



## **TOWN OF MILLIS, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Select Board  
Town of Millis, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millis, Massachusetts (the Town), as of and for the year ended June 30, 2020, 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 Town'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,

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine

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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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2021 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 the Town's internal control over financial reporting and compliance.

*Melanson*

Andover, Massachusetts  
March 26, 2021



## 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, 2020.

### **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 required supplementary information in addition to the basic financial statements themselves.

#### ***Government-Wide Financial Statements***

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

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

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

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

#### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

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

### ***Proprietary Funds***

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

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

### ***Fiduciary Funds***

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

### ***Notes to Financial Statements***

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



### **Required Supplementary Information (Other Than MD&A)**

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.

### **Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$10,340,409, a change of \$279,666, and net position in business-type activities was \$12,496,347, a change of \$494,590.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,224,174, a change of \$(3,254,579) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,968,116, a change of \$415,865 in comparison to the prior year.

### **Government-Wide Financial Analysis**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 15,864	\$ 21,949	\$ 4,241	\$ 4,009	\$ 20,105	\$ 25,958
Capital assets	<u>91,109</u>	<u>84,926</u>	<u>14,653</u>	<u>15,092</u>	<u>105,762</u>	<u>100,018</u>
Total assets	106,973	106,875	18,894	19,101	125,867	125,976
Deferred outflows of resources	6,148	7,740	134	168	6,282	7,908
Long-term liabilities	92,432	90,528	6,353	6,200	98,785	96,728
Other liabilities	<u>4,695</u>	<u>7,370</u>	<u>56</u>	<u>923</u>	<u>4,751</u>	<u>8,293</u>
Total liabilities	97,127	97,898	6,409	7,123	103,536	105,021
Deferred inflows of resources	5,654	6,657	123	144	5,777	6,801
Net investment in capital assets	50,604	49,030	9,653	9,319	60,257	58,349
Restricted	3,843	3,386	-	-	3,843	3,386
Unrestricted	<u>(44,107)</u>	<u>(42,356)</u>	<u>2,843</u>	<u>2,683</u>	<u>(41,264)</u>	<u>(39,673)</u>
Total net position	\$ <u>10,340</u>	\$ <u>10,060</u>	\$ <u>12,496</u>	\$ <u>12,002</u>	\$ <u>22,836</u>	\$ <u>22,062</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$22,836,756, a change of \$774,256 in comparison to the prior year.

The largest portion of net position \$60,257,116 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 \$3,843,994 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(41,264,354) primarily resulting from unfunded pension and OPEB liabilities.

**CHANGES IN NET POSITION (in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,113	\$ 3,350	\$ 4,080	\$ 3,869	\$ 7,193	\$ 7,219
Operating grants and contributions	12,075	10,777	-	-	12,075	10,777
Capital grants and contributions	2,252	14,128	-	-	2,252	14,128
General revenues:						
Property taxes	25,899	22,530	-	-	25,899	22,530
Excises	1,596	1,290	-	-	1,596	1,290
Penalties and interest on taxes	134	153	-	-	134	153
Grants and contributions not restricted to specific programs	1,112	1,196	-	-	1,112	1,196
Investment income	110	216	14	4	124	220
Other	1,059	2,449	-	-	1,059	2,449
Total revenues	47,350	56,089	4,094	3,873	51,444	59,962

(continued)

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	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Expenses:						
General government	\$ 3,419	\$ 3,117	\$ -	\$ -	\$ 3,419	\$ 3,117
Public safety	6,511	4,940	-	-	6,511	4,940
Education	30,278	28,846	-	-	30,278	28,846
Public works	2,613	2,530	-	-	2,613	2,530
Human services	389	363	-	-	389	363
Culture and recreation	867	842	-	-	867	842
Intergovernmental	419	371	-	-	419	371
Interest on long-term debt	2,640	614	-	-	2,640	614
Water services	-	-	1,599	1,539	1,599	1,539
Sewer services	-	-	1,475	1,619	1,475	1,619
Stormwater	-	-	460	793	460	793
Total expenses	<u>47,136</u>	<u>41,623</u>	<u>3,534</u>	<u>3,951</u>	<u>50,670</u>	<u>45,574</u>
Change in net position before transfers and permanent fund contributions	214	14,466	560	(78)	774	14,388
Transfers in (out)	66	132	(66)	(132)	-	-
Permanent fund contributions	-	3	-	-	-	3
Change in net position	280	14,601	494	(210)	774	14,391
Net position - beginning of year	<u>10,060</u>	<u>(4,541)</u>	<u>12,002</u>	<u>12,212</u>	<u>22,062</u>	<u>7,671</u>
Net position - end of year	<u>\$ 10,340</u>	<u>\$ 10,060</u>	<u>\$ 12,496</u>	<u>\$ 12,002</u>	<u>\$ 22,836</u>	<u>\$ 22,062</u>

### **Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$279,666. Key elements of this change are as follows:

Change in OPEB expense from GASB 75	\$ (1,416,322)
Capital grants and contributions - Clyde Brown School	1,965,631
Depreciation over debt service principal	(434,376)
Other	<u>164,733</u>
Total	<u>\$ 279,666</u>

### **Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$494,590. The positive results of operations are primarily attributable to water and stormwater fund revenues exceeding operating expenses.

## Financial Analysis of the Town's 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.

#### *General Fund*

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,968,116 while total fund balance was \$4,828,352. The unassigned fund balance change noted below is primarily due to positive budgetary results of \$572,328 and budgeted use of free cash of \$194,490 from the fall town meeting. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 2,968,116	\$ 2,552,251	\$ 415,865	8.6%
Total fund balance	\$ 4,828,352	\$ 4,732,611	\$ 95,741	13.9%

\* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$2,173,955.

The total fund balance of the general fund changed by \$95,741 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (634,156)
Revenues in excess of budget	106,304
Budget in excess of expenditures	230,480
Other financing sources in excess of budget	235,544
Change in stabilization	37,261
Other	120,308
Total	<u>\$ 95,741</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General operating stabilization	\$ 1,806,423	\$ 1,769,173	\$ 37,250
Stabilization - Oak Grove farmhouse	<u>2,063</u>	<u>2,052</u>	<u>11</u>
Total	<u>\$ 1,808,486</u>	<u>\$ 1,771,225</u>	<u>\$ 37,261</u>

*Other Major Governmental Funds*

The Clyde Brown School fund is a capital project fund accounting for the construction of the new Clyde Brown Elementary School.

The COVID-19 CARES fund is a special revenue fund used to track federal funding received to be used for appropriate resources as a result of the ongoing pandemic.

*Non-Major Governmental Funds*

The non-major fund balance changed by \$1,106 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

***Proprietary Funds***

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,842,972 a change of \$160,241 in comparison to the prior year primarily from the water fund debt service payments exceeding depreciation expense.

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

**General Fund Budgetary Highlights**

The change in budgeted expenditures are due to various capital items being appropriated through the use of free cash of \$193,472, and revenues from taxation of \$160,381.

**Capital Asset and Debt Administration**

***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$105,761,271 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

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

***Change in Credit Rating***

During the fiscal year, the Moody's credit rating remained the same at Aa3.

