<u>\$ 13,722</u>	<u>\$ 12,212</u>	<u>\$ 12,275</u>	<u>\$ 7,671</u>	<u>\$ 25,997</u>

Fiscal year 2017 amounts were not restated as the Town applied GASB 75 prospectively.

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 \$7,670,919, a change of \$2,800,193 from the prior year.

The largest portion of net position \$42,486,270 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 \$3,315,511 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(38,130,862) may be used to meet the Town's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,943	\$ 2,835	\$ 2,666	\$ 2,626	\$ 5,609	\$ 5,461
Operating grants and contributions	10,030	10,294	-	-	10,030	10,294
Capital grants and contributions	4,132	655	-	-	4,132	655
General revenues:						
Property taxes	20,820	20,277	-	-	20,820	20,277
Excises	1,477	1,061	-	-	1,477	1,061
Penalties and interest on taxes	151	123	-	-	151	123
Grants and contributions not restricted to specific programs	1,163	1,124	-	-	1,163	1,124
Investment income	34	34	3	2	37	36
Other	1,269	738	-	-	1,269	738
Total revenues	42,019	37,141	2,669	2,628	44,688	39,769

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Expenses:						
General government	2,823	2,996	-	-	2,823	2,996
Public safety	4,831	4,688	-	-	4,831	4,688
Education	27,059	26,453	-	-	27,059	26,453
Public works	2,557	2,208	-	-	2,557	2,208
Human services	354	365	-	-	354	365
Culture and recreation	853	935	-	-	853	935
Intergovernmental	363	335	-	-	363	335
Interest on long-term debt	500	653	-	-	500	653
Water	-	-	1,261	1,180	1,261	1,180
Sewer	-	-	1,291	1,291	1,291	1,291
Total expenses	<u>39,340</u>	<u>38,633</u>	<u>2,552</u>	<u>2,471</u>	<u>41,892</u>	<u>41,104</u>
Change in net position before transfers	2,679	(1,492)	117	157	2,796	(1,335)
Transfers in (out)	(69)	(229)	69	229	-	-
Permanent fund contributions	<u>4</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>3</u>
Change in net position	2,614	(1,718)	186	386	2,800	(1,332)
Net position - beginning of year, as restated	<u>(7,155)</u>	<u>15,440</u>	<u>12,026</u>	<u>11,889</u>	<u>4,871</u>	<u>27,329</u>
Net position - end of year	<u>\$ (4,541)</u>	<u>\$ 13,722</u>	<u>\$ 12,212</u>	<u>\$ 12,275</u>	<u>\$ 7,671</u>	<u>\$ 25,997</u>

Fiscal year 2017 amounts were not restated as the Town applied GASB 75 prospectively.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$2,613,723. Key elements of this change are as follows:

Net OPEB liability change, net of deferrals	\$ (1,272,993)
Net pension liability change, net of deferrals	(247,779)
Capital grants and contributions - Clyde Brown School	3,896,189
Capital grants and contributions - Chapter 90	311,971
Other	<u>(73,665)</u>
Total	<u>\$ 2,613,723</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$186,470. The positive results of operations are primarily attributable to the water fund's revenues in excess of budgeted amounts and unspent appropriations.

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 \$1,711,287, a change of \$(6,465,651) in comparison to the prior year. Most of this change was attributable to the following:

General fund activity, see breakdown below	\$ (224,003)
Clyde Brown School construction expenditures financed by bond anticipation note	(6,122,545)
Nonmajor funds revenues and transfers in over expenditures and transfers out	<u>(119,103)</u>
Total	<u><u>\$ (6,465,651)</u></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 \$2,804,372 while total fund balance was \$5,084,223. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,804,372	\$ 3,029,729	\$ (225,357)	8.7%
Total fund balance	\$ 5,084,223	\$ 5,308,226 *	\$ (224,003)	15.8%

*As restated

The total fund balance of the general fund changed by \$(224,003) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (612,956)
Use of prior bond premium as a funding source	(238,818)
Revenues in excess of budget	670,980
Expenditures less than budget (snow and ice)	(148,862)
Change in stabilization	(203,336)
Other	<u>308,989</u>
Total	<u><u>\$ (224,003)</u></u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General operating stabilization	\$ 1,163,709	\$ 1,412,049	\$ (248,340)
Stabilization - Oak Grove farmhouse	2,041	2,037	4
Stabilization - school bus	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total	<u>\$ 1,210,750</u>	<u>\$ 1,414,086</u>	<u>\$ (203,336)</u>

Also included in the total general unassigned fund balance is \$571,652 of certified free cash voted at the November 5, 2018 special town meeting to be used for the following:

- \$10,000 – Sanitary landfill monitoring services
- \$197,592 – Fund FY18 snow and ice deficit
- \$314,060 – Water and sewer projects
- \$50,000 – Transfer to OPEB trust fund

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 \$3,201,351, a change of \$168,903 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 \$73,642,935 (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 construction in progress 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 \$21,193,889, 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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 14,800,108	\$ 2,922,629	\$ 17,722,737
Investments	1,323,428	-	1,323,428
Receivables, net of allowance for uncollectibles:			
Property taxes	417,297	-	417,297
Excises	119,561	-	119,561
User fees	-	946,612	946,612
Departmental and other	224,903	-	224,903
Betterments	-	71,797	71,797
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	475,857	-	475,857
Betterments	760	307,819	308,579
Capital assets:			
Nondepreciable capital assets	25,823,109	4,958,060	30,781,169
Other capital assets, net of accumulated depreciation	32,302,910	10,558,856	42,861,766
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	2,791,145	38,769	2,829,914
Related to OPEB	1,612	22	1,634
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	78,280,690	19,804,564	98,085,254
LIABILITIES			
Current:			
Warrants payable	223,143	211,864	435,007
Accrued liabilities	635,866	-	635,866
Notes payable	13,855,698	2,904,665	16,760,363
Other current liabilities	523	-	523
Current portion of long-term liabilities:			
Bonds payable	1,140,994	550,000	1,690,994
Notes payable	399,000	-	399,000
Other	125,008	-	125,008
Noncurrent:			
Bonds payable, net of current portion	16,262,894	3,240,001	19,502,895
Net pension liability	13,444,805	186,752	13,631,557
Net OPEB liability	31,361,578	433,230	31,794,808
Other, net of current portion	640,435	-	640,435
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	2,460,429	34,176	2,494,605
Related to OPEB	2,271,890	31,384	2,303,274
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	82,822,263	7,592,072	90,414,335
NET POSITION			
Net investment in capital assets	33,475,129	9,011,141	42,486,270
Restricted for:			
Grants and other statutory restrictions	3,086,341	-	3,086,341
Permanent funds:			
Nonexpendable	188,143	-	188,143
Expendable	41,027	-	41,027
Unrestricted	(41,332,213)	3,201,351	(38,130,862)
TOTAL NET POSITION	\$ (4,541,573)	\$ 12,212,492	\$ 7,670,919

