

***TOWN OF CHELMSFORD, MASSACHUSETTS***

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

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

TOWN OF CHELMSFORD, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Chelmsford, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chelmsford, 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

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

## Auditor's Responsibility

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

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

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

## Opinions

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

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019, on our consideration of the Town of Chelmsford, Massachusetts' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chelmsford, Massachusetts' internal control over financial reporting and compliance.



October 1, 2019

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

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

As management of the Town of Chelmsford, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2019. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### **Financial Highlights**

- The net position of the Town of Chelmsford exceeded its liabilities at the close of the most recent year by \$34.7 million.
- In 2019 the Town recognized their total net pension liability of \$111.0 million along with a deferred outflow and inflow related to pension of \$14.1 million and \$3.9 million, respectively, on the statement of net position.
- At the close of the current year, the Town's general fund reported an ending fund balance of \$18.4 million, an increase of \$3.3 million in comparison with the prior year. Total fund balance represents 12.9% of general fund expenditures.
- The Town's long-term debt decreased by approximately \$8.2 million during the current year bringing total debt to \$83.6 million.
- In order to take advantage of favorable interest rates, on June 26, 2019, the Town issued \$1,995,000 of general obligation refunding bonds. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$2,220,000 and resulted in a reduction of \$248,062 in future debt service payments.
- Beginning balance in the governmental activities, business-type activities, and each applicable enterprise fund has been revised to reflect the updated measurement date of the net other postemployment benefit (OPEB) liability to the current year end. Due to this, beginning balance in the governmental activities and business-type activities has been revised by \$1.4 million and \$19,000, respectively. The Town has recognized a total net OPEB liability of \$60.0 million along with deferred outflows related to OPEB of \$91,000 and deferred inflows related to OPEB of \$418,000 on the statement of net position (see note 16).
- In 2019 the Town voted to establish two new enterprise funds, the Stormwater enterprise fund and the Ice Rink Forum enterprise fund. Beginning balance was revised to reflect the recognition of the ice rink forum as a capital asset in the newly established enterprise fund that was previously capitalized as governmental activities. This resulted in a beginning balance adjustment between the governmental activities and business-type activities of \$1.1 million.

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

This discussion and analysis is intended to serve as an introduction to the Town of Chelmsford's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This approach focuses on both the Town as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address

relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. 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 finances, in a manner similar to private-sector business. These statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the year. The statements are prepared using the full accrual basis of accounting. All revenues and expenses connected with the year are considered even if cash involved has not been received or disbursed. The government-wide financial statements include two statements:

- The *statement of net position* presents information on the Town's non fiduciary assets and deferred outflows of resources, deferred inflows of resources and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are primarily 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, sanitation, culture and recreation, and interest.

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

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

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

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

**Proprietary Funds.** The Town maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its golf and sewer activities.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town’s own programs. Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

The other postemployment benefits trust fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Agency funds are reported and combined in a single, aggregate presentation in the fiduciary funds financial statements under the captions “agency funds”, respectively.

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Town of Chelmsford’s governmental assets and deferred outflows exceeded liabilities and deferred inflows by \$29.7 million at the close of 2019. Key components of the Town’s governmental activities financial position are listed below.

	2019	2018 (As Revised)
<b>Assets:</b>		
Current assets.....	\$ 56,415,687	\$ 53,158,443
Capital assets, nondepreciable.....	10,609,202	9,011,747
Capital assets, net of accumulated depreciation....	210,877,638	216,606,651
<b>Total assets.....</b>	<b>277,902,527</b>	<b>278,776,841</b>
<b>Deferred outflows of resources.....</b>	<b>13,632,773</b>	<b>12,478,298</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	9,428,576	4,943,827
Noncurrent liabilities (excluding debt).....	164,779,266	157,748,393
Current debt.....	13,207,402	13,235,304
Noncurrent debt.....	70,367,787	78,580,044
<b>Total liabilities.....</b>	<b>257,783,031</b>	<b>254,507,568</b>
<b>Deferred inflows of resources.....</b>	<b>4,077,156</b>	<b>5,330,914</b>
<b>Net position:</b>		
Net investment in capital assets.....	136,735,342	138,448,524
Restricted.....	6,739,844	7,357,418
Unrestricted.....	(113,800,073)	(114,389,285)
<b>Total net position.....</b>	<b>\$ 29,675,113</b>	<b>\$ 31,416,657</b>

The largest single portion of the Town of Chelmsford's net position of \$136.7 million reflects its investment in capital assets (e.g., land, buildings, and vehicles), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$6.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a \$113.8 million deficit, mainly due to the cumulative effect of recording \$60.0 million of other postemployment benefit liabilities as well as the recognition of a net pension liability of \$111.0 million.