***Long-Term Debt***

At the end of the current fiscal year, total bonded debt and long-term notes outstanding, including unamortized bond premiums, was \$46,986,900, 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, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 12,110,445	\$ 2,818,992	\$ 14,929,437
Investments	1,835,218	-	1,835,218
Receivables, net of allowance for uncollectibles:			
Property taxes	898,705	-	898,705
Excises	141,734	-	141,734
User fees	-	1,179,549	1,179,549
Departmental and other	202,883	-	202,883
Intergovernmental	199,588	-	199,588
Betterments	-	55,519	55,519
	15,388,573	4,054,060	19,442,633
Total Current Assets			
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	475,535	-	475,535
Betterments	-	188,202	188,202
Capital assets:			
Nondepreciable capital assets	49,207,456	4,482,244	53,689,700
Other capital assets, net of accumulated depreciation	41,901,868	10,169,703	52,071,571
	91,584,859	14,840,149	106,425,008
Total Noncurrent Assets			
Total Assets			
	106,973,432	18,894,209	125,867,641
<b>Deferred Outflows of Resources</b>			
Related to pensions	1,464,756	31,725	1,496,481
Related to OPEB	4,683,651	102,075	4,785,726
	6,148,407	133,800	6,282,207
Total Deferred Outflows of Resources			

(continued)

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

**TOWN OF MILLIS, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

(continued)	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants payable	\$ 566,865	\$ 55,257	\$ 622,122
Accrued liabilities	908,460	-	908,460
Notes payable	2,487,528	-	2,487,528
Other current liabilities	732,980	-	732,980
Current portion of long-term liabilities:			
Bonds payable	2,217,994	658,000	2,875,994
Landfill liability	10,887	-	10,887
Compensated absences	30,035	-	30,035
Capital leases	<u>155,707</u>	<u>-</u>	<u>155,707</u>
Total Current Liabilities	7,110,456	713,257	7,823,713
Noncurrent:			
Bonds payable, net of current portion	39,495,906	4,615,000	44,110,906
Net pension liability	13,951,180	302,170	14,253,350
Net OPEB liability	35,703,581	778,118	36,481,699
Landfill liability, net of current portion	71,282	-	71,282
Compensated absences, net of current portion	570,656	-	570,656
Capital leases, net of current portion	<u>224,302</u>	<u>-</u>	<u>224,302</u>
Total Noncurrent Liabilities	<u>90,016,907</u>	<u>5,695,288</u>	<u>95,712,195</u>
Total Liabilities	97,127,363	6,408,545	103,535,908
<b>Deferred Inflows of Resources</b>			
Related to pensions	789,567	17,102	806,669
Related to OPEB	<u>4,864,500</u>	<u>106,015</u>	<u>4,970,515</u>
Total Deferred Inflows of Resources	<u>5,654,067</u>	<u>123,117</u>	<u>5,777,184</u>
<b>Net Position</b>			
Net investment in capital assets	50,603,741	9,653,375	60,257,116
Restricted for:			
Grants and other statutory restrictions	3,607,214	-	3,607,214
Permanent funds:			
Nonexpendable	193,116	-	193,116
Expendable	43,664	-	43,664
Unrestricted	<u>(44,107,326)</u>	<u>2,842,972</u>	<u>(41,264,354)</u>
Total Net Position	<u>\$ 10,340,409</u>	<u>\$ 12,496,347</u>	<u>\$ 22,836,756</u>

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



**TOWN OF MILLIS, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2020

	<u>Expenses</u>	Program Revenues			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental Activities</b>					
General government	\$ 3,417,996	\$ 845,808	\$ 658,446	\$ -	\$ (1,913,742)
Public safety	6,510,504	1,055,361	85,493	-	(5,369,650)
Education	30,277,975	773,443	11,152,229	1,965,631	(16,386,672)
Public works	2,613,275	388,718	106,151	285,909	(1,832,497)
Health and human services	389,336	43,456	28,133	-	(317,747)
Culture and recreation	867,220	6,096	44,154	-	(816,970)
Intergovernmental	418,537	-	-	-	(418,537)
Interest on long-term debt	<u>2,639,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,639,537)</u>
Total Governmental Activities	47,134,380	3,112,882	12,074,606	2,251,540	(29,695,352)
<b>Business-Type Activities</b>					
Water services	1,599,335	1,968,691	-	-	369,356
Sewer services	1,475,428	1,432,842	-	-	(42,586)
Stormwater services	<u>460,065</u>	<u>678,832</u>	<u>-</u>	<u>-</u>	<u>218,767</u>
Total Business-Type Activities	<u>3,534,828</u>	<u>4,080,365</u>	<u>-</u>	<u>-</u>	<u>545,537</u>
Total	<u>\$ 50,669,208</u>	<u>\$ 7,193,247</u>	<u>\$ 12,074,606</u>	<u>\$ 2,251,540</u>	<u>\$ (29,149,815)</u>

(continued)

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

**TOWN OF MILLIS, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2020

(continued)

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Changes in Net Position:			
Net (expenses) revenue from previous page	\$ (29,695,352)	\$ 545,537	\$ (29,149,815)
<b>General Revenues and Transfers</b>			
Property taxes	25,899,378	-	25,899,378
Excises	1,595,631	-	1,595,631
Penalties, interest and other taxes	133,718	-	133,718
Grants and contributions not restricted to specific programs	1,111,757	-	1,111,757
Investment income	109,511	14,750	124,261
Miscellaneous	1,059,326	-	1,059,326
Transfers, net	<u>65,697</u>	<u>(65,697)</u>	<u>-</u>
Total general revenues and transfers	<u>29,975,018</u>	<u>(50,947)</u>	<u>29,924,071</u>
 Change in Net Position	 279,666	 494,590	 774,256
<b>Net Position</b>			
Beginning of year	<u>10,060,743</u>	<u>12,001,757</u>	<u>22,062,500</u>
End of year	<u>\$ 10,340,409</u>	<u>\$ 12,496,347</u>	<u>\$ 22,836,756</u>

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

**TOWN OF MILLIS, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2020

	General Fund	Clyde Brown School Fund	COVID-19 CARES Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and short-term investments	\$ 3,455,819	\$ 3,327,133	\$ 728,631	\$ 4,598,862	\$ 12,110,445
Investments	1,806,423	-	-	28,795	1,835,218
Receivables:					
Property taxes	1,611,988	-	-	5,252	1,617,240
Excises	249,734	-	-	-	249,734
Departmental and other	-	-	-	266,883	266,883
Intergovernmental	-	-	-	199,588	199,588
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 7,123,964</u>	<u>\$ 3,327,133</u>	<u>\$ 728,631</u>	<u>\$ 5,099,380</u>	<u>\$ 16,279,108</u>
<b>Liabilities</b>					
Warrants payable	\$ 295,314	\$ -	\$ 523	\$ 271,028	\$ 566,865
Accrued liabilities	507,686	-	-	-	507,686
Notes payable	-	1,511,789	-	975,739	2,487,528
Other current liabilities	4,872	-	728,108	-	732,980
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	807,872	1,511,789	728,631	1,246,767	4,295,059
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	1,487,740	-	-	272,135	1,759,875
<b>Fund Balances</b>					
Nonspendable	-	-	-	193,116	193,116
Restricted	979,142	1,815,344	-	4,204,519	6,999,005
Committed	436,295	-	-	-	436,295
Assigned	444,799	-	-	-	444,799
Unassigned	2,968,116	-	-	(817,157)	2,150,959
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>4,828,352</u>	<u>1,815,344</u>	<u>-</u>	<u>3,580,478</u>	<u>10,224,174</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,123,964</u>	<u>\$ 3,327,133</u>	<u>\$ 728,631</u>	<u>\$ 5,099,380</u>	<u>\$ 16,279,108</u>

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

**TOWN OF MILLIS, MASSACHUSETTS**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
June 30, 2020

<b>Total governmental fund balances</b>	\$ 10,224,174
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	91,109,324
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,344,875
• Long-term liabilities, net of related deferred outflows and inflows of resources, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(91,937,190)
• Other	<u>(400,774)</u>
<b>Net position of governmental activities</b>	\$ <u><u>10,340,409</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, 2020

