



**TOWN OF
WESTFORD, MASSACHUSETTS**

Annual Financial Statements
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

Town of Westford, Massachusetts

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION:	
Pension:	
Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	60
Schedule of Pension Contributions (GASB 68)	61
OPEB:	
Schedule of Changes in Net OPEB Liability (GASB 74 and 75)	62
Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)	63

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Westford, Massachusetts

Additional Offices:

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

December 6, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets, liabilities, and deferred out-flows/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, employee benefits, interest, and intergovernmental. The business-type activities water, ambulance, and recreation activities.

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

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

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

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$149,017,787 (i.e., net position), a change of \$2,253,566 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$27,550,264, a change of \$(7,023,152) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,253,805, a change of \$78 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands):

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 45,935	\$ 55,073	\$ 9,657	\$ 8,916	\$ 55,592	\$ 63,989
Capital assets	<u>239,009</u>	<u>228,410</u>	<u>44,391</u>	<u>41,344</u>	<u>283,400</u>	<u>269,754</u>
Total assets	284,944	283,483	54,048	50,260	338,992	333,743
Deferred outflow of resources	16,212	15,846	373	478	16,585	16,324
Current liabilities	22,997	25,423	6,944	3,343	29,941	28,766
Noncurrent liabilities	<u>166,648</u>	<u>160,680</u>	<u>8,991</u>	<u>11,204</u>	<u>175,639</u>	<u>171,884</u>
Total liabilities	189,645	186,103	15,935	14,547	205,580	200,650
Deferred inflows of resources	952	2,576	27	76	979	2,652
Net investment in capital assets	195,881	194,648	32,008	32,318	227,889	226,966
Restricted	15,481	14,725	-	-	15,481	14,725
Unrestricted	<u>(100,803)</u>	<u>(98,723)</u>	<u>6,451</u>	<u>3,797</u>	<u>(94,352)</u>	<u>(94,926)</u>
Total net position	\$ <u>110,559</u>	\$ <u>110,650</u>	\$ <u>38,459</u>	\$ <u>36,115</u>	\$ <u>149,018</u>	\$ <u>146,765</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 \$149,017,787, a change of \$2,253,566 in comparison to the prior year.

The largest portion of net position \$227,888,607 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), 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, \$15,480,884, 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 \$(94,351,704) primarily resulting from unfunded pension and OPEB liabilities.

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,293	\$ 6,651	\$ 6,717	\$ 5,966	\$ 14,010	\$ 12,617
Operating grants and contributions	37,453	35,464	-	-	37,453	35,464
Capital grants and contributions	1,593	1,277	-	-	1,593	1,277
General revenues:						
Property taxes	79,650	76,151	-	-	79,650	76,151
Excises	5,152	5,054	-	-	5,152	5,054
Penalties and interest on taxes	394	276	-	-	394	276
Grants and contributions not restricted to specific programs	2,352	2,234	-	-	2,352	2,234
Investment income	1,025	(18)	58	38	1,083	20
Other	2,021	1,898	443	459	2,464	2,357
Total revenues	<u>136,933</u>	<u>128,987</u>	<u>7,218</u>	<u>6,463</u>	<u>144,151</u>	<u>135,450</u>
Expenses:						
General government	9,106	8,420	-	-	9,106	8,420
Public safety	20,727	22,044	-	-	20,727	22,044
Education	83,939	82,166	-	-	83,939	82,166
Public works	13,023	12,637	-	-	13,023	12,637
Health and human services	2,632	2,866	-	-	2,632	2,866
Culture and recreation	4,046	4,915	-	-	4,046	4,915
Interest on long-term debt	1,688	1,487	-	-	1,688	1,487
Intergovernmental	637	555	-	-	637	555
Miscellaneous	310	-	-	-	310	-
Water services	-	-	3,240	4,344	3,240	4,344
Nonmajor enterprise funds	-	-	2,549	2,925	2,549	2,925
Total expenses	<u>136,108</u>	<u>135,090</u>	<u>5,789</u>	<u>7,269</u>	<u>141,897</u>	<u>142,359</u>
Change in net position before transfers	825	(6,103)	1,429	(806)	2,254	(6,909)
Permanent fund contributions	-	1	-	-	-	1
Transfers in (out)	<u>(916)</u>	<u>(749)</u>	<u>916</u>	<u>766</u>	<u>-</u>	<u>17</u>
Change in net position	(91)	(6,851)	2,345	(40)	2,254	(6,891)
Net position - beginning of year	<u>110,650</u>	<u>117,501</u>	<u>36,114</u>	<u>36,155</u>	<u>146,764</u>	<u>153,656</u>
Net position - end of year	<u>\$ 110,559</u>	<u>\$ 110,650</u>	<u>\$ 38,459</u>	<u>\$ 36,115</u>	<u>\$ 149,018</u>	<u>\$ 146,765</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(91,245). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (1,091,146)
MSBA Abbot roof fund operations	(2,087,580)
Fire station improvements	3,888,886
Land purchased	5,917,643
Road construction	798,046
Fire pumper purchased	602,942
Ambulance purchased	346,045
Abbot Elementary roof replaced	2,087,580
Track renovation	680,300
Depreciation expense in excess of principal debt service	(3,221,668)
Bonds issued	(7,525,000)
Change in net pension liability and related deferred outflows and inflows of resources	(3,122,144)
Change in net OPEB liability and related deferred outflows and inflows of resources	1,616,997
Other	<u>1,017,854</u>
Total	<u>\$ (91,245)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$2,344,811. Key elements of this change are as follows:

Water enterprise	\$ 2,006,676
Nonmajor enterprise	<u>338,135</u>
Total	<u>\$ 2,344,811</u>

D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$27,550,264, a change of \$(7,023,152) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (1,091,146)
Community preservation act fund	171,044
Roudenbush rehabilitation fund	(3,821,234)
MSBA Abbot roof fund	(2,087,580)
Nonmajor funds	<u>(194,236)</u>
Total	<u>\$ (7,023,152)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,253,805, while total fund balance was \$22,358,260. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance*	\$ 11,253,805	\$ 11,253,727	\$ 78	9.8%
Total fund balance	\$ 22,358,260	\$ 23,449,406	\$ (1,091,146)	19.5%

*These figures include the general stabilization fund

The total fund balance of the general fund changed by \$(1,091,146) during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 1,600,014
Expenditures less than budget	1,531,456
Use of free cash	(3,232,537)
Use of restricted fund balance	(19,630)
Use of restricted debt service fund balance	(1,377,965)
Change in stabilization fund	(119,563)
Change in carryforwards	803,429
Other	<u>(276,350)</u>
Total	<u>\$ (1,091,146)</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General stabilization	\$ 5,561,932	\$ 5,302,998	\$ 258,934
Health stabilization	672,587	641,275	31,312
Capital stabilization	<u>457,222</u>	<u>867,031</u>	<u>(409,809)</u>
Total	<u>\$ 6,691,741</u>	<u>\$ 6,811,304</u>	<u>\$ (119,563)</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$6,451,344, a change of \$2,654,793 in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$2,937,583. Major reasons for these amendments include:

- \$689,500 to supplement the fiscal year 2019 operating budget.
- \$270,000 to be transferred to stabilization fund.
- \$1,924,174 for capital appropriations.
- \$53,909 for perchlorate contamination expenses.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$283,400,248 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- \$9,357,594 for various buildings and building improvements.
- \$2,811,877 for various machinery and equipment.
- \$2,609,932 for various infrastructure.

- \$5,270,000 for various land.
- \$4,319,584 of construction in progress for various projects.
- \$(10,723,188) of depreciation expense.