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

TOWN OF MILLIS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

		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	\$ 2,822,469	\$ 292,758	\$ 96,532	\$ -	\$ (2,433,179)
Public safety	4,831,319	718,832	23,890	-	(4,088,597)
Education	27,059,316	1,144,223	9,812,163	3,795,204	(12,307,726)
Public works	2,557,087	583,082	11,100	312,243	(1,650,662)
Health and human services	353,707	69,407	62,982	-	(221,318)
Culture and recreation	853,205	134,885	23,572	24,461	(670,287)
Intergovernmental	363,349	-	-	-	(363,349)
Interest	500,498	-	-	-	(500,498)
Total Governmental Activities	39,340,950	2,943,187	10,030,239	4,131,908	(22,235,616)
Business-Type Activities:					
Water services	1,260,105	1,438,292	-	-	178,187
Sewer services	1,290,689	1,227,417	-	-	(63,272)
Total Business-Type Activities	2,550,794	2,665,709	-	-	114,915
Total	\$ 41,891,744	\$ 5,608,896	\$ 10,030,239	\$ 4,131,908	\$ (22,120,701)

(continued)

TOWN OF MILLIS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

(continued)

	Governmental Activities	Business- Type Activities	Total
Changes in Net Position:			
Net (expenses) revenue from previous page	\$ (22,235,616)	\$ 114,915	\$ (22,120,701)
General Revenues, Transfers, and Contributions:			
Property taxes	20,820,167	-	20,820,167
Excises	1,476,753	-	1,476,753
Penalties, interest and other taxes	151,439	-	151,439
Grants and contributions not restricted to specific programs	1,163,447	-	1,163,447
Investment income	34,189	2,815	37,004
Miscellaneous	1,268,554	-	1,268,554
Transfers, net	(68,740)	68,740	-
Permanent fund contributions	3,530	-	3,530
Total general revenues, transfers, and contributions	<u>24,849,339</u>	<u>71,555</u>	<u>24,920,894</u>
Change in Net Position	2,613,723	186,470	2,800,193
Net Position:			
Beginning of year, as restated	<u>(7,155,296)</u>	<u>12,026,022</u>	<u>4,870,726</u>
End of year	<u>\$ (4,541,573)</u>	<u>\$ 12,212,492</u>	<u>\$ 7,670,919</u>

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

TOWN OF MILLIS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<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	\$ 4,271,037	\$ 6,635,490	\$ 3,893,581	\$ 14,800,108
Investments	1,323,428	-	-	1,323,428
Receivables:				
Property taxes	1,047,917	-	2,237	1,050,154
Excises	226,561	-	-	226,561
Departmental and other	50	-	224,853	224,903
Betterments	-	-	760	760
TOTAL ASSETS	\$ 6,868,993	\$ 6,635,490	\$ 4,121,431	\$ 17,625,914
LIABILITIES				
Warrants payable	\$ 176,834	\$ -	\$ 46,309	\$ 223,143
Accrued liabilities	514,270	-	-	514,270
Notes payable	-	13,000,000	855,698	13,855,698
Other current liabilities	523	-	-	523
TOTAL LIABILITIES	691,627	13,000,000	902,007	14,593,634
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,093,143	-	227,850	1,320,993
FUND BALANCES				
Nonspendable	-	-	191,673	191,673
Restricted	1,290,263	170,540	3,559,691	5,020,494
Committed	224,577	-	-	224,577
Assigned	765,011	-	-	765,011
Unassigned (see note 22)	2,804,372	(6,535,050)	(759,790)	(4,490,468)
TOTAL FUND BALANCES	5,084,223	(6,364,510)	2,991,574	1,711,287
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,868,993	\$ 6,635,490	\$ 4,121,431	\$ 17,625,914

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, 2018

Total governmental fund balances	\$ 1,711,287
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	58,126,019
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,056,993
• 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.	(65,314,276)
• Other	<u>(121,596)</u>
Net position of governmental activities	<u><u>\$ (4,541,573)</u></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, 2018

	<u>General</u>	<u>Clyde Brown School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 20,996,243	\$ -	\$ 151,148	\$ 21,147,391
Excises	1,257,192	-	-	1,257,192
Penalties, interest and other taxes	150,982	-	457	151,439
Charges for services	243,973	-	2,263,654	2,507,627
Intergovernmental	7,818,933	3,725,649	2,044,832	13,589,414
Licenses and permits	384,387	-	-	384,387
Fines and forfeitures	14,415	-	-	14,415
Investment income	31,623	-	2,565	34,188
Contributions	-	-	248,335	248,335
Miscellaneous	844,315	170,540	253,699	1,268,554
	<u>31,742,063</u>	<u>3,896,189</u>	<u>4,964,690</u>	<u>40,602,942</u>
Total Revenues				
Expenditures:				
Current:				
General government	2,058,480	-	254,323	2,312,803
Public safety	3,998,695	-	512,720	4,511,415
Education	17,138,888	-	2,855,794	19,994,682
Public works	1,414,064	-	560,108	1,974,172
Health and human services	274,199	-	41,663	315,862
Culture and recreation	427,205	-	176,161	603,366
Employee benefits	4,616,569	-	-	4,616,569
Capital outlay	-	10,018,734	418,712	10,437,446
Debt service				
Principal retirement	1,233,104	-	26,267	1,259,371
Interest and fiscal charges	597,105	-	13,713	610,818
Intergovernmental	363,349	-	-	363,349
	<u>32,121,658</u>	<u>10,018,734</u>	<u>4,859,461</u>	<u>46,999,853</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	(379,595)	(6,122,545)	105,229	(6,396,911)
Other Financing Sources (Uses):				
Transfers in	266,332	-	42,000	308,332
Transfers out	(110,740)	-	(266,332)	(377,072)
	<u>155,592</u>	<u>-</u>	<u>(224,332)</u>	<u>(68,740)</u>
Total Other Financing Sources (Uses)				
Excess (deficiency) of revenues and other sources over expenditures and other uses	(224,003)	(6,122,545)	(119,103)	(6,465,651)
Fund Equity, at Beginning of Year, as restated	5,308,226	(241,965)	3,110,677	8,176,938
Fund Equity, at End of Year	<u>\$ 5,084,223</u>	<u>\$ (6,364,510)</u>	<u>\$ 2,991,574</u>	<u>\$ 1,711,287</u>