	General Fund	Clyde Brown School Fund	COVID-19 CARES Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 25,528,331	\$ -	\$ -	\$ 188,910	\$ 25,717,241
Excises	1,564,770	-	-	-	1,564,770
Penalties, interest and other taxes	128,022	-	-	444	128,466
Charges for services	230,394	-	-	2,307,717	2,538,111
Intergovernmental	8,155,321	1,965,631	1,019	2,665,989	12,787,960
Licenses and permits	650,732	-	-	-	650,732
Fines and forfeitures	11,449	-	-	-	11,449
Investment income	101,513	-	-	7,998	109,511
Miscellaneous	497,614	-	-	633,409	1,131,023
	<u>36,868,146</u>	<u>1,965,631</u>	<u>1,019</u>	<u>5,804,467</u>	<u>44,639,263</u>
<b>Expenditures</b>					
Current:					
General government	1,800,939	-	1,019	732,573	2,534,531
Public safety	4,493,815	-	-	662,888	5,156,703
Education	18,872,576	-	-	2,773,268	21,645,844
Public works	1,028,959	-	-	267,184	1,296,143
Health and human services	276,891	-	-	47,578	324,469
Culture and recreation	462,190	-	-	135,127	597,317
Employee benefits	5,152,058	-	-	-	5,152,058
Debt service:					
Principal	2,014,880	-	-	157,987	2,172,867
Interest	2,307,683	-	-	12,200	2,319,883
Intergovernmental	418,537	-	-	-	418,537
Capital outlay	-	8,572,031	-	1,157,117	9,729,148
	<u>36,828,528</u>	<u>8,572,031</u>	<u>1,019</u>	<u>5,945,922</u>	<u>51,347,500</u>
Excess (deficiency) of revenues over expenditures	39,618	(6,606,400)	-	(141,455)	(6,708,237)
<b>Other Financing Sources (Uses)</b>					
Issuance of long-term debt	-	3,107,000	-	-	3,107,000
Bond premium	-	147,974	-	-	147,974
Issuance of capital lease	-	-	-	132,987	132,987
Transfers in	529,409	-	-	539,297	1,068,706
Transfers out	(473,286)	-	-	(529,723)	(1,003,009)
	<u>56,123</u>	<u>3,254,974</u>	<u>-</u>	<u>142,561</u>	<u>3,453,658</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	95,741	(3,351,426)	-	1,106	(3,254,579)
Fund Balance, at Beginning of Year	<u>4,732,611</u>	<u>5,166,770</u>	<u>-</u>	<u>3,579,372</u>	<u>13,478,753</u>
Fund Balance, at End of Year	<u>\$ 4,828,352</u>	<u>\$ 1,815,344</u>	<u>\$ -</u>	<u>\$ 3,580,478</u>	<u>\$ 10,224,174</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, 2020

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (3,254,579)</b>																						
<ul style="list-style-type: none"> <li>• 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. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="text-align: right;">8,886,171</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,702,501)</td> </tr> </table> </li> <li>• 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. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Repayments of bonds and notes</td> <td style="text-align: right;">2,039,880</td> </tr> <tr> <td>Amortization of premium</td> <td style="text-align: right;">100,994</td> </tr> <tr> <td>Bond issuances</td> <td style="text-align: right;">(3,107,000)</td> </tr> <tr> <td>Repayments of capital lease</td> <td style="text-align: right;">228,245</td> </tr> <tr> <td>Issuance of capital lease</td> <td style="text-align: right;">(132,987)</td> </tr> </table> </li> <li>• 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. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">130,840</td> </tr> </table> </li> <li>• 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Change in pension expense from GASB 68</td> <td style="text-align: right;">(91,814)</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td style="text-align: right;">(1,416,322)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>(401,261)</u></td> </tr> </table> </li> </ul>		Capital outlay purchases	8,886,171	Depreciation	(2,702,501)	Repayments of bonds and notes	2,039,880	Amortization of premium	100,994	Bond issuances	(3,107,000)	Repayments of capital lease	228,245	Issuance of capital lease	(132,987)		130,840	Change in pension expense from GASB 68	(91,814)	Change in OPEB expense from GASB 75	(1,416,322)	Other	<u>(401,261)</u>
Capital outlay purchases	8,886,171																						
Depreciation	(2,702,501)																						
Repayments of bonds and notes	2,039,880																						
Amortization of premium	100,994																						
Bond issuances	(3,107,000)																						
Repayments of capital lease	228,245																						
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Change in pension expense from GASB 68	(91,814)																						
Change in OPEB expense from GASB 75	(1,416,322)																						
Other	<u>(401,261)</u>																						
<b>Changes in net position of governmental activities</b>	<b>\$ <u>279,666</u></b>																						

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

**TOWN OF MILLIS, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2020

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Stormwater Fund</u>	
<b>Assets</b>				
<b>Current:</b>				
Cash and short-term investments	\$ 1,351,050	\$ 1,045,741	\$ 422,201	\$ 2,818,992
User fees	621,824	480,926	76,799	1,179,549
Betterment	-	55,519	-	55,519
<b>Total Current Assets</b>	<b>1,972,874</b>	<b>1,582,186</b>	<b>499,000</b>	<b>4,054,060</b>
<b>Noncurrent:</b>				
Betterment	-	188,202	-	188,202
<b>Capital assets:</b>				
Nondepreciable capital assets	3,739,928	742,316	-	4,482,244
Other capital assets, net of accumulated depreciation	5,680,161	4,489,542	-	10,169,703
<b>Total Noncurrent Assets</b>	<b>9,420,089</b>	<b>5,420,060</b>	<b>-</b>	<b>14,840,149</b>
<b>Total Assets</b>	<b>11,392,963</b>	<b>7,002,246</b>	<b>499,000</b>	<b>18,894,209</b>
<b>Deferred Outflows of Resources</b>				
Related to pensions	6,285	12,720	12,720	31,725
Related to OPEB	20,415	40,830	40,830	102,075
<b>Total Deferred Outflows of Resources</b>	<b>26,700</b>	<b>53,550</b>	<b>53,550</b>	<b>133,800</b>
<b>Liabilities</b>				
<b>Current:</b>				
Warrants payable	31,299	1,245	22,713	55,257
<b>Current portion of long-term liabilities:</b>				
Bonds payable	418,000	240,000	-	658,000
<b>Total Current Liabilities</b>	<b>449,299</b>	<b>241,245</b>	<b>22,713</b>	<b>713,257</b>
<b>Noncurrent:</b>				
Bonds payable, net of current portion	3,555,000	1,060,000	-	4,615,000
Net pension liability	59,864	121,153	121,153	302,170
Net OPEB liability	155,624	311,247	311,247	778,118
<b>Total Noncurrent Liabilities</b>	<b>3,770,488</b>	<b>1,492,400</b>	<b>432,400</b>	<b>5,695,288</b>
<b>Total Liabilities</b>	<b>4,219,787</b>	<b>1,733,645</b>	<b>455,113</b>	<b>6,408,545</b>
<b>Deferred Inflows of Resources</b>				
Related to pensions	3,388	6,857	6,857	17,102
Related to OPEB	21,203	42,406	42,406	106,015
<b>Total Deferred Inflows of Resources</b>	<b>24,591</b>	<b>49,263</b>	<b>49,263</b>	<b>123,117</b>
<b>Net Position</b>				
Net investment in capital assets	5,588,282	4,065,093	-	9,653,375
Unrestricted	1,587,003	1,207,795	48,174	2,842,972
<b>Total Net Position</b>	<b>\$ 7,175,285</b>	<b>\$ 5,272,888</b>	<b>\$ 48,174</b>	<b>\$ 12,496,347</b>

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, 2020

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	
Operating Revenues				
Charges for services	\$ 1,864,041	\$ 1,418,933	\$ 675,329	\$ 3,958,303
Other	104,650	13,909	3,503	122,062
Total Operating Revenues	1,968,691	1,432,842	678,832	4,080,365
Operating Expenses				
Salaries and benefits	344,092	261,711	160,215	766,018
Other operating expenses	813,368	947,292	299,850	2,060,510
Depreciation	242,578	198,285	-	440,863
Total Operating Expenses	1,400,038	1,407,288	460,065	3,267,391
Operating Income	568,653	25,554	218,767	812,974
Nonoperating Revenues (Expenses)				
Interest income	9,992	4,758	-	14,750
Interest expense	(199,297)	(68,140)	-	(267,437)
Total Nonoperating Revenues (Expenses), Net	(189,305)	(63,382)	-	(252,687)
Income (Loss) Before Transfers	379,348	(37,828)	218,767	560,287
Transfers				
Transfers in	58,988	-	-	58,988
Transfers out	(86,685)	-	(38,000)	(124,685)
Change in Net Position	351,651	(37,828)	180,767	494,590
Net Position at Beginning of Year	6,823,634	5,310,716	(132,593)	12,001,757
Net Position at End of Year	\$ 7,175,285	\$ 5,272,888	\$ 48,174	\$ 12,496,347