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding including unamortized premiums was \$46,229,204, all of which was backed by the full faith and credit of the Town.

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

REQUESTS FOR INFORMATION

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

Town of Westford, Massachusetts
55 Main Street
Westford, Massachusetts 01886

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Current:			
Cash and short-term investments	\$ 16,857,977	\$ 8,138,150	\$ 24,996,127
Investments	26,390,575	-	26,390,575
Receivables, net of allowance for uncollectibles:			
Property taxes	1,095,196	-	1,095,196
Excises	277,439	-	277,439
User fees	-	1,519,422	1,519,422
Departmental and other	569,881	-	569,881
Other assets	25,000	-	25,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	718,680	-	718,680
Capital assets			
Land and construction in progress	41,436,047	5,301,057	46,737,104
Other capital assets, net of accumulated depreciation	197,573,450	39,089,694	236,663,144
Deferred Outflows of Resources			
Related to pensions	9,139,850	275,881	9,415,731
Related to OPEB	<u>7,071,777</u>	<u>96,775</u>	<u>7,168,552</u>
Total Assets and Deferred Outflows of Resources	301,155,872	54,420,979	355,576,851
Liabilities			
Current:			
Warrants payable	1,515,505	483,422	1,998,927
Accrued liabilities	978,115	114,420	1,092,535
Tax refunds payable	106,000	-	106,000
Notes payable	13,310,000	5,200,000	18,510,000
Other current liabilities	1,028,956	-	1,028,956
Current portion of long-term liabilities:			
Bonds payable	5,970,150	1,136,558	7,106,708
Other	87,788	9,958	97,746
Noncurrent:			
Bonds payable, net of current portion	33,075,891	6,046,605	39,122,496
Net pension liability	57,636,700	1,739,724	59,376,424
Net OPEB liability	74,267,461	1,015,266	75,282,727
Other, net of current portion	1,667,970	189,214	1,857,184
Deferred Inflows of Resources			
Related to pensions	876,591	26,459	903,050
Related to OPEB	30,707	421	31,128
Other	<u>45,183</u>	<u>-</u>	<u>45,183</u>
Total Liabilities and Deferred Inflows of Resources	190,597,017	15,962,047	206,559,064
Net Position			
Net investment in capital assets	195,881,019	32,007,588	227,888,607
Restricted for:			
Grants and other statutory restrictions	13,533,039	-	13,533,039
Permanent funds:			
Nonexpendable	735,062	-	735,062
Expendable	1,212,783	-	1,212,783
Unrestricted	<u>(100,803,048)</u>	<u>6,451,344</u>	<u>(94,351,704)</u>
Total Net Position	<u>\$ 110,558,855</u>	<u>\$ 38,458,932</u>	<u>\$ 149,017,787</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 9,106,395	\$ 622,154	\$ 676,724	\$ -	\$ (7,807,517)	\$ -	\$ (7,807,517)
Public safety	20,726,662	1,298,573	43,012	-	(19,385,077)	-	(19,385,077)
Education	83,938,912	4,885,885	36,249,670	693,929	(42,109,428)	-	(42,109,428)
Public works	13,022,686	107,739	137,691	799,507	(11,977,749)	-	(11,977,749)
Health and human services	2,632,364	263,739	278,066	-	(2,090,559)	-	(2,090,559)
Culture and recreation	4,045,999	115,218	67,520	100,000	(3,763,261)	-	(3,763,261)
Interest	1,687,928	-	-	-	(1,687,928)	-	(1,687,928)
Intergovernmental	637,354	-	-	-	(637,354)	-	(637,354)
Miscellaneous	310,518	-	-	-	(310,518)	-	(310,518)
Total Governmental Activities	136,108,818	7,293,308	37,452,683	1,593,436	(89,769,391)	-	(89,769,391)
Business-Type Activities:							
Water services	3,240,187	4,475,664	-	-	-	1,235,477	1,235,477
Nonmajor enterprise funds	2,548,772	2,241,532	-	-	-	(307,240)	(307,240)
Total Business-Type Activities	5,788,959	6,717,196	-	-	-	928,237	928,237
Total	\$ 141,897,777	\$ 14,010,504	\$ 37,452,683	\$ 1,593,436	(89,769,391)	928,237	(88,841,154)
General Revenues and Transfers							
Property taxes					79,650,367	-	79,650,367
Excises					5,152,205	-	5,152,205
Penalties, interest and other taxes					394,172	-	394,172
Grants and contributions not restricted to specific programs					2,352,077	-	2,352,077
Investment income					1,025,495	57,737	1,083,232
Miscellaneous					2,019,460	443,207	2,462,667
Transfers (net)					(915,630)	915,630	-
Total general revenues and transfers					89,678,146	1,416,574	91,094,720
Change in Net Position					(91,245)	2,344,811	2,253,566
Net Position							
Beginning of year					110,650,100	36,114,121	146,764,221
End of year					\$ 110,558,855	\$ 38,458,932	\$ 149,017,787

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

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Community Preservation Act Fund	Roudenbush Rehabilitation Fund	MSBA Abbot Roof	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and short-term investments	\$ 7,411,718	\$ 266,609	\$ 443,297	\$ 148,707	\$ 8,587,646	\$ 16,857,977
Investments	17,583,489	6,971,998	-	-	1,835,088	26,390,575
Receivables:						
Property taxes	1,975,322	40,321	-	-	-	2,015,643
Excises	313,100	-	-	-	-	313,100
Departmental and other	47,026	-	-	-	522,854	569,880
Total Assets	\$ 27,330,655	\$ 7,278,928	\$ 443,297	\$ 148,707	\$ 10,945,588	\$ 46,147,175
Liabilities						
Warrants payable	\$ 1,290,762	\$ -	\$ 1,702	\$ -	\$ 223,041	\$ 1,515,505
Accrued liabilities	454,614	376	-	-	49,076	504,066
Tax refunds payable	106,000	-	-	-	-	106,000
Notes payable	-	-	7,000,000	2,300,000	4,010,000	13,310,000
Other liabilities	1,028,956	-	-	-	-	1,028,956
Total Liabilities	2,880,332	376	7,001,702	2,300,000	4,282,117	16,464,527
Deferred Inflows of Resources						
Unavailable revenues	2,092,063	40,321	-	-	-	2,132,384
Fund Balances						
Nonspendable	-	-	-	-	735,062	735,062
Restricted	6,188,400	-	-	-	7,812,516	14,000,916
Committed	4,016,865	7,238,231	-	-	-	11,255,096
Assigned	899,190	-	-	-	-	899,190
Unassigned	11,253,805	-	(6,558,405)	(2,151,293)	(1,884,107)	660,000
Total Fund Balances	22,358,260	7,238,231	(6,558,405)	(2,151,293)	6,663,471	27,550,264
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 27,330,655	\$ 7,278,928	\$ 443,297	\$ 148,707	\$ 10,945,588	\$ 46,147,175

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

TOWN OF WESTFORD, MASSACHUSETTS

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

JUNE 30, 2019

Total governmental fund balances	\$ 27,550,264
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	239,009,497
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,849,774
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(172,705,960)
Other	<u>14,855,280</u>
Net position of governmental activities	\$ <u><u>110,558,855</u></u>