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, 2018

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (6,465,651)
<ul style="list-style-type: none"> 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	11,717,352
Depreciation	(2,124,484)
<ul style="list-style-type: none"> 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	1,259,371
Premium	100,994
Repayments of capital lease	117,297
Proceeds of capital lease	(210,288)
<ul style="list-style-type: none"> 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. 	(290,375)
<ul style="list-style-type: none"> 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	(247,779)
Net OPEB liability and related deferred outflows and inflows of resources	(1,272,993)
Other	<u>30,279</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>2,613,723</u></u>

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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues and Transfers In:				
Property taxes	\$ 20,777,724	\$ 20,777,724	\$ 20,777,724	\$ -
Excises	1,116,714	1,116,714	1,257,192	140,478
Penalties, interest and other taxes	102,391	102,391	150,982	48,591
Charges for services	222,206	222,206	243,973	21,767
Intergovernmental	5,958,484	5,958,484	5,985,809	27,325
Licenses and permits	218,000	218,000	384,387	166,387
Fines and forfeitures	15,000	15,000	14,415	(585)
Investment income	16,000	16,000	46,946	30,946
Miscellaneous	208,752	208,752	442,724	233,972
Transfers in	<u>853,837</u>	<u>853,837</u>	<u>855,936</u>	<u>2,099</u>
Total Revenues and Transfers In	29,489,108	29,489,108	30,160,088	670,980
Expenditures and Transfers Out:				
General government	2,078,258	2,078,258	2,050,893	27,365
Public safety	4,003,965	4,003,965	3,999,112	4,853
Education	15,465,095	15,465,095	15,455,210	9,885
Public works	990,481	990,481	985,733	4,748
Snow and ice	218,727	218,727	416,319	(197,592)
Health and human services	290,099	290,099	274,031	16,068
Culture and recreation	425,970	425,970	415,861	10,109
Employee benefits	4,600,908	4,600,908	4,588,287	12,621
Debt service	1,940,949	1,940,949	1,940,949	-
Intergovernmental	<u>326,430</u>	<u>326,430</u>	<u>363,349</u>	<u>(36,919)</u>
Total Expenditures and Transfers Out	<u>30,340,882</u>	<u>30,340,882</u>	<u>30,489,744</u>	<u>(148,862)</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(851,774)	(851,774)	(329,656)	522,118
Other Financing Sources:				
Use of free cash:				
Non-recurring capital costs	222,244	222,244	-	(222,244)
Non-recurring costs	205,228	205,228	-	(205,228)
Recurring costs	185,484	185,484	-	(185,484)
Use of prior bond premium	<u>238,818</u>	<u>238,818</u>	<u>-</u>	<u>(238,818)</u>
Total Other Sources	<u>851,774</u>	<u>851,774</u>	<u>-</u>	<u>(851,774)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(329,656)</u>	\$ <u>(329,656)</u>

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

TOWN OF MILLIS, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 1,573,974	\$ 1,348,655	\$ 2,922,629
User fees	514,323	432,289	946,612
Betterment	-	71,797	71,797
Total current assets	2,088,297	1,852,741	3,941,038
Noncurrent:			
Betterment	-	307,819	307,819
Capital assets:			
Nondepreciable capital assets	4,215,744	742,316	4,958,060
Other capital assets, net of accumulated depreciation	5,663,431	4,895,425	10,558,856
Total noncurrent assets	9,879,175	5,945,560	15,824,735
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	21,507	17,262	38,769
Related to OPEB	12	10	22
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	11,988,991	7,815,573	19,804,564
LIABILITIES			
Current:			
Warrants payable	200,012	11,852	211,864
Notes payable	2,686,375	218,290	2,904,665
Current portion of long-term liabilities:			
Bonds payable	355,000	195,000	550,000
Total current liabilities	3,241,387	425,142	3,666,529
Noncurrent:			
Bonds payable, net of current portion	1,895,001	1,345,000	3,240,001
Net pension liability	103,600	83,152	186,752
Net OPEB liability	240,683	192,547	433,230
Total noncurrent liabilities	2,239,284	1,620,699	3,859,983
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	18,959	15,217	34,176
Related to OPEB	17,436	13,948	31,384
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,517,066	2,075,006	7,592,072
NET POSITION			
Net investment in capital assets	5,001,356	4,009,785	9,011,141
Unrestricted	1,470,569	1,730,782	3,201,351
TOTAL NET POSITION	\$ 6,471,925	\$ 5,740,567	\$ 12,212,492

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, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 1,438,292	\$ 1,227,417	\$ 2,665,709
Total Operating Revenues	1,438,292	1,227,417	2,665,709
Operating Expenses:			
Personnel services	342,658	240,715	583,373
Nonpersonnel	593,551	769,958	1,363,509
Depreciation	213,385	212,393	425,778
Total Operating Expenses	1,149,594	1,223,066	2,372,660
Operating Income	288,698	4,351	293,049
Nonoperating Revenues (Expenses):			
Interest income	1,427	1,388	2,815
Interest expense	(110,511)	(67,623)	(178,134)
Total Nonoperating Revenues (Expenses), Net	(109,084)	(66,235)	(175,319)
Income (Loss) Before Transfers	179,614	(61,884)	117,730
Transfers:			
Transfers in	68,740	-	68,740
Change in Net Position	248,354	(61,884)	186,470
Net Position at Beginning of Year, as restated	6,223,571	5,802,451	12,026,022
Net Position at End of Year	\$ 6,471,925	\$ 5,740,567	\$ 12,212,492