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, 2020

	Business-Type Activities			
	Enterprise Funds		Enterprise Funds	
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 1,892,977	\$ 1,479,397	\$ 652,121	\$ 4,024,495
Payments to employees	(336,504)	(246,527)	(145,031)	(728,062)
Payments to vendors	<u>(801,402)</u>	<u>(955,353)</u>	<u>(283,504)</u>	<u>(2,040,259)</u>
Net Cash Provided By Operating Activities	755,071	277,517	223,586	1,256,174
Cash Flows From Noncapital Financing Activities				
Transfer in	58,988	-	-	58,988
Transfer out	<u>(86,685)</u>	<u>-</u>	<u>(38,000)</u>	<u>(124,685)</u>
Net Cash (Used For) Noncapital Financing Activities	(27,697)	-	(38,000)	(65,697)
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	(1,007)	-	(1,007)
Payments on short-term notes	(887,545)	-	-	(887,545)
Proceeds from long-term bonds	833,000	-	-	833,000
Principal payments on long-term bonds	(451,831)	(253,290)	-	(705,121)
Interest expense	<u>(199,297)</u>	<u>(68,140)</u>	<u>-</u>	<u>(267,437)</u>
Net Cash (Used For) Capital and Related Financing Activities	(705,673)	(322,437)	-	(1,028,110)
Cash Flows From Investing Activities				
Investment income	<u>9,992</u>	<u>4,758</u>	<u>-</u>	<u>14,750</u>
Net Cash Provided By Investing Activities	<u>9,992</u>	<u>4,758</u>	<u>-</u>	<u>14,750</u>
Net Change in Cash and Short-Term Investments	31,693	(40,162)	185,586	177,117
Cash and Short-Term Investments, Beginning of Year	<u>1,319,357</u>	<u>1,085,903</u>	<u>236,615</u>	<u>2,641,875</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,351,050</u>	<u>\$ 1,045,741</u>	<u>\$ 422,201</u>	<u>\$ 2,818,992</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 568,653	\$ 25,554	\$ 218,767	\$ 812,974
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	242,578	198,285	-	440,863
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(75,715)	(19,247)	(26,711)	(121,673)
Betterments	-	65,802	-	65,802
Deferred outflows - related to pensions	7,666	15,515	15,515	38,696
Deferred outflows - related to OPEB	(982)	(1,964)	(1,964)	(4,910)
Warrants and accounts payable	11,967	(8,061)	16,346	20,252
Net pension liability	(7,667)	(15,517)	(15,517)	(38,701)
Net OPEB liability	12,772	25,543	25,543	63,858
Deferred inflows - related to pensions	395	800	800	1,995
Deferred inflows - related to OPEB	<u>(4,596)</u>	<u>(9,193)</u>	<u>(9,193)</u>	<u>(22,982)</u>
Net Cash Provided By Operating Activities	<u>\$ 755,071</u>	<u>\$ 277,517</u>	<u>\$ 223,586</u>	<u>\$ 1,256,174</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, 2020

	Other Post Employment Benefits <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b>Assets</b>			
Cash	\$ -	\$ 10,143	\$ 182,396
Investments:			
Equity mutual funds	119,215	-	-
Fixed income mutual funds	58,173	-	-
Certificates of deposit	<u>-</u>	<u>91,977</u>	<u>-</u>
Total Investments	<u>177,388</u>	<u>91,977</u>	<u>-</u>
Total Assets	177,388	102,120	\$ <u><u>182,396</u></u>
 <b>Liabilities</b>			
Warrants payable	-	-	19,942
Other liabilities	<u>-</u>	<u>-</u>	<u>162,454</u>
Total Liabilities	<u>-</u>	<u>-</u>	\$ <u><u>182,396</u></u>
 <b>Net Position</b>			
Restricted for OPEB purposes	177,388	-	
Restricted for individuals, organizations and other governments	<u>-</u>	<u>102,120</u>	
Total net position	\$ <u><u>177,388</u></u>	\$ <u><u>102,120</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, 2020

	Other Post Employment Benefit <u>Fund</u>	Private Purpose <u>Trust Funds</u>
<b>Additions</b>		
Contributions	\$ 1,028,560	\$ 6,950
Investment income (loss)	<u>(430)</u>	<u>1,838</u>
Total Additions	1,028,130	8,788
<b>Deductions</b>		
Payments to beneficiaries	<u>1,028,560</u>	<u>11,326</u>
Total Deductions	<u>1,028,560</u>	<u>11,326</u>
Net Decrease	(430)	(2,538)
<b>Net Position Restricted for Pensions and Other Purposes</b>		
Beginning of year	<u>177,818</u>	<u>104,658</u>
End of year	<u>\$ 177,388</u>	<u>\$ 102,120</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:

#### ***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 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

#### ***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.

## ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

### ***Government-Wide Financial Statements***

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

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

### ***Fund Financial Statements***

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

The Town reports the following major governmental funds:

- The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Clyde Brown School fund* accounts for constructing the new Clyde Brown Elementary School.
- The *COVID-19 CARES fund* is a special revenue fund used to track federal funding received to be used for appropriate resources as a result of the ongoing pandemic.

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

The Town reports the following major proprietary funds:

- Water Fund
- Sewer Fund

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

The Town reports the following fiduciary funds:

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

### ***Cash and Investments***

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, money markets, and savings accounts. Generally, a cash and investment 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".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Investments are carried at fair value, except non-negotiable certificates of deposit which are reported at cost.

***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

***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.

***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.

***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.

### *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**

### ***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.

***Deficit Fund Equity***

Certain individual funds reflected deficit balances as of June 30, 2020.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

**3. Deposits and Investments**

***Town (Excluding the OPEB Trust Fund)***

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, none, of the Town's bank balance of \$15,442,049 was exposed to custodial credit risk as uninsured and uncollateralized.

### Investment Summary

The following is a summary of the Town's investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 120,772
Corporate bonds	583,159
Equity mutual funds	231,954
Federal agency securities	391,172
Market-linked certificates of deposit	262,437
U.S. Treasury notes	<u>337,701</u>
Total investments	<u>\$ 1,927,195</u>

### **Custodial Credit Risk – Investments**

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, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2020, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

### **Credit Risk – Investments of Debt Securities**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town does not have formal investment policies related to credit risk.

U.S. Treasury notes have an implied rating of Aaa. As of June 30, 2020, the credit quality ratings, as rated by Moody's Investors Service, Inc., of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>Aaa</u>	<u>A1</u>	<u>A2</u>	<u>Baa1</u>	<u>Baa2</u>
Corporate bonds	\$ 583,159	\$ -	\$ 100,010	\$ 130,185	\$ 207,109	\$ 145,855
Federal agency securities	391,172	391,172	-	-	-	-
Market-linked certificates of deposit	<u>262,437</u>	<u>262,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,236,768</u>	<u>\$ 653,609</u>	<u>\$ 100,010</u>	<u>\$ 130,185</u>	<u>\$ 207,109</u>	<u>\$ 145,855</u>

### **Concentration of Credit Risk – Investments**

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

As of June 30, 2020, the Town does not have investments in any one issuer that exceeded 5% of total investments.

**Interest Rate Risk – Investments of Debt Securities**

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, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 583,159	\$ 124,275	\$ 458,884	\$ -
Federal agency securities	391,172	-	280,860	110,312
Market-linked certificates of deposit	262,437	-	262,437	-
U.S. Treasury notes	337,701	237,447	100,254	-
Total	\$ <u>1,574,469</u>	\$ <u>361,722</u>	\$ <u>1,102,435</u>	\$ <u>110,312</u>

**Foreign Currency Risk – Investments**

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

**Fair Value**

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

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

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

- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Corporate bonds	\$ 583,159	\$ -	\$ 583,159
Equity mutual funds	231,954	231,954	-
Federal agency securities	391,172	-	391,172
Market-linked certificates of deposit	262,437	-	262,437
U.S. Treasury notes	<u>337,701</u>	337,701	-
Total	<u>\$ 1,806,423</u>		

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

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

#### 4. Investments – OPEB Trust Fund

Generally, the Town’s OPEB investment policies mirror that of the Town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund’s investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 119,215
Fixed income mutual funds	<u>58,173</u>
Total investments	<u>\$ 177,388</u>

***Credit Risk – Investments of Debt Securities***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The rating for fixed income mutual funds was not available.

***Concentration of Credit Risk***

As of June 30, 2020, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

***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, the greater the sensitivity of its fair value to changes in market interest rates. This information for fixed income mutual funds was unavailable.

***Fair Value***

The OPEB Trust Fund has the following fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Investments by fair value level:			
Equity mutual funds	\$ 119,215	\$ 119,215	\$ -
Fixed income mutual funds	<u>58,173</u>	-	58,173
Total	<u>\$ 177,388</u>		

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

## 5. **Property Taxes and Excises Receivable**

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements accordingly.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 1/2% of the prior year's levy plus the taxes on property newly added to the tax rolls.