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

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Community Preservation Act Fund	Roudenbush Rehabilitation Fund	MSBA Abbot Roof	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 77,506,664	\$ 1,853,921	\$ -	\$ -	\$ -	\$ 79,360,585
Excises	5,122,773	-	-	-	-	5,122,773
Penalties, interest and other taxes	308,574	4,686	-	-	-	313,260
Betterments	7,618	-	-	-	-	7,618
Charges for services	353,950	-	-	-	5,457,576	5,811,526
Intergovernmental	28,444,536	381,872	-	-	6,714,469	35,540,877
Licenses and permits	1,429,462	-	-	-	-	1,429,462
Fines and forfeitures	52,321	-	-	-	-	52,321
Investment income	499,036	420,305	-	-	106,153	1,025,494
Miscellaneous	744,412	-	-	-	187,922	932,334
	<u>114,469,346</u>	<u>2,660,784</u>	<u>-</u>	<u>-</u>	<u>12,466,120</u>	<u>129,596,250</u>
Expenditures						
General government	5,021,927	1,487,561	3,821,234	-	5,391,190	15,721,912
Public safety	10,143,083	-	-	-	4,041,231	14,184,314
Education	66,448,087	-	-	2,087,580	8,223,208	76,758,875
Public works	5,916,154	-	-	-	2,406,649	8,322,803
Health and human services	1,137,006	-	-	-	350,552	1,487,558
Culture and recreation	1,952,738	-	-	-	271,581	2,224,319
Employee benefits	16,804,198	-	-	-	-	16,804,198
Debt service	6,619,423	1,002,179	-	-	-	7,621,602
Intergovernmental	637,354	-	-	-	-	637,354
	<u>114,679,970</u>	<u>2,489,740</u>	<u>3,821,234</u>	<u>2,087,580</u>	<u>20,684,411</u>	<u>143,762,935</u>
Excess (deficiency) of revenues over expenditures	(210,624)	171,044	(3,821,234)	(2,087,580)	(8,218,291)	(14,166,685)
Other Financing Sources (Uses)						
Issuance of bonds	-	-	-	-	7,525,000	7,525,000
Bond premiums	-	-	-	-	534,163	534,163
Transfers in	241,461	-	-	-	209,821	451,282
Transfers out	(1,121,983)	-	-	-	(244,929)	(1,366,912)
	<u>(880,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,024,055</u>	<u>7,143,533</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,091,146)	171,044	(3,821,234)	(2,087,580)	(194,236)	(7,023,152)
Fund Balance, at Beginning of Year, as reclassified	<u>23,449,406</u>	<u>7,067,187</u>	<u>(2,737,171)</u>	<u>(63,713)</u>	<u>6,857,707</u>	<u>34,573,416</u>
Fund Balance, at End of Year	<u>\$ 22,358,260</u>	<u>\$ 7,238,231</u>	<u>\$ (6,558,405)</u>	<u>\$ (2,151,293)</u>	<u>\$ 6,663,471</u>	<u>\$ 27,550,264</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2019

Net changes in fund balances - total governmental funds \$ (7,023,152)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	19,844,843
Depreciation	(9,245,682)

The issuance of long-term debt (e.g., 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:

Issuance of debt	(7,525,000)
Repayments of debt	6,024,014
Other	68,921

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.

445,423

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net pension liability and related deferred outflows and inflows of resources	(3,122,144)
Net OPEB liability and related deferred outflows and inflows of resources	1,616,997
Other	(1,032,212)

Other differences (143,253)

Change in net position of governmental activities \$ (91,245)

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

TOWN OF WESTFORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 77,778,230	\$ 77,778,230	\$ 77,778,230	\$ -
Excise	4,796,450	4,796,450	5,079,223	282,773
Penalties, interest and other taxes	170,000	170,000	220,422	50,422
Payments in lieu of taxes	65,000	65,000	88,152	23,152
Betterments	12,756	12,756	7,618	(5,138)
Charges for services	305,000	305,000	353,950	48,950
Intergovernmental	20,943,472	20,943,472	21,192,962	249,490
Licenses and permits	875,000	875,000	1,429,462	554,462
Fines and forfeitures	40,000	40,000	52,321	12,321
Investment income	120,000	120,000	193,455	73,455
Miscellaneous	1,819,551	1,819,551	2,129,678	310,127
Total Revenues	106,925,459	106,925,459	108,525,473	1,600,014
Expenditures				
General government	5,145,567	5,857,307	5,506,751	350,556
Public safety	10,091,645	10,294,269	10,128,038	166,231
Education	58,826,282	59,079,064	59,039,412	39,652
Public works	5,212,873	6,509,105	6,311,004	198,101
Health and human services	1,166,711	1,205,717	1,164,661	41,056
Culture and recreation	2,024,274	2,027,163	1,937,600	89,563
Employee benefits	18,200,299	17,302,494	16,829,553	472,941
Debt service	7,044,829	7,044,829	6,871,725	173,104
Intergovernmental	637,606	637,606	637,354	252
Total Expenditures	108,350,086	109,957,554	108,426,098	1,531,456
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(1,424,627)	(3,032,095)	99,375	3,131,470
Other Financing Sources/Uses				
Transfers in	1,776,878	1,979,724	1,979,798	74
Transfers out	(869,681)	(2,199,796)	(2,199,796)	-
Use of free cash	497,800	3,232,537	3,232,537	-
Use of restricted fund balance	19,630	19,630	19,630	-
Total Other Financing Sources/Uses	1,424,627	3,032,095	3,032,169	74
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,131,544	\$ 3,131,544

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities Enterprise Fund		
	Water Fund	Nonmajor Enterprise Funds	Total
Assets			
Current:			
Cash and short-term investments	\$ 7,286,274	\$ 851,876	\$ 8,138,150
User fees, net of allowance for uncollectibles	<u>930,165</u>	<u>589,257</u>	<u>1,519,422</u>
Total current assets	8,216,439	1,441,133	9,657,572
Noncurrent:			
Capital Assets:			
Land and construction in progress	5,026,310	274,747	5,301,057
Other capital assets, net of accumulated depreciation	<u>38,151,326</u>	<u>938,368</u>	<u>39,089,694</u>
Total noncurrent assets	43,177,636	1,213,115	44,390,751
Deferred Outflows of Resources			
Related to pensions	139,353	136,528	275,881
Related to OPEB	<u>24,373</u>	<u>72,402</u>	<u>96,775</u>
Total Assets and Deferred Outflows of Resources	51,557,801	2,863,178	54,420,979
Liabilities			
Current:			
Warrants payable	459,231	24,191	483,422
Accrued liabilities	64,896	49,524	114,420
Notes payable	5,200,000	-	5,200,000
Current portion of long-term liabilities:			
Bonds payable	1,136,558	-	1,136,558
Other	<u>7,200</u>	<u>2,758</u>	<u>9,958</u>
Total current liabilities	6,867,885	76,473	6,944,358
Noncurrent:			
Bonds payable, net of current portion	6,046,605	-	6,046,605
Net pension liability	878,768	860,956	1,739,724
Net OPEB liability	253,201	762,065	1,015,266
Other, net of current portion	<u>136,805</u>	<u>52,409</u>	<u>189,214</u>
Total noncurrent liabilities	7,315,379	1,675,430	8,990,809
Deferred Inflows of Resources			
Related to pensions	13,365	13,094	26,459
Related to OPEB	<u>106</u>	<u>315</u>	<u>421</u>
Total Liabilities and Deferred Inflows of Resources	14,196,735	1,765,312	15,962,047
Net Position			
Net investment in capital assets	30,794,473	1,213,115	32,007,588
Unrestricted	<u>6,566,593</u>	<u>(115,249)</u>	<u>6,451,344</u>
Total Net Position	\$ <u><u>37,361,066</u></u>	\$ <u><u>1,097,866</u></u>	\$ <u><u>38,458,932</u></u>