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, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,386,744	\$ 1,312,781	\$ 2,699,525
Payments to vendors and employees	<u>(742,846)</u>	<u>(1,004,853)</u>	<u>(1,747,699)</u>
Net Cash Provided By Operating Activities	643,898	307,928	951,826
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfer in	<u>68,740</u>	<u>-</u>	<u>68,740</u>
Net Cash Provided By Noncapital Financing Activities	68,740	-	68,740
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(781,782)	(57,663)	(839,445)
Proceeds from short-term notes	1,076,745	218,290	1,295,035
Principal payments on short-term notes	(50,000)	-	(50,000)
Principal payments on long-term bonds	(350,564)	(244,000)	(594,564)
Principal payments on long-term notes	-	(12,677)	(12,677)
Interest expense	<u>(110,511)</u>	<u>(67,623)</u>	<u>(178,134)</u>
Net Cash (Used For) Capital and Related Financing Activities	(216,112)	(163,673)	(379,785)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>1,427</u>	<u>1,388</u>	<u>2,815</u>
Net Cash Provided By Investing Activities	<u>1,427</u>	<u>1,388</u>	<u>2,815</u>
Net Change in Cash and Short-Term Investments	497,953	145,643	643,596
Cash and Short-Term Investments, Beginning of Year	<u>1,076,021</u>	<u>1,203,012</u>	<u>2,279,033</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 1,573,974</u></u>	<u><u>\$ 1,348,655</u></u>	<u><u>\$ 2,922,629</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating income	\$ 288,698	\$ 4,351	\$ 293,049
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	213,385	212,393	425,778
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	(51,548)	7,800	(43,748)
Betterments	-	77,563	77,563
Deferred outflows - related to pensions	26,904	16,911	43,815
Deferred outflows - related to OPEB	(12)	(10)	(22)
Warrants and accounts payable	179,029	(5,331)	173,698
Net pension liability	3,737	2,999	6,736
Net OPEB liability	(7,654)	(6,123)	(13,777)
Deferred inflows - related to pensions	(26,077)	(16,573)	(42,650)
Deferred inflows - related to OPEB	<u>17,436</u>	<u>13,948</u>	<u>31,384</u>
Net Cash Provided By Operating Activities	<u><u>\$ 643,898</u></u>	<u><u>\$ 307,928</u></u>	<u><u>\$ 951,826</u></u>

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

TOWN OF MILLIS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Other Post Employment Benefits <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS			
Cash	\$ -	\$ -	\$ 74,618
Investments:			
Fixed income mutual funds	37,507	-	-
Equity mutual funds	77,060	-	-
Certificates of deposit	<u>-</u>	<u>113,452</u>	<u>-</u>
Total Assets	114,567	113,452	74,618
LIABILITIES AND NET POSITION			
Other liabilities	<u>-</u>	<u>-</u>	<u>74,618</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>74,618</u>
NET POSITION			
Restricted for OPEB purposes	114,567	-	-
Restricted for other purposes	<u>-</u>	<u>113,452</u>	<u>-</u>
Total net position	<u>\$ 114,567</u>	<u>\$ 113,452</u>	<u>\$ -</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, 2018

	Other Post Employment Benefit <u>Fund</u>	Private Purpose <u>Trust Funds</u>
Additions:		
Contributions	\$ 899,608	\$ 16,300
Investment income	<u>5,668</u>	<u>628</u>
Total additions	905,276	16,928
Deductions:		
Payments to beneficiaries	<u>899,608</u>	<u>23,625</u>
Total deductions	<u>899,608</u>	<u>23,625</u>
Net increase (decrease)	5,668	(6,697)
Net position restricted for pensions and other purposes:		
Beginning of year	<u>108,899</u>	<u>120,149</u>
End of year	<u>\$ 114,567</u>	<u>\$ 113,452</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 2018, 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 sSchool.

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 non-operating 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 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2018 tax levy reflected an excess capacity of \$5,640.

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 and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 31,742,063	\$ 32,121,658
Other financing sources/uses (GAAP Basis)	<u>266,332</u>	<u>110,740</u>
Subtotal (GAAP Basis)	32,008,395	32,232,398
Adjust tax revenue to accrual basis	(218,519)	-
To reverse expenditures of prior year appropriation carryforwards	-	(441,627)
Add end-of-year appropriation carryforwards from expenditures	-	534,333
Remove effect of combining stabilization and general fund	203,336	-
To reverse the effect of non-budgeted state contributions for teachers retirement	(1,833,124)	(1,833,124)
Other	<u>-</u>	<u>(2,236)</u>
Budgetary Basis	\$ <u><u>30,160,088</u></u>	\$ <u><u>30,489,744</u></u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2018. 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 sixty per cent 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, 2018, none of the Town's bank balance of \$18,034,688 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

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).

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

<u>Investment Type</u>	<u>Amount</u>	<u>Ratings as of Year End</u>		
		<u>AAA</u>	<u>Aa1-A3</u>	<u>Baa1-B3</u>
Debt related:				
Federal agency securities	\$ 282,775	\$ 282,755	\$ -	\$ -
US treasury notes	148,152	148,152	-	-
Corporate bonds	<u>285,949</u>	<u>-</u>	<u>153,030</u>	<u>132,919</u>
Total debt securities	716,876	<u>\$ 430,907</u>	<u>\$ 153,030</u>	<u>\$ 132,919</u>
Equities:				
Equity mutual funds	<u>304,474</u>			
Subtotal	1,021,350			
Certificates of deposits	<u>530,097</u>			
Total investments	\$ <u><u>1,551,447</u></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 policies for custodial credit risk.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

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 (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>
Federal Home Loan Mortgage Corp	\$ 282,775
Pfizer Incorporated corporate bond	\$ 79,197
Bartholomew Wells Fargo certificate of deposit	\$ 98,263
Bartholomew Capital One certificate of deposit	\$ 98,154
Bartholomew Discover Bank certificate of deposit	\$ 98,117
Bartholomew Capital One certificate of deposit	\$ 88,686
Middlesex Savings Bank certificate of deposit	\$ 88,960

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 policy that limits 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</u> <u>(in Years)</u>		
		<u>Less</u> <u>Than 1</u>	<u>1-5</u>	<u>N/A</u>
Debt Related Securities:				
Federal agency securities	\$ 282,775	\$ -	\$ 282,775	\$ -
U.S. Treasury notes	148,152	49,547	98,605	-
Corporate bonds	285,949	79,197	206,752	-
Equity mutual funds	304,474	-	-	304,474
Certificates of deposit	<u>530,097</u>	<u>117,468</u>	<u>412,629</u>	<u>-</u>
Total	\$ <u>1,551,447</u>	\$ <u>246,212</u>	\$ <u>1,000,761</u>	\$ <u>304,474</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 policies for 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.