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

Property taxes and excises receivable at June 30, 2020 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 1,022,487	\$ (153,000)	\$ 869,487	\$ -
Personal property taxes	60,966	(37,000)	23,966	-
Community preservation act	5,252	-	5,252	-
Tax liens	<u>528,535</u>	<u>(53,000)</u>	<u>-</u>	<u>475,535</u>
Total property taxes	<u>\$ 1,617,240</u>	<u>\$ (243,000)</u>	<u>\$ 898,705</u>	<u>\$ 475,535</u>
Motor vehicle excise	<u>\$ 249,734</u>	<u>\$ (108,000)</u>	<u>\$ 141,734</u>	
Total excises	<u>\$ 249,734</u>	<u>\$ (108,000)</u>	<u>\$ 141,734</u>	
Ambulance	\$ 146,178	\$ (64,000)	\$ 82,178	
Other departmental	<u>120,705</u>	<u>-</u>	<u>120,705</u>	
Total departmental	<u>\$ 266,883</u>	<u>\$ (64,000)</u>	<u>\$ 202,883</u>	

#### 6. Betterment Receivable

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

#### 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

#### 8. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the

governmental and proprietary fund Financial Statements. The following is an analysis of interfund transfers made in fiscal year 2020:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 529,409	\$ 473,286
Nonmajor Funds:		
Special Revenue Funds	314	445,059
Capital Project Funds	538,983	84,332
Trust Funds	-	332
Subtotal Nonmajor Funds	<u>539,297</u>	<u>529,723</u>
<u>Business-Type Funds:</u>		
Water fund	58,988	86,685
Stormwater fund	-	38,000
Subtotal Business-Type Funds	<u>58,988</u>	<u>124,685</u>
Total	<u>\$ 1,127,694</u>	<u>\$ 1,127,694</u>

The transfer out of the general fund to the capital project funds are primarily for the paydown of bond anticipation notes and minor capital items. Transfer out from the Ambulance Fund to the general fund of \$283,602 is used to fund salaries, equipment, and other various public safety expenses in the general fund. The Ambulance Fund generates approximately \$300,000 in revenues annually. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.



## 9. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 37,588	\$ -	\$ -	\$ 37,588
Machinery, equipment, furnishings, and vehicles	11,371	314	(102)	11,583
Infrastructure	26,050	-	-	26,050
Total capital assets, being depreciated	75,009	314	(102)	75,221
Less accumulated depreciation for:				
Buildings and improvements	(12,480)	(1,225)	-	(13,705)
Machinery, equipment, furnishings, and vehicles	(6,770)	(789)	102	(7,457)
Infrastructure	(11,468)	(689)	-	(12,157)
Total accumulated depreciation	(30,718)	(2,703)	102	(33,319)
Total capital assets, being depreciated, net	44,291	(2,389)	-	41,902
Capital assets, not being depreciated:				
Land	3,402	-	-	3,402
Construction in progress	37,233	8,572	-	45,805
Total capital assets, not being depreciated	40,635	8,572	-	49,207
Governmental activities capital assets, net	\$ 84,926	\$ 6,183	\$ -	\$ 91,109
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,620	\$ -	\$ -	\$ 2,620
Machinery, equipment, furnishings, and vehicles	2,601	2	-	2,603
Infrastructure	13,841	-	-	13,841
Total capital assets, being depreciated	19,062	2	-	19,064
Less accumulated depreciation for:				
Buildings and improvements	(1,798)	(53)	-	(1,851)
Machinery, equipment, furnishings, and vehicles	(1,468)	(48)	-	(1,516)
Infrastructure	(5,187)	(340)	-	(5,527)
Total accumulated depreciation	(8,453)	(441)	-	(8,894)
Total capital assets, being depreciated, net	10,609	(439)	-	10,170
Capital assets, not being depreciated:				
Land	1,376	-	-	1,376
Construction in progress	3,107	-	-	3,107
Total capital assets, not being depreciated	4,483	-	-	4,483
Business-type activities capital assets, net	\$ 15,092	\$ (439)	\$ -	\$ 14,653

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 89
Public safety	990
Education	595
Public works	813
Health and human services	11
Culture and recreation	<u>205</u>
Total governmental activities	\$ <u>2,703</u>
Business-Type Activities	
Water	\$ 243
Sewer	<u>198</u>
Total business-type activities	\$ <u>441</u>

**10. Deferred Outflows of Resources**

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

**11. Warrants Payable**

Warrants payable represent 2020 expenditures paid by July 15, 2020 as permitted by law.

**12. Accrued Liabilities**

Accrued liabilities represent 2020 expenditures paid in 2021.

**13. Other Current Liabilities**

The Town received \$728,108 of CARES funds that were spent during fiscal year 2021. The resources were received prior to the period of exchange and have been reported as a liability until earned.

**14. Notes Payable**

The Town had the following short- term notes outstanding at June 30, 2020:

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/20</u>
Veterans Memorial Bldg HVAC Improv	2.90%	09/13/19	09/10/20	\$ 85,600
Auditorium Repairs	2.90%	09/13/19	09/10/20	72,000
Varsity Baseball Field	2.90%	09/13/19	09/10/20	48,000
Bobcat Excavator	2.90%	09/13/19	09/10/20	45,003
Fire Departmental Vehicle	2.90%	09/13/19	09/10/20	41,498
Fuel Dispensing System	2.90%	09/13/19	09/10/20	40,000
School Bus	2.90%	09/13/19	09/10/20	36,000
Advanced Life Support Equipment	2.90%	09/13/19	09/10/20	32,430
Middle/High School Bathroom Upgrade	2.90%	09/13/19	09/10/20	32,000
Veterans Memorial Bldg Drainage/HVAC	2.90%	09/13/19	09/10/20	24,120
Advanced Life Spport Medications & Equip	2.90%	09/13/19	09/10/20	10,288
IT/Data Processing	2.90%	09/13/19	09/10/20	8,800
Clyde Brown Elementary School	2.00%	11/01/19	10/30/20	1,511,789
DPW Facility	1.95%	05/20/20	05/20/21	<u>500,000</u>
Total				\$ <u><u>2,487,528</u></u>

The following summarizes activity in notes payable during fiscal year 2020:

	Balance Beginning <u>of Year</u>	New <u>Issues</u>	<u>Maturities</u>	Balance End of <u>Year</u>
Governmental:				
Clyde Brown school	\$ 5,742,000	\$ 1,511,789	\$ (5,742,000)	\$ 1,511,789
Veterans memorial HVAC	107,000	85,600	(107,000)	85,600
Auditorium repairs	90,000	72,000	(90,000)	72,000
Varsity baseball field	60,000	48,000	(60,000)	48,000
Bobcat excavator	56,253	45,003	(56,253)	45,003
Fire vehicle	51,872	41,498	(51,872)	41,498
Fuel dispensing system	50,000	40,000	(50,000)	40,000
School bus	45,000	36,000	(45,000)	36,000
Advanced life support equipment	40,537	32,430	(40,537)	32,430
Middle/High school bathroom upgrades	40,000	32,000	(40,000)	32,000
Veterans memorial drainage	30,150	24,120	(30,150)	24,120
Advanced life support medications	12,860	10,288	(12,860)	10,288
IT/Data processing	11,000	8,800	(11,000)	8,800
DPW facility	-	500,000	-	500,000
Subtotal	<u>6,336,672</u>	<u>2,487,528</u>	<u>(6,336,672)</u>	<u>2,487,528</u>
Enterprise - Water Fund:				
Dover Road phase II	<u>887,545</u>	<u>-</u>	<u>(887,545)</u>	<u>-</u>
Subtotal	<u>887,545</u>	<u>-</u>	<u>(887,545)</u>	<u>-</u>
Total	<u>\$ 7,224,217</u>	<u>\$ 2,487,528</u>	<u>\$ (7,224,217)</u>	<u>\$ 2,487,528</u>

## 15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2023. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2020:

	Governmental <u>Activities</u>
2021	\$ 159,322
2022	135,863
2023	<u>90,001</u>
Total minimum lease payments	385,186
Less: amounts representing interest	<u>(5,177)</u>
Present Value of Minimum Lease Payments	<u>\$ 380,009</u>

The following is an analysis for the leased assets included in capital assets at June 30, 2020:

	<u>Governmental Activities</u>
Machinery, vehicles and equipment	\$ 728,965
Less: accumulated depreciation	<u>(84,115)</u>
Equipment under capital leases, net	<u>\$ 644,850</u>