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Fund		
	Water Fund	Nonmajor Enterprise Funds	Total
Operating Revenues			
Charges for services	\$ 4,475,664	\$ 2,241,532	\$ 6,717,196
Other	<u>443,207</u>	<u>-</u>	<u>443,207</u>
Total Operating Revenues	4,918,871	2,241,532	7,160,403
Operating Expenses			
Salaries and benefits	423,502	1,490,429	1,913,931
Other operating expenses	1,170,615	971,713	2,142,328
Depreciation	<u>1,390,876</u>	<u>86,630</u>	<u>1,477,506</u>
Total Operating Expenses	<u>2,984,993</u>	<u>2,548,772</u>	<u>5,533,765</u>
Operating Income (Loss)	1,933,878	(307,240)	1,626,638
Nonoperating Revenues (Expenses)			
Investment income	46,422	11,315	57,737
Interest expense	<u>(255,194)</u>	<u>-</u>	<u>(255,194)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(208,772)</u>	<u>11,315</u>	<u>(197,457)</u>
Net Income (Loss) Before Transfers	1,725,106	(295,925)	1,429,181
Transfers			
Transfers in	<u>281,570</u>	<u>634,060</u>	<u>915,630</u>
Change in Net Position	2,006,676	338,135	2,344,811
Net Position at Beginning of Year	<u>35,354,390</u>	<u>759,731</u>	<u>36,114,121</u>
Net Position at End of Year	<u>\$ 37,361,066</u>	<u>\$ 1,097,866</u>	<u>\$ 38,458,932</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Funds		
	Water Fund	Nonmajor Enterprise Funds	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 4,817,041	\$ 2,272,526	\$ 7,089,567
Payments to vendors and employees	<u>(1,991,484)</u>	<u>(2,691,983)</u>	<u>(4,683,467)</u>
Net Cash Provided By (Used For) Operating Activities	2,825,557	(419,457)	2,406,100
Cash Flows From Capital and Related Financing Activities			
Acquisition, construction, and disposition of capital assets	(4,178,099)	(346,045)	(4,524,144)
Issuance of bonds and notes	3,200,000	-	3,200,000
Payments on bond and notes	(1,129,553)	-	(1,129,553)
Interest expense	<u>(255,193)</u>	<u>-</u>	<u>(255,193)</u>
Net Cash (Used For) Capital and Related Financing Activities	(2,362,845)	(346,045)	(2,708,890)
Cash Flows From Noncapital Financing Activities			
Transfers in	<u>281,570</u>	<u>634,060</u>	<u>915,630</u>
Net Cash Provided By Noncapital Financing Activities	281,570	634,060	915,630
Cash Flows From Investing Activities			
Investment income	<u>46,422</u>	<u>11,314</u>	<u>57,736</u>
Net Cash Provided By (Used For) Investing Activities	<u>46,422</u>	<u>11,314</u>	<u>57,736</u>
Net Change in Cash and Short-Term Investments	790,704	(120,128)	670,576
Cash and Short-Term Investments, Beginning of Year	<u>6,495,570</u>	<u>972,004</u>	<u>7,467,574</u>
Cash and Short-Term Investments, End of Year	<u>\$ 7,286,274</u>	<u>\$ 851,876</u>	<u>\$ 8,138,150</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities			
Operating income (loss)	\$ 1,933,878	\$ (307,240)	\$ 1,626,638
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,390,876	86,630	1,477,506
Changes in assets, liabilities, and deferred outflows/inflows:			
Receivables	(101,829)	30,994	(70,835)
Deferred outflows - related to pensions	(40,964)	(40,133)	(81,097)
Deferred outflows - related to OPEB	133,779	53,152	186,931
Warrants payable	327,392	25,273	352,665
Accrued liabilities	4,653	34,699	39,352
Compensated absences	13,689	1,933	15,622
Net pension liability	113,625	111,322	224,947
Net OPEB liability	(924,519)	(391,782)	(1,316,301)
Deferred inflows - related to pensions	(25,061)	(24,553)	(49,614)
Deferred inflows - related to OPEB	<u>38</u>	<u>248</u>	<u>286</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 2,825,557</u>	<u>\$ (419,457)</u>	<u>\$ 2,406,100</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and short-term investments	\$ 130,041	\$ 1,063,969
Investments:		
Corporate bonds	608,058	-
Corporate equities	2,787,026	-
Mutual funds	1,975,333	-
Federal agency securities	<u>484,594</u>	<u>-</u>
Total Investments	5,855,011	-
Other assets	<u>-</u>	<u>159,540</u>
Total Assets	5,985,052	1,223,509
 Liabilities		
Warrants payable	-	227
Accrued liabilities	-	23,336
Other liabilities	<u>-</u>	<u>1,199,946</u>
Total Liabilities	<u>-</u>	<u>1,223,509</u>
 Net Position		
Restricted for OPEB purposes	<u>5,985,052</u>	<u>-</u>
Total Net Position	<u>\$ 5,985,052</u>	<u>\$ -</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	<u>OPEB Trust Fund</u>
Additions	
Employer contributions	\$ 3,575,809
Interest income	<u>357,859</u>
Total additions	3,933,668
Deductions	
Benefit payments to plan members and beneficiaries	<u>2,503,168</u>
Total deductions	<u>2,503,168</u>
Net increase	1,430,500
Net position restricted OPEB purposes	
Beginning of year	<u>4,554,552</u>
End of year	\$ <u><u>5,985,052</u></u>

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

TOWN OF WESTFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government'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 community preservation fund accounts for funds used for the acquisition, creation, and preservation of open space historic resources, and community housing.
- The Roudenbush rehabilitation fund accounts for funds used for the Roudenbush Community Center building project.
- The *MSBA Abbot roof fund* accounts for funds used for the replacement of the Abbott Elementary School roof.

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

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 benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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, certificates of deposits, and savings accounts. 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". The interest earnings attributable to each fund type are included under investment income.

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value.

F. Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$538,179.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets 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
Office equipment	5
Computer equipment	5

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. 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/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists 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 is 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. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the 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>
Revenues/expenditures/other financing sources/uses (GAAP basis)	\$ 114,469,346	\$ 114,679,970	\$ (880,522)
Adjust tax revenue to accrual basis	271,566	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,977,324)	-
Add end-of-year appropriation carryforwards from expenditures	-	3,780,753	-
To record use of free cash	-	-	3,232,537
To record use of restricted fund balance	-	-	19,630
Reverse the effects of non-budgeted audit adjustments	(5,905,001)	(7,057,301)	230,524
Reverse the effects of combining general fund and stabilization funds (GASB 54)	(310,438)	-	430,000
Budgetary basis	<u>\$ 108,525,473</u>	<u>\$ 108,426,098</u>	<u>\$ 3,032,169</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2019.