**Governmental Activities.** Governmental activities decreased the Town of Chelmsford's net position by \$1.7 million. Key elements of this increase are as follows:

	2019	2018 (As Revised)
<b>Program Revenues:</b>		
Charges for services.....	\$ 9,216,466	\$ 7,780,814
Operating grants and contributions.....	30,477,617	29,521,405
Capital grants and contributions.....	350,614	368,817
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	100,653,286	96,810,211
Tax and other liens.....	326,192	527,104
Motor vehicle and other excise taxes.....	5,609,874	5,567,179
Hotel/motel tax.....	530,441	361,175
Meals tax.....	643,303	660,308
Community preservation tax.....	1,150,404	1,088,049
Penalties and interest on taxes.....	544,753	428,931
Payments in lieu of taxes.....	131,037	58,497
Grants and contributions not restricted to specific programs.....	8,822,055	6,550,460
Unrestricted investment income.....	1,356,405	105,504
Gain (loss) on sale of capital assets.....	337,406	22,717
Miscellaneous.....	1,047,657	786,771
<b>Total revenues.....</b>	<b>161,197,510</b>	<b>150,637,942</b>
<b>Expenses:</b>		
General government.....	10,148,648	5,758,600
Public safety.....	21,375,569	20,756,243
Education.....	102,095,598	98,036,208
Public works.....	19,779,046	18,243,005
Health and human services.....	2,403,174	2,247,743
Culture and recreation.....	3,808,410	3,496,873
Claims and judgments.....	-	148,606
Interest.....	2,471,953	2,923,783
<b>Total expenses.....</b>	<b>162,082,398</b>	<b>151,611,061</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(884,888)</b>	<b>(973,119)</b>
<b>Transfers.....</b>	<b>(856,656)</b>	<b>733,152</b>
<b>Change in net position.....</b>	<b>(1,741,544)</b>	<b>(239,967)</b>
<b>Net position, beginning of year (as revised).....</b>	<b>31,416,657</b>	<b>31,656,624</b>
<b>Net position, end of year.....</b>	<b>\$ 29,675,113</b>	<b>\$ 31,416,657</b>

The governmental expenses totaled \$162.1 million of which \$40.0 million (24.7%) was directly supported by program revenues consisting of charges for services, operating and capital grants, and contributions. General revenues totaled \$121.2 million, primarily coming from property taxes, motor vehicle excise and nonrestricted grants and contributions.

Beginning net position of governmental activities has been revised to reflect the updated measurement date of the net OPEB liability to current year end. Accordingly, the beginning net position was updated to bring the measurement date from June 30, 2017 to June 30, 2018. This resulted in a beginning balance revision in the governmental activities of \$1.3 million. Beginning net position of the governmental activities was also revised by \$1.1 million to reflect a reclassification of a capital asset related to the purchase of the ice rink forum. This asset was previously capitalized as a governmental activity and has been reclassified as an enterprise fund asset in the ice rink forum enterprise fund newly established in 2019 (See Note 16).

The governmental net position decreased by \$1.7 million during the current year. The change was due to a combination of items including an increase in the net pension liability of \$6.9 million and the recognition of noncapitalizable costs associated with the Merrimack Riverbank Stabilization and Sewer Protection Project; offset by principle payments on debt exceeding depreciation by \$1.5 million, a decrease in the net OPEB liability of \$1.4 million, and an overall increase in net deferred outflows(inflows) of resources related to pensions.

**Business Type Activities**

There was a net increase of \$1.9 million in connection with the Town’s Business-Type activities. Key elements of this increase are as follows:

	2019	2018 (As Revised)
<b>Assets:</b>		
Current assets..... \$	7,697,816	\$ 6,750,105
Capital assets, nondepreciable.....	70,917	-
Capital assets, net of accumulated depreciation....	3,856,278	2,620,367
<b>Total assets.....</b>	<b>11,625,011</b>	<b>9,370,472</b>
<b>Deferred outflows of resources.....</b>	<b>710,943</b>	<b>679,274</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	642,888	276,978
Noncurrent liabilities (excluding debt).....	6,447,568	6,364,395
<b>Total liabilities.....</b>	<b>7,090,456</b>	<b>6,641,373</b>
<b>Deferred inflows of resources.....</b>	<b>200,806</b>	<b>285,017</b>
<b>Net position:</b>		
Net investment in capital assets.....	3,927,195	1,518,596
Unrestricted.....	1,117,497	1,604,760
<b>Total net position..... \$</b>	<b>5,044,692</b>	<b>\$ 3,123,356</b>

	2019	2018 (As Revised)
<b>Program Revenues:</b>		
Charges for services.....	\$ 5,223,490	\$ 6,525,463
Capital grants and contributions.....	88,800	46,800
<b>General Revenues:</b>		
Unrestricted investment income.....	18,903	-
Miscellaneous.....	10,614	265
<b>Total revenues.....</b>	<b>5,341,807</b>	<b>6,572,528</b>
<b>Expenses:</b>		
Sewer.....	2,974,627	3,391,524
Cable.....	719,794	1,014,909
Golf course.....	20,095	12,223
Stormwater.....	561,261	-
Ice Rink Forum.....	1,350	-
<b>Total expenses.....</b>	<b>4,277,127</b>	<b>4,418,656</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>1,064,680</b>	<b>2,153,872</b>
<b>Transfers.....</b>	<b>856,656</b>	<b>(733,152)</b>
<b>Change in net position.....</b>	<b>1,921,336</b>	<b>1,420,720</b>
<b>Net position, beginning of year (as revised).....</b>	<b>3,123,356</b>	<b>1,702,636</b>
<b>Net position, end of year.....</b>	<b>\$ 5,044,692</b>	<b>\$ 3,123,356</b>