<u>Description</u>	<u>Fair Value Measurements Using:</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:				
Debt securities:				
Federal agency securities	\$ 282,775	\$ -	\$ 282,775	\$ -
US treasury notes	148,152	-	148,152	-
Corporate bonds	285,949	-	285,949	-
Equity securities				
Equity mutual funds	304,474	304,474	-	-
Total	\$ 1,021,350	\$ 304,474	\$ 716,876	\$ -

5. Property Taxes 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 receivable at June 30, 2018 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 484,026	\$ (76,000)	\$ 408,026
Personal property taxes	35,034	(28,000)	7,034
Tax liens and foreclosures	528,857	(53,000)	475,857
CPA	2,237	-	2,237
Total property taxes	<u>\$ 1,050,154</u>	<u>\$ (157,000)</u>	893,154
Less current portion			<u>417,297</u>
Noncurrent taxes receivable			<u>\$ 475,857</u>
Motor vehicle excise	<u>\$ 226,561</u>	<u>\$ (107,000)</u>	<u>\$ 119,561</u>
Total Excises	<u>\$ 226,561</u>	<u>\$ (107,000)</u>	<u>\$ 1,905,869</u>

6. **Betterment Receivable**

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

7. **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 2018:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 266,332	\$ 110,740
Nonmajor Funds:		
Special Revenue Funds:		
Town funds (includes ambulance)	-	266,000
Expendable trust funds	-	332
Capital Project Funds:		
Town capital funds	<u>42,000</u>	<u>-</u>
Subtotal Nonmajor Funds	42,000	266,332
<u>Business-Type Funds:</u>		
Water fund	<u>68,740</u>	<u>-</u>
Subtotal Business-Type Funds	<u>68,740</u>	<u>-</u>
Grand Total	<u>\$ 377,072</u>	<u>\$ 377,072</u>

Transfer out from the Ambulance Fund to the general fund of \$220,000 is used to fund salaries, equipment, and other various public safety expenses in the general fund. The Ambulance Fund generates approximately \$294,000 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.

8. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 26,528	\$ -	\$ -	\$ -	\$ 26,528
Machinery, equipment, furnishings, and vehicles	8,020	746	-	-	8,766
Infrastructure	<u>25,463</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>25,781</u>
Total capital assets, being depreciated	60,011	1,064	-	-	61,075
Less accumulated depreciation for:					
Buildings and improvements	(11,049)	(760)	-	-	(11,809)
Machinery, equipment, furnishings, and vehicles	(5,489)	(690)	-	-	(6,179)
Infrastructure	<u>(10,109)</u>	<u>(675)</u>	<u>-</u>	<u>-</u>	<u>(10,784)</u>
Total accumulated depreciation	<u>(26,647)</u>	<u>(2,125)</u>	<u>-</u>	<u>-</u>	<u>(28,772)</u>
Total capital assets, being depreciated, net	33,364	(1,061)	-	-	32,303
Capital assets, not being depreciated:					
Land	3,402	-	-	-	3,402
Construction in progress	<u>11,767</u>	<u>10,654</u>	<u>-</u>	<u>-</u>	<u>22,421</u>
Total capital assets, not being depreciated	<u>15,169</u>	<u>10,654</u>	<u>-</u>	<u>-</u>	<u>25,823</u>
Governmental activities capital assets, net	<u>\$ 48,533</u>	<u>\$ 9,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,126</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 2,620	\$ -	\$ -	\$ -	\$ 2,620
Machinery, equipment, furnishings, and vehicles	1,693	38	-	848	2,579
Infrastructure	13,365	-	-	-	13,365
Total capital assets, being depreciated	17,678	38	-	848	18,564
Less accumulated depreciation for:					
Buildings and improvements	(1,692)	(53)	-	-	(1,745)
Machinery, equipment, furnishings, and vehicles	(1,339)	(54)	-	-	(1,393)
Infrastructure	(4,549)	(319)	-	-	(4,868)
Total accumulated depreciation	(7,580)	(426)	-	-	(8,006)
Total capital assets, being depreciated, net	10,098	(388)	-	848	10,558
Capital assets, not being depreciated:					
Land	1,376	-	-	-	1,376
Construction in progress	3,629	802	-	(848)	3,583
Total capital assets, not being depreciated	5,005	802	-	(848)	4,959
Business-type activities capital assets, net	<u>\$ 15,103</u>	<u>\$ 414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,517</u>

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

Governmental Activities:	
General government	\$ 182
Public safety	386
Education	500
Public works	848
Health and human services	5
Culture and recreation	204
Total depreciation expense - governmental activities	<u>\$ 2,125</u>
Business-Type Activities:	
Water	\$ 213
Sewer	213
Total depreciation expense - business-type activities	<u>\$ 426</u>

9. 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.