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

3. Cash and Short-Term Investments

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

As of June 30, 2019, \$9,208,058 of the Town’s bank balances of \$26,711,541 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. Investments

Town (Including the OPEB Trust Fund)

The following is a summary of the Town’s investments (in thousands) as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 5,456
Corporate bonds	5,621
Corporate equities	5,230
Equity mutual funds	2,055
Federal agency securities	13,617
Fixed income mutual funds	<u>267</u>
Total investments	<u>\$ 32,246</u>

A. Credit Risk

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

Presented below is the actual rating as of year-end for each investment type of the Town (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>							
		<u>AAA</u>	<u>Aa3</u>	<u>A1</u>	<u>A2</u>	<u>A3</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Unrated</u>
Corporate bonds	\$ 5,621	\$ 269	\$ 530	\$ 774	\$ 365	\$ 762	\$ 2,020	\$ 901	\$ -
Federal agency securities	<u>13,617</u>	<u>6,983</u>	<u>434</u>	<u>51</u>	-	-	-	-	<u>6,149</u>
Total	<u>\$ 19,238</u>	<u>\$ 7,252</u>	<u>\$ 964</u>	<u>\$ 825</u>	<u>\$ 365</u>	<u>\$ 762</u>	<u>\$ 2,020</u>	<u>\$ 901</u>	<u>\$ 6,149</u>

B. Custodial Credit Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>	<u>Held by Counterparty's Trust or Agent</u>
Certificates of deposits	\$ 5,456	\$ 3,126	\$ 2,330
Corporate bonds	5,621	-	5,621
Corporate equities	5,230	-	5,230
Equity mutual funds	2,055	-	2,055
Federal agency securities	13,617	-	13,617
Fixed income mutual funds	<u>267</u>	<u>-</u>	<u>267</u>
Total	<u>\$ 32,246</u>	<u>\$ 3,126</u>	<u>\$ 29,120</u>

C. Concentration of Credit Risk

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

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

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Century Bank certificate of deposit	\$ <u>3,117</u>	10%
Total	<u>\$ 3,117</u>	

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, 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 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Certificates of deposit	\$ 5,456	\$ 4,522	\$ 934	\$ -	\$ -
Corporate bonds	5,621	1,549	4,072	-	-
Federal agency securities	<u>13,617</u>	<u>3,083</u>	<u>10,516</u>	<u>5</u>	<u>13</u>
Total	<u>\$ 24,694</u>	<u>\$ 9,154</u>	<u>\$ 15,522</u>	<u>\$ 5</u>	<u>\$ 13</u>

E. Foreign Currency Risk

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

F. Fair Value

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

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

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are

not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.

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

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

The Town has the following fair value measurements (in thousands) as of June 30, 2019:

<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>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 5,621	\$ -	\$ 5,621	\$ -
Corporate equities	5,230	5,230	-	-
Equity mutual funds	2,055	2,055	-	-
Federal agency securities	13,617	-	13,617	-
Fixed income mutual funds	<u>267</u>	267	-	-
Total	<u>\$ 26,790</u>			

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

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

5. Property Taxes and Excises Receivables

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are

subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

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

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

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2019 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 964,493	\$ (96,449)	\$ 868,044	\$ -
Personal property taxes	48,359	(5,039)	43,320	-
Community preservation act	40,321	(4,032)	36,289	-
Tax liens	601,401	(60,140)	124,894	416,367
Deferred taxes	361,069	(36,107)	22,649	302,313
Total property taxes	<u>\$ 2,015,643</u>	<u>\$ (201,767)</u>	<u>\$ 1,095,196</u>	<u>\$ 718,680</u>
Motor vehicle excise	<u>\$ 313,100</u>	<u>\$ (35,661)</u>	<u>\$ 277,439</u>	
Total excises	<u>\$ 313,100</u>	<u>\$ (35,661)</u>	<u>\$ 277,439</u>	

6. User Fee Receivables

Receivables for user charges at June 30, 2019 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 955,165	\$ (25,000)	\$ 930,165
Nonmajor enterprise funds	<u>618,857</u>	<u>(29,600)</u>	<u>589,257</u>
Total	<u>\$ 1,574,022</u>	<u>\$ (54,600)</u>	<u>\$ 1,519,422</u>

7. Interfund Fund Accounts

Transfers

The Town reports interfund transfers between various funds. Most transfers results from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 241,461	\$ 1,121,983
Nonmajor Funds:		
Special Revenue Funds	17,821	244,929
Capital Project Funds	<u>192,000</u>	<u>-</u>
Subtotal Nonmajor Funds	209,821	244,929
<u>Business-Type Funds</u>		
Water Fund	281,570	-
Nonmajor Enterprise Funds	<u>634,060</u>	<u>-</u>
Subtotal Business-Type Funds	<u>915,630</u>	<u>-</u>
Grand Total	<u>\$ 1,366,912</u>	<u>\$ 1,366,912</u>

Of the transfers into the general fund, \$202,846 was transferred from the excess premium revolving fund. Of the transfers out of the general fund, \$851,860 was transferred to the enterprise funds to subsidize the operating budgets and \$192,000 was transferred to various capital project funds for a bond anticipation note paydown.

8. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 156,884	\$ 19,839	\$ -	\$ 176,723
Machinery, equipment, and furnishings	39,127	1,786	-	40,913
Infrastructure	134,991	1,004	-	135,995
Total capital assets, being depreciated	331,002	22,629	-	353,631
Less accumulated depreciation for:				
Buildings and improvements	(63,433)	(3,859)	-	(67,292)
Machinery, equipment, and furnishings	(21,105)	(1,967)	-	(23,072)
Infrastructure	(62,274)	(3,420)	-	(65,694)
Total accumulated depreciation	(146,812)	(9,246)	-	(156,058)
Total capital assets, being depreciated, net	184,190	13,383	-	197,573
Capital assets, not being depreciated:				
Land	31,954	5,270	-	37,224
Construction in progress	12,267	2,427	(10,482)	4,212
Total capital assets, not being depreciated	44,221	7,697	(10,482)	41,436
Governmental activities capital assets, net	\$ 228,411	\$ 21,080	\$ (10,482)	\$ 239,009
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,739	\$ -	\$ -	\$ 16,739
Machinery, equipment, and furnishings	3,296	1,026	-	4,322
Infrastructure	42,344	2,868	-	45,212
Total capital assets, being depreciated	62,379	3,894	-	66,273
Less accumulated depreciation for:				
Buildings and improvements	(8,917)	(646)	-	(9,563)
Machinery, equipment, and furnishings	(2,155)	(201)	-	(2,356)
Infrastructure	(14,633)	(631)	-	(15,264)
Total accumulated depreciation	(25,705)	(1,478)	-	(27,183)
Total capital assets, being depreciated, net	36,674	2,416	-	39,090
Capital assets, not being depreciated:				
Land	2,390	-	-	2,390
Construction in progress	2,280	1,893	(1,262)	2,911
Total capital assets, not being depreciated	4,670	1,893	(1,262)	5,301
Business-type activities capital assets, net	\$ 41,344	\$ 4,309	\$ (1,262)	\$ 44,391

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

Governmental Activities	
General government	\$ 254
Public safety	592
Education	4,101
Public works	4,045
Culture and recreation	106
Health and Human Services	<u>148</u>
Total governmental activities	<u>\$ 9,246</u>
Business-Type Activities	
Water	\$ 1,391
Nonmajor enterprise funds	<u>87</u>
Total business-type activities	<u>\$ 1,478</u>

9. Deferred Outflows of Resources

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

10. Warrants Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019.

11. Accrued Liabilities

Accrued liabilities consist of amounts accrued at June 30, 2019 for fiscal 2019 employee payrolls, as well as interest accrued on outstanding bonds.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

13. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/19</u>
Abbot School Roof	2.20%	06/20/18	08/15/19	\$ 2,000,000
Vine Brook Water System	2.45%	06/20/18	08/15/19	1,000,000
Street Lights	2.45%	06/20/18	08/15/19	500,000
School Windows Project	3.00%	10/03/18	08/15/19	1,165,000
Prospect Hill Water Tank	3.00%	10/03/18	08/15/19	2,000,000
Road Bonds	3.00%	10/03/18	08/15/19	575,000
Vine Brook Water System	3.00%	10/03/18	08/15/19	500,000
Fletcher Fire Station	2.75%	03/19/19	08/15/19	1,500,000
Abbot School Roof	2.75%	03/19/19	08/15/19	300,000
Prospect Hill Water Tank	2.75%	03/19/19	08/15/19	1,200,000
Road Work	2.75%	03/19/19	08/15/19	270,000
Roudenbush Building Rehabilitation	4.00%	05/14/19	08/15/19	7,000,000
Groton Rd/Dunstable Rd Water Main Extension	2.25%	06/20/19	08/15/19	500,000
Total				\$ 18,510,000

Additional disclosures for short-term debt that matured on August 15, 2019 can be found in Note 20.