## 16. Long-Term Debt

### ***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>	Original	Serial	Interest	Amount
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
		<u>Through</u>		<u>as of</u>
				<u>6/30/20</u>
Public offerings:				
Library construction	\$ 5,000,000	02/15/33	3.09%	\$ 3,250,000
Culvert repairs - Main St	125,000	02/15/23	3.30%	30,000
Public way - Crestview/Klifford	299,042	02/15/26	3.31%	120,000
Police and fire building	9,461,000	08/01/35	2.0 - 5.0%	7,960,000
Additional police and fire	1,183,000	08/01/36	2.0 - 5.0%	1,000,000
VMB boiler	76,557	08/01/24	2.0 - 5.0%	45,000
VMB restoration/masonry	361,267	08/01/26	2.0 - 5.0%	285,000
Additional library	57,000	08/01/26	2.0 - 5.0%	41,000
Quint fire truck	668,002	08/01/28	2.0 - 5.0%	490,000
DPW vehicles	166,045	08/01/28	2.0 - 5.0%	109,000
Drainage - Acorn St (refunded)	199,000	08/01/25	2.0 - 5.0%	130,000
General obligation bond	24,454,880	11/01/28	5.00%	23,430,000
Clyde Brown School	3,107,000	10/15/44	5.00%	<u>3,107,000</u>
Total governmental activities				<u>\$ 39,997,000</u>

<u>Business-Type Activities</u>		Serial		Amount
		Maturities	Interest	Outstanding
<u>General Obligation Bonds</u>		<u>Through</u>	<u>Rate(s) %</u>	<u>as of</u>
				<u>6/30/20</u>
Public offerings:				
Water - Paine well engineering and land purchase	\$ 775,001	10/15/20	2.80%	\$ 10,000
Water - Forest Rd. mains	682,000	02/15/33	3.30%	437,000
Water - Irving St. mains	139,610	02/15/33	3.30%	38,000
Water - System improvement chlorine contact loop	300,600	08/01/23	2.0 - 5.0%	165,000
Water - Storage tank painting	595,465	08/01/24	2.0 - 5.0%	370,000
Water - Ross Ave. improvements	230,000	08/01/35	2.0 - 5.0%	185,000
Water - Well 5 and 6 (refunded)	518,000	08/01/23	2.0 - 5.0%	295,000
Water - Paine well (refunded)	86,500	08/01/23	2.0 - 5.0%	45,000
General obligation bond	1,696,830	11/01/28	5.00%	1,595,000
Water system improvements	833,000	10/15/39	5.00%	833,000
Sewer improvements - area A&B	741,000	10/15/20	2.80%	65,000
Sewer improvements - Franklin	149,086	02/15/23	3.30%	45,000
Sewer - Water St. pump station	620,500	08/01/35	2.0 - 5.0%	515,000
Sewer improvements - area E (refunded)	748,500	08/01/26	2.0 - 5.0%	525,000
General obligation bond	208,290	11/01/28	5.00%	<u>150,000</u>
Total business-type activities				<u>\$ 5,273,000</u>

***Future Debt Service***

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,117,000	\$ 1,603,890	\$ 3,720,890
2022	2,105,000	1,451,714	3,556,714
2023	2,105,000	1,349,338	3,454,338
2024	2,095,000	1,247,287	3,342,287
2025	2,085,000	1,152,063	3,237,063
2026 - 2030	9,985,000	4,438,363	14,423,363
2031 - 2035	9,110,000	2,629,479	11,739,479
2036 - 2040	6,010,000	1,353,685	7,363,685
2040 - 2045	<u>4,385,000</u>	<u>343,719</u>	<u>4,728,719</u>
Total	<u>\$ 39,997,000</u>	<u>\$ 15,569,538</u>	<u>\$ 55,566,538</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, 2020.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 658,000	\$ 205,464	\$ 863,464
2022	570,000	163,545	733,545
2023	565,000	136,020	701,020
2024	485,000	113,996	598,996
2025	360,000	99,171	459,171
2026 - 2030	1,160,000	339,876	1,499,876
2031 - 2035	915,000	159,001	1,074,001
2036 - 2039	<u>560,000</u>	<u>37,375</u>	<u>597,375</u>
Total	<u>\$ 5,273,000</u>	<u>\$ 1,254,448</u>	<u>\$ 6,527,448</u>

### **Changes in General Long-Term Liabilities**

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-term Portion</u>
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 38,900	\$ 3,107	\$ (2,010)	\$ 39,997	\$ (2,117)	\$ 37,880
Unamortized bond premium	<u>1,818</u>	<u>-</u>	<u>(101)</u>	<u>1,717</u>	<u>(101)</u>	<u>1,616</u>
Subtotal	40,718	3,107	(2,111)	41,714	(2,218)	39,496
Notes payable	30	-	(30)	-	-	-
Net pension liability	15,738	-	(1,787)	13,951	-	13,951
Net OPEB liability	32,998	2,706	-	35,704	-	35,704
Landfill liability	93	-	(11)	82	(11)	71
Compensated absences	476	125	-	601	(30)	571
Capital leases	<u>475</u>	<u>133</u>	<u>(228)</u>	<u>380</u>	<u>(156)</u>	<u>224</u>
Total	<u>\$ 90,528</u>	<u>\$ 6,071</u>	<u>\$ (4,167)</u>	<u>\$ 92,432</u>	<u>\$ (2,415)</u>	<u>\$ 90,017</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-term Portion</u>
<b>Business-Type Activities</b>						
Bonds payable:						
Public offerings	\$ 5,145	\$ 833	\$ (705)	\$ 5,273	\$ (658)	\$ 4,615
Net pension liability	341	-	(39)	302	-	302
Net OPEB liability	<u>714</u>	<u>64</u>	<u>-</u>	<u>778</u>	<u>-</u>	<u>778</u>
Total	<u>\$ 6,200</u>	<u>\$ 897</u>	<u>\$ (744)</u>	<u>\$ 6,353</u>	<u>\$ (658)</u>	<u>\$ 5,695</u>

***Long-Term Debt Supporting Governmental and Business-Type Activities***

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

**17. 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 \$82,169 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**18. 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.

**19. 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, 2020:

***Nonspendable***

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. 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***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. 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***

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, special purpose stabilization funds, and various special revenue funds.

***Assigned***

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. 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, and surplus set aside to be used in the subsequent year's budget.

***Unassigned***

Represents amounts that are available to be spent in future periods and general stabilization fund and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2020:

	General Fund	Clyde Brown School Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Nonexpendable permanent funds	\$ -	\$ -	\$ 193,116	\$ 193,116
Total Nonspendable	-	-	193,116	193,116
<b>Restricted</b>				
Reserved for debt service	979,142	-	-	979,142
Bonded projects	-	1,815,344	553,641	2,368,985
Special revenue funds:				
Community preservation	-	-	888,089	888,089
School choice tuition	-	-	310,292	310,292
Circuit breaker	-	-	259,145	259,145
Ambulance	-	-	572,662	572,662
Cellular antennae lease	-	-	172,676	172,676
Other	-	-	1,404,350	1,404,350
Expendable permanent funds	-	-	43,664	43,664
Total Restricted	979,142	1,815,344	4,204,519	6,999,005
<b>Committed</b>				
Stabilization - Oak Grove Farmhouse*	2,063	-	-	2,063
Reserved for articles				
General government	31,765	-	-	31,765
Public safety	29,934	-	-	29,934
Education	73,254	-	-	73,254
Public works	17,455	-	-	17,455
Culture and recreation	24,579	-	-	24,579
Employee benefits	65,433	-	-	65,433
Subsequent year's expenditures:				
Capital	191,812	-	-	191,812
Total Committed	436,295	-	-	436,295
<b>Assigned</b>				
Encumbrances				
General government	31,647	-	-	31,647
Public safety	7,537	-	-	7,537
Education	246,826	-	-	246,826
Public works	37,095	-	-	37,095
Health and human services	20	-	-	20
Culture and recreation	3,137	-	-	3,137
Subsequent year's expenditures:				
Operating	118,537	-	-	118,537
Total Assigned	444,799	-	-	444,799
<b>Unassigned</b>				
Unassigned	1,161,693	-	(817,157)	344,536
General stabilization fund	1,806,423	-	-	1,806,423
Total Unassigned	2,968,116	-	(817,157)	2,150,959
Total Fund Balance	\$ 4,828,352	\$ 1,815,344	\$ 3,580,478	\$ 10,224,174

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

## 20. 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.

### *Plan Description*

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

### *Participant Contributions*

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

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

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

### *Participant Retirement Benefits*

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those

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

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

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

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

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

#### *Methods of Payment*

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the

total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### *Participant Refunds*

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

#### *Employer Contributions*

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

The Town's contribution to the System for the year ended June 30, 2020 was \$1,818,303 which was equal to its annual required contribution.