10. Warrants Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018 as permitted by law.

11. Notes Payable

The Town had the following short- term notes outstanding at June 30, 2018:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/18</u>
Governmental:				
Street Sweeper	1.35%	11/02/17	11/02/18	\$ 193,000
Ambulance	1.35%	11/02/17	11/02/18	230,000
Clyde Brown School	3.00%	12/21/17	12/21/18	13,000,000
Front End Loader	1.55%	01/29/18	01/29/19	182,698
DPW Garage Repairs	1.35%	09/29/17	09/28/18	250,000
Subtotal				<u>13,855,698</u>
Enterprise - Sewer Fund:				
Sewer I&I Planning	1.55%	01/29/18	01/29/19	<u>218,290</u>
Subtotal				218,290
Enterprise - Water Fund:				
Dover Road Phase II	1.85%	05/04/18	05/03/19	887,545
Water Mains	1.35%	11/02/17	11/02/18	1,609,630
Water Treatment Facility	1.35%	09/29/17	09/28/18	88,400
Well Improvements	1.35%	09/29/17	09/28/18	<u>100,800</u>
Subtotal				<u>2,686,375</u>
Total notes payable				<u>\$ 16,760,363</u>

The following summarizes activity in notes payable during fiscal year 2018:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental:				
Street Sweeper	\$ 205,000	\$ -	\$ (205,000)	\$ -
Ambulance	260,000	-	(260,000)	-
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
Subtotal	<u>465,000</u>	<u>13,855,698</u>	<u>(465,000)</u>	<u>13,855,698</u>
Enterprise - Sewer Fund:				
Sewer I&I Planning	-	218,290	-	218,290
Enterprise - Water Fund:				
Dover Rd. Water System Improvements #1	950,000	-	(950,000)	-
Dover Rd. Water System Improvements #2	709,630	-	(709,630)	-
Dover Road Phase II	-	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	<u>1,659,630</u>	<u>2,904,665</u>	<u>(1,659,630)</u>	<u>2,904,665</u>
Total	<u>\$ 2,124,630</u>	<u>\$ 16,760,363</u>	<u>\$ (2,124,630)</u>	<u>\$ 16,760,363</u>

12. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2020. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2018:

	Governmental Activities
2019	\$ 96,185
2020	<u>73,115</u>
Total minimum lease payments	169,300
Less: amounts representing interest	<u>(9,744)</u>
Present Value of Minimum Lease Payments	<u>\$ 159,556</u>

The following is an analysis for the leased assets included in capital assets at June 30, 2018:

	Governmental Activities
Machinery, vehicles and equipment	\$ 344,861
Less: accumulated depreciation	<u>(63,513)</u>
Equipment under capital leases, net	<u>\$ 281,348</u>

13. 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:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
Land acquisition	10/15/18	2.80%	\$ 30,000
Library construction	02/15/33	3.09%	3,750,000
Culvert repairs - Main St	02/15/23	3.30%	50,000
Public way - Crestview/Klifford	02/15/26	3.31%	170,000
Police and fire building	08/01/35	2.0 - 5.0%	8,960,000
Additional police and fire	08/01/36	2.0 - 5.0%	1,120,000
VMC Boiler	08/01/24	2.0 - 5.0%	65,000
VMC Restoration/masonry	08/01/26	2.0 - 5.0%	335,000
Additional library	08/01/26	2.0 - 5.0%	53,000
Quint fire truck	08/01/28	2.0 - 5.0%	605,000
DPW vehicles	08/01/28	2.0 - 5.0%	147,000
DPW building (refunded)	08/15/18	2.0 - 5.0%	20,000
Drainage - Acorn St (refunded)	08/01/25	2.0 - 5.0%	<u>180,000</u>
Total Governmental Activities			<u>\$ 15,485,000</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
Water - Paine well engineering and land purchase	10/15/20	2.80%	\$ 165,001
Water - Forest Rd mains	02/15/33	3.30%	507,000
Water - Irving St mains	02/15/33	3.30%	68,000
Water - System improvement chlorine contact loop	08/01/23	2.0 - 5.0%	255,000
Water - Storage tank painting	08/01/24	2.0 - 5.0%	520,000
Water - Ross Ave. improvements	08/01/35	2.0 - 5.0%	215,000
Water - Well 5 and 6 (refunded)	08/01/23	2.0 - 5.0%	445,000
Water - Paine well (refunded)	08/01/23	2.0 - 5.0%	75,000
Sewer improvements - area A&B	10/15/20	2.80%	205,000
Sewer improvements - Franklin	02/15/23	3.30%	75,000
Sewer - Water St. pump station	08/01/35	2.0 - 5.0%	585,000
Sewer improvements - area E (refunded)	08/01/26	2.0 - 5.0%	675,000
Total Business-Type Activities			<u>\$ 3,790,001</u>

B. Long Term Notes Payable

The Town had the following long-term notes outstanding at June 30, 2018:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/18</u>
Governmental:				
Ambulance Bay	1.50%	07/07/17	07/06/18	\$ 15,000
Causeway St. Culvert	1.50%	12/08/17	12/07/18	24,000
Field Improvement	1.25%	09/15/17	09/15/18	60,000
Fire Truck	1.60%	03/01/18	12/21/18	300,000
Total				<u>\$ 399,000</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,040,000	\$ 570,838	\$ 1,610,838
2020	985,000	536,813	1,521,813
2021	975,000	494,038	1,469,038
2022	970,000	448,213	1,418,213
2023	970,000	402,313	1,372,313
2024 - 2028	4,645,000	1,383,386	6,028,386
2029 - 2033	4,175,000	587,908	4,762,908
2034 - 2038	1,725,000	80,325	1,805,325
Total	<u>\$ 15,485,000</u>	<u>\$ 4,503,834</u>	<u>\$ 19,988,834</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, 2018.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 550,000	\$ 148,596	\$ 698,596
2020	545,001	129,019	674,020
2021	475,000	106,944	581,944
2022	390,000	86,245	476,245
2023	385,000	67,495	452,495
2024 - 2028	970,000	146,827	1,116,827
2029 - 2033	355,000	46,087	401,087
2034 - 2037	120,000	5,400	125,400
Total	<u>\$ 3,790,001</u>	<u>\$ 736,613</u>	<u>\$ 4,526,614</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/17</u>	Additions	Reductions	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 16,587	\$ -	\$ (1,102)	\$ 15,485	\$ (1,040)	\$ 14,445
Bond premium	<u>2,020</u>	<u>-</u>	<u>(101)</u>	<u>1,919</u>	<u>(101)</u>	<u>1,818</u>
Subtotal	18,607	-	(1,203)	17,404	(1,141)	16,263
Notes payable	556	-	(157)	399	(399)	-
Net pension liability	12,960	485	-	13,445	-	13,445
Net OPEB liability	32,359	-	(997)	31,362	-	31,362
Other:						
Landfill closure	113	-	(10)	103	(10)	93
Accrued employee benefits	514	-	(11)	503	(25)	478
Capital leases payable	<u>66</u>	<u>210</u>	<u>(117)</u>	<u>159</u>	<u>(90)</u>	<u>69</u>
Subtotal - other	<u>693</u>	<u>210</u>	<u>(138)</u>	<u>765</u>	<u>(125)</u>	<u>640</u>
Totals	<u>\$ 65,175</u>	<u>\$ 695</u>	<u>\$ (2,495)</u>	<u>\$ 63,375</u>	<u>\$ (1,665)</u>	<u>\$ 61,710</u>