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Rollover</u>	<u>Paydown</u>	<u>Bonded</u>	<u>Balance End of Year</u>
Drainage Master Plan	\$ 26,000	\$ -	\$ -	\$ (26,000)	\$ -	\$ -
Intersection Design	91,000	-	-	(91,000)	-	-
Plain Road Sidewalk	25,000	-	-	-	(25,000)	-
School Window Project	990,000	-	(965,000)	(25,000)	-	-
Robinson & Day Windows	200,000	-	(200,000)	-	-	-
Plain Road Sidewalk	485,725	-	-	-	(485,725)	-
Main Street Reconciliation	1,895,000	-	-	-	(1,895,000)	-
Stormwater Master Plan	50,000	-	-	(50,000)	-	-
Roudenbush Building Rehabilitation	1,000,000	-	(1,000,000)	-	-	-
Roudenbush Building Rehabilitation	2,000,000	-	(2,000,000)	-	-	-
Roudenbush Building Rehabilitation	3,000,000	-	(3,000,000)	-	-	-
Prospect Hill Water Tank	1,000,000	-	(1,000,000)	-	-	-
Wastewater Upgrades	500,000	-	-	(35,000)	(465,000)	-
Fire Truck	615,000	-	-	(50,725)	(564,275)	-
Abbot School Roof	2,000,000	-	-	-	-	2,000,000
Vine Brook Water System	1,000,000	-	-	-	-	1,000,000
Street Lights	500,000	-	-	-	-	500,000
School Windows Project	-	-	1,165,000	-	-	1,165,000
Prospect Hill Water Tank	-	1,000,000	1,000,000	-	-	2,000,000
Road Bonds	-	575,000	-	-	-	575,000
Vine Brook Water System	-	500,000	-	-	-	500,000
Roudenbush Building Renovations	-	-	3,000,000	-	-	3,000,000
Fletcher Fire Station	-	1,500,000	-	-	-	1,500,000
Abbot School Roof	-	300,000	-	-	-	300,000
Prospect Hill Water Tank	-	1,200,000	-	-	-	1,200,000
Road Work	-	270,000	-	-	-	270,000
Roudenbush Building Rehabilitation	-	1,000,000	3,000,000	-	-	4,000,000
Groton Rd/Dunstable Rd Water Main Extension	-	500,000	-	-	-	500,000
Total	\$ 15,377,725	\$ 6,845,000	\$ -	\$ (277,725)	\$ (3,435,000)	\$ 18,510,000

14. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>6/30/19</u>
Title V	08/01/19	0.00%	\$ 4,014
Elementary school construction	06/01/22	4.14%	4,275,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	4,070,000
Middle school construction	12/01/22	4.49%	1,480,000
Academy refunding	06/30/20	4.00%	1,295,000
Elevator 2013	06/01/23	1.40%	180,000
Police communications 2013	06/01/22	1.29%	60,000
Boiler 2013	06/01/22	1.29%	30,000
Highway refunding 2014	04/25/24	1.54%	2,660,000
School 2016	06/30/37	2.08%	1,800,000
Dispatch center 2016	06/30/37	2.07%	920,000
Senior center refunding 2018	06/30/30	2.5 - 5%	2,120,000
Fire station 2018	06/30/30	2.5 - 5%	9,900,000
Refunding 2019	02/01/30	3 - 5%	4,580,000
Lowell Road	02/01/39	3 - 5%	<u>4,090,000</u>
Total Governmental Activities			<u>\$ 39,019,014</u>

<u>Business-Type Activities</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>6/30/19</u>
<u>Water Enterprise</u>			
Filtration plant - MWPAT	02/01/21	1.11%	\$ 305,000
MWPAT	08/01/22	1.13%	2,940,000
MWPAT DW 08-16	07/15/30	2.00%	146,169
MWPAT DW 09-07	07/15/30	2.00%	1,216,994
2013 Water bond	06/01/33	2.36%	1,120,000
2013 Water bond	06/01/33	2.36%	405,000
Water Graniteville 2016	06/30/37	2.08%	360,000
Water Pleasant 2016	06/30/37	2.08%	450,000
Water refunding	06/30/24	3 - 5%	<u>240,000</u>
Total Business-Type Activities			<u>\$ 7,183,163</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,959,014	\$ 1,494,049	\$ 7,453,063
2021	4,700,000	1,178,043	5,878,043
2022	4,910,000	984,537	5,894,537
2023	4,870,000	713,738	5,583,738
2024	2,065,000	580,813	2,645,813
2025 - 2029	8,900,000	1,947,388	10,847,388
2030 - 2034	5,150,000	747,963	5,897,963
Thereafter	<u>2,465,000</u>	<u>191,929</u>	<u>2,656,929</u>
Total	\$ <u>39,019,014</u>	\$ <u>7,838,460</u>	\$ <u>46,857,474</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,136,558	\$ 132,333	\$ 1,268,891
2021	1,168,602	110,819	1,279,421
2022	1,045,690	91,295	1,136,985
2023	1,067,819	71,558	1,139,377
2024	304,989	63,869	368,858
2025 - 2029	1,359,074	253,386	1,612,460
2030 - 2034	965,431	50,252	1,015,683
Thereafter	<u>135,000</u>	<u>3,373</u>	<u>138,373</u>
Total	\$ <u>7,183,163</u>	\$ <u>776,885</u>	\$ <u>7,960,048</u>

C. Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable	\$ 37,598	\$ 7,525	\$ (6,104)	\$ 39,019	\$ (5,959)	\$ 33,060
Unamortized premium	<u>41</u>	<u>-</u>	<u>(14)</u>	<u>27</u>	<u>(11)</u>	<u>16</u>
Subtotal	37,639	7,525	(6,118)	39,046	(5,970)	33,076
Net pension liability	50,184	7,453	-	57,637	-	57,637
Net OPEB liability	77,244	-	(2,977)	74,267	-	74,267
Other:						
Compensated absences	<u>1,711</u>	<u>53</u>	<u>(8)</u>	<u>1,756</u>	<u>(88)</u>	<u>1,668</u>
Subtotal - other	<u>1,711</u>	<u>53</u>	<u>(8)</u>	<u>1,756</u>	<u>(88)</u>	<u>1,668</u>
Totals	\$ <u>166,778</u>	\$ <u>15,031</u>	\$ <u>(9,103)</u>	\$ <u>172,706</u>	\$ <u>(6,058)</u>	\$ <u>166,648</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Business-Type Activities						
Bonds payable	\$ 8,313	\$ -	\$ (1,129)	\$ 7,184	\$ (1,137)	\$ 6,047
Net pension liability	1,515	225	-	1,740	-	1,740
Net OPEB liability	2,332	-	(1,317)	1,015	-	1,015
Other:						
Compensated absences	<u>183</u>	<u>21</u>	<u>(5)</u>	<u>199</u>	<u>(10)</u>	<u>189</u>
Subtotal - other	<u>183</u>	<u>21</u>	<u>(5)</u>	<u>199</u>	<u>(10)</u>	<u>189</u>
Totals	<u>\$ 12,343</u>	<u>\$ 246</u>	<u>\$ (2,451)</u>	<u>\$ 10,138</u>	<u>\$ (1,147)</u>	<u>\$ 8,991</u>

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

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

15. Deferred Inflows of Resources

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

16. Governmental Funds - Balances

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

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

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

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, 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.