#### ***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.

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions***

At June 30, 2020, the Town reported a liability of \$14,253,350 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and

the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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 June 30, 2020, the Town's proportion was 2.4277%, which was decrease of (0.0424)% from its proportion measured as of June 30, 2019.)

For the year ended June 30, 2020, the Town recognized pension expense of \$2,003,401. In addition, the Town reported the following deferred outflows and (inflows) of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 1,221,252	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(401,447)
Changes of assumptions	261,436	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>13,793</u>	<u>(405,222)</u>
Total	<u>\$ 1,496,481</u>	<u>\$ (806,669)</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:	
2021	\$ 426,187
2022	247,354
2023	394,686
2024	<u>(378,415)</u>
Total	<u>\$ 689,812</u>

### **Actuarial Assumptions**

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2020
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 \$18,000 of retirement income
Remaining amortization period	Till fiscal 2040

Mortality rates were based on the RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014.

### **Target Allocations**

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.50%	6.60%
International equity	15.50%	8.00%
Fixed income	20.50%	3.80%
Real estate	9.50%	8.20%
Private equity	10.00%	9.10%
Hedge funds	11.50%	7.20%
Real assets	2.50%	9.90%
Total	<u>100.00%</u>	

**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.

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

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

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
\$ 18,512,313	\$ 14,253,350	\$ 10,634,517

**Pension Plan Fiduciary Net Position**

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

**21. Massachusetts Teachers’ Retirement System (MTRS)**

**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.

***Benefits Provided***

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

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

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

***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 to 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

### **Actuarial Assumptions**

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
  - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
  - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

### **Target Allocations**

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. 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.

**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 <u>6.25%</u>	Current Discount Rate ( <u>7.25%</u> )	1% Increase to <u>8.25%</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

**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.

**Town Proportions**

In fiscal year 2019 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$37,967,559 based on a proportionate share of 0.150581%. As required by GASB 68, the Town has recognized its portion of the Commonwealth’s contribution of \$2,173,955 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$4,604,225 as both a revenue and expense in the governmental activities.

**22. 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 a single

employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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, 2020.

***General Information about the OPEB Plan***

*Plan Description*

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

*Benefits Provided*

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

*Funding Policy*

The Town’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations. There were no additional contributions in fiscal year 2020.

*Plan Membership*

At June 30, 2020, the following employees were covered by the benefit terms:

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

***Investments***

The OPEB trust fund assets consist of equity mutual funds and fixed income mutual funds.

### *Rate of Return*

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was (0.24)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### ***Actuarial Assumptions and Other Inputs***

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

Inflation	2.50%
Salary increases	3%, average, including inflation
Investment rate of return	6.92%, net of OPEB plan investment expense
Municipal bond rate	2.66%
Discount rate	3.00%
Healthcare cost trend rates	4.5% for 2020

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	19.25%	4.80%
Domestic equity - small/mid cap	15.75%	5.29%
International equity - developed market	13.00%	5.45%
International equity - emerging market	9.00%	6.42%
Domestic fixed income	21.50%	2.05%
International fixed income	5.25%	3.00%
Alternatives	15.75%	6.50%
Real estate	0.00%	6.25%
Cash	0.50%	0.00%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the net OPEB liability was 3%. 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 6.92% and municipal bond rate of 2.66% (based on index provided by Standard and Poor's on 20-year municipal bond rate as of June 30, 2020).

**Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 36,659,087
Plan fiduciary net position	<u>(177,388)</u>
Net OPEB liability	<u>\$ 36,481,699</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.48%

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

**Changes in the Net OPEB Liability**

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 33,889,597	\$ 177,818	\$ 33,711,779
Changes for the year:			
Service cost	1,521,927	-	1,521,927
Interest	1,134,294	-	1,134,294
Contributions - employer	-	1,028,560	(1,028,560)
Net investment income	-	(430)	430
Differences between expected and actual experience	(93,029)	-	(93,029)
Changes in assumptions*	1,234,858	-	1,234,858
Benefit payments	<u>(1,028,560)</u>	<u>(1,028,560)</u>	<u>-</u>
Net Changes	<u>2,769,490</u>	<u>(430)</u>	<u>2,769,920</u>
Balances, end of year	<u>\$ 36,659,087</u>	<u>\$ 177,388</u>	<u>\$ 36,481,699</u>

\* Changes of assumptions and other inputs reflect a change in the discount rate from 3.25% in 2019 to 3% in 2020.

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

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

1% Decrease <u>(1.66%)</u>	Current Discount Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
\$ 42,808,289	\$ 36,481,699	\$ 31,461,002

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

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

1% <u>Decrease</u>	Current Healthcare Cost Trend Rates <u>Rates</u>	1% <u>Increase</u>
\$ 30,856,139	\$ 36,481,699	\$ 43,753,169

**OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB**

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$1,452,289. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (3,498,748)
Change in assumptions	4,776,793	(1,471,767)
Net difference between projected and actual OPEB investment earnings	<u>8,933</u>	<u>-</u>
Total	\$ <u><u>4,785,726</u></u>	\$ <u><u>(4,970,515)</u></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>	
2021	\$ (163,067)
2022	(163,065)
2023	(163,475)
2024	28,460
2025	206,668
Thereafter	<u>69,690</u>
Total	\$ <u><u>(184,789)</u></u>

### 23. 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 2020 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	\$ 1,051
August	1,142
September	698
October	2,068
November	959
December	878
January	744
February	754
March	1,024
April	959
May	626
June	<u>639</u>
Total	\$ <u><u>11,542</u></u>



## **24. Subsequent Events**

Management has evaluated subsequent events through March 26, 2021, which is the date the financial statements were available to be issued.

## **25. Commitments and Contingencies**

### ***COVID-19***

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

### ***Outstanding Legal Issues***

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

### ***Abatements***

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

### ***Grants***

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

### ***Encumbrances***

At year-end the Town's general fund has \$326,262 in encumbrances that will be honored in the next fiscal year.

## **26. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary

activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**TOWN OF MILLIS, MASSACHUSETTS**

Required Supplemental Information

General Fund

Schedule of Revenues and Other Sources, and Expenditures and Other Uses –

Budget and Actual

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 25,594,606	\$ 25,754,987	\$ 25,528,331	\$ (226,656)
Excises	1,297,850	1,297,850	1,564,770	266,920
Penalties, interest and other taxes	103,525	103,525	128,022	24,497
Charges for services	236,407	236,407	230,394	(6,013)
Intergovernmental	6,040,939	6,040,939	5,981,366	(59,573)
Licenses and permits	554,596	554,596	650,732	96,136
Fines and forfeitures	15,058	15,058	11,449	(3,609)
Investment income	54,140	54,140	64,252	10,112
Miscellaneous	<u>493,124</u>	<u>493,124</u>	<u>497,614</u>	<u>4,490</u>
Total Revenues	34,390,245	34,550,626	34,656,930	106,304
<b>Expenditures</b>				
General government	2,434,886	2,459,886	2,447,237	12,649
Public safety	4,427,833	4,541,686	4,531,286	10,400
Education	16,879,143	17,024,143	17,018,702	5,441
Public works	1,114,026	1,177,026	1,083,510	93,516
Health and human services	317,602	317,602	276,912	40,690
Culture and recreation	505,885	505,885	489,906	15,979
Employee benefits	5,222,974	5,229,974	5,217,491	12,483
Debt service	4,506,689	4,506,689	4,500,484	6,205
Intergovernmental	<u>451,654</u>	<u>451,654</u>	<u>418,537</u>	<u>33,117</u>
Total Expenditures	<u>35,860,692</u>	<u>36,214,545</u>	<u>35,984,065</u>	<u>230,480</u>
Excess (Deficiency) of Revenues over Expenditures	(1,470,447)	(1,663,919)	(1,327,135)	336,784
<b>Other Financing Sources (Uses)</b>				
Transfers in	927,418	927,418	1,112,293	184,875
Transfers out	(346,034)	(346,034)	(295,365)	50,669
Use of free cash:				
Operating budget	205,731	205,731	205,731	-
Capital budget	197,855	391,327	391,327	-
Other sources	<u>485,477</u>	<u>485,477</u>	<u>485,477</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,470,447</u>	<u>1,663,919</u>	<u>1,899,463</u>	<u>235,544</u>
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>572,328</u>	\$ <u>572,328</u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information  
for General Fund Budget**