	Total Balance <u>7/1/17</u>	Additions	Reductions	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,384	\$ -	\$ (594)	\$ 3,790	\$ (550)	\$ 3,240
Notes payable	13	-	(13)	-	-	-
Net pension liability	180	7	-	187	-	187
Net OPEB liability	<u>447</u>	<u>-</u>	<u>(14)</u>	<u>433</u>	<u>-</u>	<u>433</u>
Totals	<u>\$ 5,024</u>	<u>\$ 7</u>	<u>\$ (621)</u>	<u>\$ 4,410</u>	<u>\$ (550)</u>	<u>\$ 3,860</u>

14. 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 \$103,155 reported as landfill postclosure care liability at June 30, 2018 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. 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.

16. 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, 2018:

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, 2018:

	General Fund	Clyde Brown School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 191,673	\$ 191,673
Total Nonspendable	-	-	191,673	191,673
Restricted				
Reserved for debt service	1,290,263	-	-	1,290,263
Bonded projects	-	170,540	314,603	485,143
Special revenue funds:				
Community preservation	-	-	569,980	569,980
School choice tuition	-	-	561,674	561,674
Circuit breaker	-	-	221,794	221,794
Ambulance	-	-	330,337	330,337
Cellular antennae lease	-	-	163,210	163,210
Extended day care	-	-	124,671	124,671
School transportation	-	-	146,173	146,173
Law enforcement trust	-	-	96,706	96,706
Other	-	-	993,047	993,047
Expendable permanent funds	-	-	37,496	37,496
Total Restricted	1,290,263	170,540	3,559,691	5,020,494
Committed				
Stabilization - Oak Grove Farmhouse	2,041	-	-	2,041
Stabilization - School Bus	45,000	-	-	45,000
Reserved for articles				
General government	21,477	-	-	21,477
Education	79,182	-	-	79,182
Public works	38,593	-	-	38,593
Culture and recreation	24,579	-	-	24,579
Employee benefits	13,705	-	-	13,705
Total Committed	224,577	-	-	224,577
Assigned				
Encumbrances				
General government	48,450	-	-	48,450
Public safety	833	-	-	833
Education	290,139	-	-	290,139
Public works	16,160	-	-	16,160
Health and human services	33	-	-	33
Culture and recreation	1,182	-	-	1,182
Reserved for appropriation	64,173	-	-	64,173
Reserved for expenditures	344,041	-	-	344,041
Total Assigned	765,011	-	-	765,011
Unassigned				
General stabilization	1,163,709	-	-	1,163,709
General fund	1,640,663	(6,535,050)	(759,790)	(5,654,177)
Total Unassigned	2,804,372	(6,535,050)	(759,790)	(4,490,468)
Total Fund Balance	\$ 5,084,223	\$ (6,364,510)	\$ 2,991,574	\$ 1,711,287

17. 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 Retirement Benefits

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 five-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 percent, 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.

If a participant was a member prior to February 2012, 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.

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.

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%.

Participants 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.

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, 2017 was \$1,577,876, 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, 2018, the Town reported a liability of \$13,631,557 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 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, 2017, the Town's proportion was 2.465 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$1,930,516. 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	\$ 1,299,501	\$ -
Net difference between projected and actual earnings on pension plan investments	846,924	1,267,985
Changes of assumptions	683,489	549,774
Changes in proportion and differences between contributions and proportionate share of contributions	-	676,846
Total	<u>\$ 2,829,914</u>	<u>\$ 2,494,605</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:

2019	\$ 271,029
2020	187,426
2021	30,692
2022	<u>(153,838)</u>
Total	\$ <u>335,309</u>

D. Actuarial Assumptions

The total pension liability in the December 31, 2017 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	3.00%
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.

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%	8.80%
International equity	17.50%	8.80%
Fixed income	19.00%	3.60%
Real estate	9.00%	7.40%
Private equity	8.50%	13.30%
Hedge funds	9.00%	7.40%
Real assets	5.00%	10.40%
Total	<u>100.00%</u>	

E. 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.

F. 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 percent, 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 (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 17,640,582	\$ 13,631,557	\$ 10,225,864

G. Pension Plan Fiduciary Net Position

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

18. **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 three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most

employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% 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 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.00%	5.00%
Portfolio completion strategies	13.00%	3.60%
Core fixed income	12.00%	1.10%
Private equity	11.00%	6.60%
Real estate	10.00%	3.60%
Value added fixed income	10.00%	3.80%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed 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):

1% Decrease to 6.50%	Current Discount Rate 7.50%	1% Increase to 8.50%
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

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 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$33,954,875 and \$3,543,969 respectively, based on a proportionate share of 0.148369%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

19. 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, 2018.

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.

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	177
Active employees	<u>297</u>
Total	<u><u>474</u></u>

B. Investments

The OPEB trust fund assets consist of equities, fixed income, real estate, and alternatives. (specify)

Rate of return. For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.2%. 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, 2016, 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	7.08%, net of OPEB plan investment expense
Municipal bond rate	3.45%
Discount rate	3.75%
Healthcare cost trend rates	5% for 2018

Mortality rates were based on RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 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, 2018 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	19.00%	4.00%
Domestic Equity - Small/Mid Cap	15.75%	6.00%
International Equity - Developed Market	11.25%	4.50%
International Equity - Emerging Market	7.25%	7.00%
Domestic Fixed Income	22.50%	2.00%
International Fixed Income	3.75%	3.00%
Alternatives	20.00%	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 3.75%. 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 7.08% and municipal bond rate of 3.45% (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2018).

E. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 31,909,375
Plan fiduciary net position	<u>(114,567)</u>
Net OPEB liability	<u>\$ 31,794,808</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0.36%
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F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 32,914,769	\$ 108,899	\$ 32,805,870
Changes for the year:			
Service cost	1,345,204	-	1,345,204
Interest	1,268,037	-	1,268,037
Contributions - employer	-	899,608	(899,608)
Net investment income	-	5,668	(5,668)
Changes in assumptions or other inputs	(2,719,027)	-	(2,719,027)
Benefit payments	<u>(899,608)</u>	<u>(899,608)</u>	<u>-</u>
Net Changes	<u>(1,005,394)</u>	<u>5,668</u>	<u>(1,011,062)</u>
Balances, end of year	<u>\$ 31,909,375</u>	<u>\$ 114,567</u>	<u>\$ 31,794,808</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.25% in 2017 to 3.75% in 2018. Assumption changes caused Service Cost to decrease by \$180,000.

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	Current Discount Rate	1% Increase
<u>\$ 37,338,737</u>	<u>\$ 31,794,808</u>	<u>\$ 27,419,801</u>

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:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 23,544,471	\$ 31,794,808	\$ 42,647,195

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

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$2,190,186. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ 2,303,274
Net difference between projected and actual OPEB investment	<u>1,634</u>	<u>-</u>
Total	<u>\$ 1,634</u>	<u>\$ 2,303,274</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>	
2019	\$ (415,345)
2020	(415,345)
2021	(415,345)
2022	(415,343)
2023	(415,753)
Thereafter	<u>(224,509)</u>
Total	<u>\$ (2,301,640)</u>

20. **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 2018 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	\$ 691
August	1,143
September	907
October	1,143
November	1,792
December	1,085
January	1,232
February	1,267
March	1,196
April	1,181
May	1,795
June	1,556
Total	<u>\$ 14,988</u>

21. **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.

22. Subsequent Events

On November 5, 2018, the Town voted to appropriate \$571,652 of free cash for use in the fiscal year 2019 budget for the following:

- \$10,000 – Sanitary landfill monitoring services
- \$197,592 – Fund FY18 snow and ice deficit
- \$314,060 – Water and sewer projects
- \$50,000 – Transfer to OPEB trust fund

Debt

Subsequent to June 30, 2018, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Rate</u>	<u>Date of issue</u>	<u>Date of Maturity</u>
Bond Anticipation Notes:				
Town Fields Design	\$ 30,000	3.00%	9/14/2018	9/13/2019
Veterans Memorial Building HVAC Improvements	107,000	3.00%	9/14/2018	9/13/2019
Auditorium Repairs	90,000	3.00%	9/14/2018	9/13/2019
Varsity Baseball Field	60,000	3.00%	9/14/2018	9/13/2019
Bobcat Excavator	56,253	3.00%	9/14/2018	9/13/2019
Fire Department Vehicle	51,872	3.00%	9/14/2018	9/13/2019
Fuel Dispensing System	50,000	3.00%	9/14/2018	9/13/2019
School Bus	45,000	3.00%	9/14/2018	9/13/2019
Advanced Life Support Equipment	40,537	3.00%	9/14/2018	9/13/2019
Middle/High School Bathroom Upgrade	40,000	3.00%	9/14/2018	9/13/2019
Veterans Memorial Building Drainage/HVAC Re-piping	30,150	3.00%	9/14/2018	9/13/2019
Advanced Life Support Medications and Equipment	12,860	3.00%	9/14/2018	9/13/2019
IT/Data Processing Infrastructure	11,000	3.00%	9/14/2018	9/13/2019
	<u>\$ 624,672</u>			

23. Beginning Fund Balance/Net Position Restatement

The beginning (July 1, 2017) fund balance/net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
		<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
As previously reported	\$ 14,303,687	\$ 6,009,881	\$ 5,683,410	\$ 11,693,291
Implementation of GASB 75 OPEB	(20,876,889)	(133,201)	(116,162)	(249,363)
Reallocation of net pension liability	<u>(582,094)</u>	<u>346,891</u>	<u>235,203</u>	<u>582,094</u>
As restated	<u>\$ (7,155,296)</u>	<u>\$ 6,223,571</u>	<u>\$ 5,802,451</u>	<u>\$ 12,026,022</u>

Fund Basis Financial Statements:

	General <u>Fund</u>	Clyde Brown School <u>Fund</u>	Police/Fire Renovations <u>Fund</u>	Nonmajor <u>Funds</u>
As previously reported	\$ 5,306,189	\$ -	\$ 280,610	\$ 2,590,139
Change in major fund	-	(241,965)	(280,610)	522,575
Stabilization reclassification	<u>2,037</u>	<u>-</u>	<u>-</u>	<u>(2,037)</u>
As restated	<u>\$ 5,308,226</u>	<u>\$ (241,965)</u>	<u>\$ -</u>	<u>\$ 3,110,677</u>

TOWN OF MILLIS, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
JUNE 30, 2018
(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, 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, 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

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

**JUNE 30, 2018
(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, 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, 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)**

Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)

(Unaudited)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 1,345,204	\$ 1,443,288
Interest on unfunded liability - time value of \$	1,268,037	1,049,653
Differences between expected and actual experience	-	1
Changes of assumptions	(2,719,027)	-
Benefit payments, including refunds of member contributions	<u>(899,608)</u>	<u>(856,944)</u>
Net change in total OPEB liability	(1,005,394)	1,635,998
Total OPEB liability - beginning	<u>32,914,769</u>	<u>31,278,771</u>
Total OPEB liability - ending (a)	31,909,375	32,914,769
Plan fiduciary net position*		
Contributions - employer	899,608	856,944
Net investment income	5,668	7,573
Benefit payments, including refunds of member contributions	<u>(899,608)</u>	<u>(856,944)</u>
Net change in plan fiduciary net position	5,668	7,573
Plan fiduciary net position - beginning	<u>108,899</u>	<u>101,326</u>
Plan fiduciary net position - ending (b)	<u>114,567</u>	<u>108,899</u>
Net OPEB liability - ending (a-b)	<u><u>\$ 31,794,808</u></u>	<u><u>\$ 32,805,870</u></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)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 31,909,375	\$ 32,914,769
Plan fiduciary net position	<u>114,567</u>	<u>108,899</u>
Net OPEB liability (asset)	<u>\$ 31,794,808</u>	<u>\$ 32,805,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.36%	0.33%

Schedule of Contributions

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

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	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 Board of Selectmen
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, 2018, 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 26, 2019.

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 black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

March 26, 2019