Unassigned - Represents amounts that are available to be spent in future periods.

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

	General Fund	Community Preservation Fund	Roudenbush Rehabilitation Fund	MSBA Abbot Roof	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 735,062	\$ 735,062
Total Nonspendable	-	-	-	-	735,062	735,062
Restricted						
Reserve for debt service	6,188,400	-	-	-	-	6,188,400
Capital project funds	-	-	-	-	304,926	304,926
Special revenue funds:						
School bus transportation	-	-	-	-	201,172	201,172
Full day kindergarten	-	-	-	-	219,502	219,502
Newport improvements	-	-	-	-	200,000	200,000
PWAH gift	-	-	-	-	261,015	261,015
School choice	-	-	-	-	614,647	614,647
Circuit breaker	-	-	-	-	1,728,467	1,728,467
School lunch	-	-	-	-	698,699	698,699
Cemetery lot sales	-	-	-	-	180,382	180,382
Town building leases	-	-	-	-	137,448	137,448
East Boston camp	-	-	-	-	157,380	157,380
Board of Health immunization	-	-	-	-	108,499	108,499
Student activity fees	-	-	-	-	184,781	184,781
2 Robbins Road transportation gift	-	-	-	-	131,400	131,400
Groton/Dunstable intersection	-	-	-	-	100,000	100,000
Special education reserve fund	-	-	-	-	108,725	108,725
Other	-	-	-	-	1,262,690	1,262,690
Expendable permanent funds	-	-	-	-	1,212,783	1,212,783
Total Restricted	6,188,400	-	-	-	7,812,516	14,000,916
Committed						
Reserve for continuing appropriations	2,887,056	-	-	-	-	2,887,056
Health stabilization	672,587	-	-	-	-	672,587
Capital stabilization	457,222	-	-	-	-	457,222
Community preservation act funds	-	7,238,231	-	-	-	7,238,231
Total Committed	4,016,865	7,238,231	-	-	-	11,255,096

(continued)

(continued)

	General Fund	Community Preservation Fund	Roudenbush Rehabilitation Fund	MSBA Abbot Roof	Nonmajor Governmental Funds	Total Governmental Funds
Assigned						
Reserved for encumbrances	893,690	-	-	-	-	893,690
Reserved for petty cash	5,500	-	-	-	-	5,500
Total Assigned	899,190	-	-	-	-	899,190
Unassigned						
General fund	5,691,873	-	-	-	-	5,691,873
General stabilization fund	5,561,932	-	-	-	-	5,561,932
Special revenue funds	-	-	-	-	(52,853)	(52,853)
Capital project funds	-	-	(6,558,405)	(2,151,293)	(1,831,254)	(10,540,952)
Total Unassigned	11,253,805	-	(6,558,405)	(2,151,293)	(1,884,107)	660,000
Total Fund Balances	\$ 22,358,260	\$ 7,238,231	\$ (6,558,405)	\$ (2,151,293)	\$ 6,663,471	\$ 27,550,264

17. Retirement System – Middlesex County Retirement System

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

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Middlesex County Retirement System (the System), a cost-sharing, multiple-employer, 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 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

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

Participant Refunds

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2019 was \$4,902,690, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

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

At June 30, 2019, the Town reported a liability of \$59,376,424 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the Town's proportion was 3.807483%.

For the year ended June 30, 2019, the Town recognized pension expense of \$8,119,068. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 121,481	\$ (206,961)
Changes of assumptions	3,690,129	-
Net difference between projected and actual earnings on pension plan investments	2,646,625	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>2,957,496</u>	<u>(696,089)</u>
Total	<u>\$ 9,415,731</u>	<u>\$ (903,050)</u>

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

Year ended June 30:	
2020	\$ 3,283,577
2021	2,398,159
2022	1,305,438
2023	<u>1,525,507</u>
Total	\$ <u>8,512,681</u>

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2018:

COLA	3.0% of the first \$14,000 of retirement income
Salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Investment rate of return	7.50%, net of pension plan investment expense, including inflation. Previously 7.75%

Mortality rates for pre-retirement were based on the RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017. Mortality rates for retiree were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Mortality rates for disabled were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

E. Target Allocations

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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:

1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
\$ 72,026,265	\$ 59,376,424	\$ 48,710,754

H. Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

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

B. Benefits Provided

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

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

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2017. This valuation used the following assumptions:

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

E. 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, 2018 are summarized in the following table:

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

F. Discount Rate

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

G. Sensitivity Analysis

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

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

H. 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.

I. Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$131,431,351 based on a proportionate share of 0.554299%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$7,287,824 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$6,030,840 as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2012, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

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

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

A. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	502
Active employees	<u>1,028</u>
Total	<u><u>1,530</u></u>

B. Investments

The OPEB trust fund assets consist of corporate bonds, corporate equities, mutual funds, and federal agency securities.

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.36%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	5.75%
Healthcare cost trend rates	5% for 2019 and future periods
Retirees' share of benefit-related costs	40% for premiums for the PPO & Medicare Integrated Plans and 35% for others as well as 50% of premiums for life insurance. Participants pay 100% of premiums for dental insurance
Participation rate	80% of employees eligible to receive retirement benefits for both medical and life insurance

Mortality rates for pre-retirement were based on RP-2000 Employees Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for post-retirement were based on RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for disabled were based on RP-2000 Healthy Annuitant Mortality Tables projected generationally with scale BB and a base year of 2012 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of January 1, 2015.

D. Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	44.00%	4.00%
Domestic Equity - Small/Mid Cap	6.75%	6.00%
International Equity - Developed Market	9.50%	4.50%
International Equity - Emerging Market	3.50%	7.00%
Domestic Fixed Income	14.00%	2.00%
International Fixed Income	0.75%	3.00%
Alternatives	7.75%	6.50%
Real Estate	3.50%	6.25%
Cash	<u>10.25%</u>	0.00%
Total	<u><u>100.00%</u></u>	

E. Discount Rate

The discount rate used to measure the net OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.36% and municipal bond rate of 2.79% (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2019).

F. Net OPEB Liability

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

Total OPEB liability	\$ 81,267,779
Plan fiduciary net position	<u>5,985,052</u>
Net OPEB liability	<u><u>\$ 75,282,727</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	7.36%
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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.