**Budgetary Basis**

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**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 results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP Basis	\$ 36,868,146	\$ 36,828,528	\$ 56,123
Add end-of-year appropriation carryforwards from expenditures	-	568,685	-
To record use of free cash and overlay surplus	-	-	634,156
To reclass debt service and transfer	-	177,921	177,921
Remove effect of combining stabilization and general fund	(37,261)	-	-
To reverse the effect of non-budgeted state contributions for teachers retirement	(2,173,955)	(2,173,955)	-
Other	-	582,886	1,031,263
Budgetary Basis	<u>\$ 34,656,930</u>	<u>\$ 35,984,065</u>	<u>\$ 1,899,463</u>

See Independent Auditors' Report.

**TOWN OF MILLIS, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability (GASB 68)

(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	December 31, 2019	2.427700%	\$14,253,350	\$ 8,338,887	170.93%	64.60%
June 30, 2019	December 31, 2018	2.470100%	\$14,253,350	\$ 7,548,460	188.82%	58.30%
June 30, 2018	December 31, 2017	2.465000%	\$13,631,557	\$ 7,293,198	186.91%	63.50%
June 30, 2017	December 31, 2016	2.517100%	\$13,139,831	\$ 7,263,859	180.89%	61.60%
June 30, 2016	December 31, 2015	2.517064%	\$13,673,007	\$ 6,886,081	198.56%	58.60%
June 30, 2015	December 31, 2014	2.673889%	\$13,867,460	\$ 6,536,914	212.14%	60.12%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	June 30, 2019	0.150581%	\$ -	\$ 37,967,559	\$ 37,967,559	\$ 10,958,002	346.48%	53.95%
June 30, 2019	June 30, 2018	0.148350%	\$ -	\$ 35,175,704	\$ 35,175,704	\$ 10,418,422	337.63%	54.84%
June 30, 2018	June 30, 2017	0.148369%	\$ -	\$ 33,954,875	\$ 33,954,875	\$ 10,074,949	337.02%	54.25%
June 30, 2017	June 30, 2016	0.149593%	\$ -	\$ 33,445,967	\$ 33,445,967	\$ 9,839,711	339.91%	52.73%
June 30, 2016	June 30, 2015	0.152794%	\$ -	\$ 31,306,951	\$ 31,306,951	\$ 9,685,441	323.24%	55.38%
June 30, 2015	June 30, 2014	0.145897%	\$ -	\$ 23,192,239	\$ 23,192,239	\$ 8,945,666	259.26%	61.64%

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

See Independent Auditors' Report.

**TOWN OF MILLIS, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions (GASB 68)

(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	December 31, 2019	\$ 1,818,303	\$ 1,818,303	\$ -	\$ 8,338,887	21.81%
June 30, 2019	December 31, 2018	\$ 1,728,057	\$ 1,728,057	\$ -	\$ 7,548,460	22.89%
June 30, 2018	December 31, 2017	\$ 1,577,876	\$ 1,577,876	\$ -	\$ 7,293,198	21.63%
June 30, 2017	December 31, 2016	\$ 1,494,769	\$ 1,494,769	\$ -	\$ 7,263,859	20.58%
June 30, 2016	December 31, 2015	\$ 1,355,413	\$ 1,355,413	\$ -	\$ 6,886,081	19.68%
June 30, 2015	December 31, 2014	\$ 1,293,722	\$ 1,293,722	\$ -	\$ 6,536,914	19.79%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	June 30, 2019	\$ 2,173,955	\$ 2,173,955	\$ -	\$ 10,958,002	19.84%
June 30, 2019	June 30, 2018	\$ 1,950,481	\$ 1,950,481	\$ -	\$ 10,418,422	18.72%
June 30, 2018	June 30, 2017	\$ 1,833,124	\$ 1,833,124	\$ -	\$ 10,074,949	18.19%
June 30, 2017	June 30, 2016	\$ 1,682,301	\$ 1,682,301	\$ -	\$ 9,839,711	17.10%
June 30, 2016	June 30, 2015	\$ 1,561,448	\$ 1,561,448	\$ -	\$ 9,685,441	16.12%
June 30, 2015	June 30, 2014	\$ 1,367,604	\$ 1,367,604	\$ -	\$ 8,945,666	15.29%

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

See Independent Auditors' Report.

**TOWN OF MILLIS, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 1,521,927	\$ 1,407,036	\$ 1,345,204	\$ 1,443,288
Interest	1,134,294	1,067,427	1,268,037	1,049,653
Differences between expected and actual experience	(93,029)	(4,978,489)	-	1
Changes of assumptions	1,234,858	5,436,859	(2,719,027)	-
Benefit payments, including refunds of member contributions	<u>(1,028,560)</u>	<u>(952,611)</u>	<u>(899,608)</u>	<u>(856,944)</u>
Net change in total OPEB liability	2,769,490	1,980,222	(1,005,394)	1,635,998
Total OPEB liability - beginning	<u>33,889,597</u>	<u>31,909,375</u>	<u>32,914,769</u>	<u>31,278,771</u>
Total OPEB liability - ending (a)	36,659,087	33,889,597	31,909,375	32,914,769
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	1,028,560	1,002,611	899,608	856,944
Net investment income	(430)	13,251	5,668	7,573
Benefit payments, including refunds of member contributions	<u>(1,028,560)</u>	<u>(952,611)</u>	<u>(899,608)</u>	<u>(856,944)</u>
Net change in plan fiduciary net position	(430)	63,251	5,668	7,573
Plan fiduciary net position - beginning	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>	<u>101,326</u>
Plan fiduciary net position - ending (b)	<u>177,388</u>	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>
Net OPEB liability - ending (a-b)	<u>\$ 36,481,699</u>	<u>\$ 33,711,779</u>	<u>\$ 31,794,808</u>	<u>\$ 32,805,870</u>

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

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

See Independent Auditors' Report.

**TOWN OF MILLIS, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Net OPEB Liability</b>				
Total OPEB liability	\$ 36,659,087	\$ 33,889,597	\$ 31,909,375	\$ 32,914,769
Plan fiduciary net position	<u>177,388</u>	<u>177,818</u>	<u>114,567</u>	<u>108,899</u>
Net OPEB liability	<u>\$ 36,481,699</u>	<u>\$ 33,711,779</u>	<u>\$ 31,794,808</u>	<u>\$ 32,805,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.48%	0.52%	0.36%	0.33%
Covered employee payroll	\$ 22,562,621	\$ 21,905,457	\$ 20,575,755	\$ 19,976,461
Net OPEB liability as a percentage of covered employee payroll	161.69%	153.90%	154.53%	164.22%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Contributions</b>				
Actuarially determined contribution	\$ 3,328,985	\$ 3,127,127	\$ 3,064,043	\$ 3,034,070
Contributions in relation to the actuarially determined contribution	<u>1,028,560</u>	<u>1,002,611</u>	<u>899,608</u>	<u>856,944</u>
Contribution deficiency (excess)	<u>\$ 2,300,425</u>	<u>\$ 2,124,516</u>	<u>\$ 2,164,435</u>	<u>\$ 2,177,126</u>
Covered employee payroll	\$ 22,562,621	\$ 21,905,457	\$ 20,575,755	\$ 19,976,461
Contributions as a percentage of covered employee payroll	10.20%	9.70%	10.52%	10.90%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Investment Returns</b>				
Annual money weighted rate of return, net of investment expense	-0.24%	9.25%	5.20%	7.20%

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

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

See Independent Auditors' Report.





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

**INDEPENDENT AUDITORS' REPORT**

To the Select Board  
Town of Millis, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millis, Massachusetts (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 6, 2021.

**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) as a basis for designing 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 financial statements. 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".

Andover, Massachusetts  
March 26, 2021