G. 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	\$ 76,391,404	\$ 4,554,552	\$ 71,836,852
Changes for the year:			
Service cost	2,874,731	-	2,874,731
Interest	4,487,338	-	4,487,338
Contributions - employer	-	3,558,335	(3,558,335)
Net investment income	-	357,859	(357,859)
Benefit payments	(2,485,694)	(2,485,694)	-
Net Changes	<u>4,876,375</u>	<u>1,430,500</u>	<u>3,445,875</u>
Balances, end of year	<u>\$ 81,267,779</u>	<u>\$ 5,985,052</u>	<u>\$ 75,282,727</u>

H. 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% <u>Decrease</u>	Current Discount Rate	1% <u>Increase</u>
\$ 88,245,704	\$ 75,282,727	\$ 64,909,765

I. 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	1% <u>Increase</u>
\$ 56,368,892	\$ 75,282,727	\$ 99,323,271

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

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$4,962,754. At June 30, 2019, 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	\$ 7,168,552	\$ -
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(31,128)</u>
Total	<u>\$ 7,168,552</u>	<u>\$ (31,128)</u>

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

<u>Year Ended June 30:</u>	
2020	\$ 1,482,274
2021	1,482,274
2022	1,482,274
2023	1,483,422
2024	<u>1,207,180</u>
Total	<u>\$ 7,137,424</u>

20. Subsequent Events

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

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Fire Station	\$ 1,500,000	5.00%	08/14/19	09/17/19
Vine Brook Water System	1,500,000	5.00%	08/14/19	09/17/19
Abbot School Roof	2,291,000	2.00%	08/14/19	09/14/20
Water Tank	3,027,000	2.00%	08/14/19	09/14/20
Street Lights	<u>413,000</u>	2.00%	08/14/19	09/14/20
Subtotal - bond anticipation notes	8,731,000			
General Obligation Bond	1,675,000	2 - 5%	08/14/19	02/15/34
General Obligation Bond	6,945,000	2.55 - 4%	08/14/19	02/15/39
General Obligation Bond	<u>1,650,000</u>	5.00%	09/16/19	08/15/37
Subtotal - bonds	<u>10,270,000</u>			
Totals	<u>\$ 19,001,000</u>			

21. Commitments and Contingencies

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

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 \$893,690 in encumbrances that will be honored in the next fiscal year.

22. Beginning Fund Balance Reclassification

The beginning (July 1, 2018) fund balance of the Town was reclassified as follows:

Fund Basis Financial Statements:

	Nonmajor Governmental Funds	MSBA Abbot Roof	Total
As previously reported	\$ 6,793,994	\$ -	\$ 6,793,994
Major fund in current fiscal year	<u>63,713</u>	<u>(63,713)</u>	<u>-</u>
As restated	<u>\$ 6,857,707</u>	<u>\$ (63,713)</u>	<u>\$ 6,793,994</u>

23. 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, 2020. 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, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF WESTFORD, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2019
(Unaudited)

Middlesex Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	December 31, 2018	3.807483%	\$59,376,424	\$ 25,307,496	234.62%	46.40%
June 30, 2018	December 31, 2017	3.642858%	\$51,698,881	\$ 24,255,608	213.14%	49.27%
June 30, 2017	December 31, 2016	3.733888%	\$52,904,581	\$ 24,100,833	219.51%	45.49%
June 30, 2016	December 31, 2015	3.671119%	\$47,358,134	\$ 22,663,136	208.97%	46.13%
June 30, 2015	December 31, 2015	3.579206%	\$42,997,563	\$ 21,791,477	197.31%	47.65%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	June 30, 2018	0.554299%	\$ -	\$ 131,431,351	\$ 131,431,351	\$ 38,914,182	-	54.84%
June 30, 2018	June 30, 2017	0.543505%	\$ -	\$ 124,383,239	\$ 124,383,239	\$ 36,988,876	-	54.25%
June 30, 2017	June 30, 2016	0.545467%	\$ -	\$ 121,955,066	\$ 121,955,066	\$ 34,522,546	-	52.73%
June 30, 2016	June 30, 2015	0.544034%	\$ -	\$ 111,470,624	\$ 111,470,624	\$ 35,851,099	-	55.38%
June 30, 2015	June 30, 2014	0.530452%	\$ -	\$ 84,322,583	\$ 84,322,583	\$ 32,524,633	-	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 WESTFORD, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019
 (Unaudited)

Middlesex Regional Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
June 30, 2019	December 31, 2018	\$ 4,902,690	\$ 4,902,690	\$ -	\$ 25,332,458	19.35%
June 30, 2018	December 31, 2017	\$ 4,619,903	\$ 4,619,903	\$ -	\$ 24,859,402	18.58%
June 30, 2017	December 31, 2016	\$ 4,238,879	\$ 4,238,879	\$ -	\$ 24,563,761	17.26%
June 30, 2016	December 31, 2015	\$ 3,993,806	\$ 3,993,806	\$ -	\$ 23,192,937	17.22%
June 30, 2015	December 31, 2015	\$ 3,808,963	\$ 3,808,963	\$ -	\$ 23,244,988	16.39%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Contractually Required Contribution Provided by Commonwealth	Contractually Required Contribution	Contribution Deficiency (Excess)		
June 30, 2019	June 30, 2018	\$ 7,287,824	\$ 7,287,824	\$ -	\$ 40,581,820	17.96%
June 30, 2018	June 30, 2017	\$ 6,715,086	\$ 6,715,086	\$ -	\$ 38,914,182	17.26%
June 30, 2017	June 30, 2016	\$ 6,134,226	\$ 6,134,226	\$ -	\$ 36,988,876	16.58%
June 30, 2016	June 30, 2015	\$ 5,559,647	\$ 5,559,647	\$ -	\$ 34,522,546	16.10%
June 30, 2015	June 30, 2014	\$ 4,972,350	\$ 4,972,350	\$ -	\$ 35,851,099	13.87%

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

See Independent Auditors' Report.

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

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 2,874,731	\$ 2,695,924	\$ 3,379,477
Interest on unfunded liability - time value of \$	4,487,338	4,871,606	3,932,112
Differences between expected and actual experience	-	-	(2,545,735)
Changes of assumptions	-	(12,065,335)	-
Benefit payments, including refunds of member contributions	<u>(2,485,694)</u>	<u>(2,245,506)</u>	<u>(2,042,259)</u>
Net change in total OPEB liability	4,876,375	(6,743,311)	2,723,595
Total OPEB liability - beginning	<u>76,391,404</u>	<u>83,134,715</u>	<u>80,411,120</u>
Total OPEB liability - ending (a)	81,267,779	76,391,404	83,134,715
Plan Fiduciary Net Position			
Contributions - employer	3,558,335	3,245,991	3,162,513
Net investment income	357,859	(4,960)	152,263
Benefit payments, including refunds of member contributions	<u>(2,485,694)</u>	<u>(2,245,506)</u>	<u>(2,042,259)</u>
Net change in plan fiduciary net position	1,430,500	995,525	1,272,517
Plan fiduciary net position - beginning	<u>4,554,552</u>	<u>3,559,027</u>	<u>2,286,510</u>
Plan fiduciary net position - ending (b)	<u>5,985,052</u>	<u>4,554,552</u>	<u>3,559,027</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 75,282,727</u>	<u>\$ 71,836,852</u>	<u>\$ 79,575,688</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 WESTFORD, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 81,267,779	\$ 76,391,404	\$ 83,134,715
Plan fiduciary net position	<u>5,985,052</u>	<u>4,554,552</u>	<u>3,559,027</u>
Net OPEB liability (asset)	<u>\$ 75,282,727</u>	<u>\$ 71,836,852</u>	<u>\$ 79,575,688</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.36%	5.96%	4.28%
Covered employee payroll	\$ 60,760,942	\$ 57,273,016	\$ 57,373,661
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	123.90%	125.43%	138.70%
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions			
Actuarially determined contribution*	\$ 7,908,973	\$ 8,017,242	\$ 3,162,513
Contributions in relation to the actuarially determined contribution	<u>3,558,335</u>	<u>3,245,991</u>	<u>3,162,513</u>
Contribution deficiency (excess)	<u>\$ 4,350,638</u>	<u>\$ 4,771,251</u>	<u>\$ -</u>
Covered employee payroll	\$ 60,760,942	\$ 58,991,206	\$ 57,373,661
Contributions as a percentage of covered employee payroll	5.86%	5.50%	5.51%
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	6.63%	-0.12%	14.69%

*Includes only the implicit subsidy, which is required to be funded by statute, and not an amount required to fully fund the plan over time.

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

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

See Independent Auditors' Report.