Beginning net position of business-type activities and the respective enterprise funds has been revised to reflect the updated measurement date of the net OPEB liability to the current year end. Accordingly, the beginning net position was updated to bring the measurement date from June 30, 2017 to June 30, 2018. Beginning net position was revised to include an increase of \$13,400 and \$5,700 in the Town's sewer enterprise and PEG cable enterprise funds, respectively (See Note 16).

In 2019 the Town voted to establish two new enterprise funds, the Stormwater enterprise fund and the Ice Rink Forum enterprise fund. The Stormwater enterprise fund was established to account for operating costs related to stormwater management, and the Ice Rink Forum enterprise fund was established to account for costs associated with the operation and management of the Chelmsford Forum ice rink. Beginning balance in the ice rink forum enterprise fund was revised by \$1.1 million to reflect the recognition of the ice rink forum as a capital asset in the newly established enterprise fund that was previously capitalized as governmental activities (See Note 16).

The Sewer Enterprise Fund is used to account for operating costs for sewer activities. Revenues decreased by \$2.1 million and expenses decreased by \$417,000 when compared to the prior year, which attributed to the fund's net position decrease of \$89,000 in 2019. At year end the Sewer Enterprise Fund had total net position of approximately \$2.7 million which can be used for the on-going operation of the Town's sewer activities.

The Golf Enterprise Fund net position increased by \$21,000 during the current year. This is essentially the same result as 2018.

The PEG Cable Access Enterprise Fund had a deficit net position of \$1.2 million at the end of 2019 and had positive operating results of \$26,000. This is essentially the same result as 2018. The new Stormwater enterprise fund had \$789,000 in revenues, \$1.2 million of expenses, and \$1.5 million of transfers in resulting in a net position of \$1.8 million at the end of 2019.

The new Ice Forum enterprise fund had \$93,000 in revenues, \$1,400 of expenses, and net transfers in totaling \$110,000. With a beginning balance revision of \$1.1 million this resulted in an ending net position of \$1.3 million.

### **Financial Analysis of the Governmental Funds**

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

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

As of the end of the current year, the Town of Chelmsford's governmental funds reported combined ending fund balances of \$44.5 million, an increase of \$1.5 million in comparison with prior year. This is mainly due to positive budgetary results in the Town's general fund.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$17.6 million, of which \$11.5 million relates to the stabilization fund. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 12.3% of the total general fund expenditures, while total fund balance represents 12.9% of that same amount. Fund balance reserved for encumbrances and continuing appropriations totaled \$388,000. Restricted fund balance of \$367,000 represents debt exemptions for various capital projects.

The general fund increased by \$3.3 million during the current year. This is mainly due to positive budgetary results as well as funding sources related to the issuance of bonds.

The community preservation fund experienced an increase of \$453,000 during the current year. This increase is attributable to decreases in general government expenditures from the prior year.

The sewer betterment fund experienced an increase of \$91,000 during the current year. This is essentially the same result as 2018.

The Chapter 90 fund's expenditures equaled its revenues.

The Town capital projects fund experienced a decrease of \$4.1 million in the current year, resulting in a year end deficit fund balance of \$1.8 million. This decrease in fund balance is attributable to an increase in expenses related to the Merrimack River Bank Stabilization and Sewer Protection Project. A portion of these costs are expected to be reimbursed from grant receipts from the Federal Emergency Management Agency.

The revolving fund experienced a \$1.1 million increase in the current year. This is mainly attributable to an increase in school circuit breaker revenue.

The nonmajor governmental funds experienced an increase of \$612,000 in the current year.

## **General Fund Budgetary Highlights**

The final general fund budget appropriations, including transfers, were approximately \$1.5 million higher than the original budget primarily due to increases in budgetary transfers to the Town's trust funds.

## **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Chelmsford's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$225.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and furnishings and vehicles and infrastructure. The total decrease in the Town's investment in capital assets for the current year was \$2.8 million, net of depreciation.

**Debt Administration.** At the end of the current year, the Town of Chelmsford had total bonded long-term debt outstanding of \$83.6 million. The entire amount is classified as governmental debt and is backed by the full faith and credit of the government. The Town's bond rating is AA+ by Standard & Poor's.

In order to take advantage of favorable interest rates, the Town issued \$1,995,000 of general obligation refunding bonds on June 26, 2019. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$2,220,000 and became callable on June 15, 2019. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$219,890 and a reduction of \$248,062 in future debt service payments.

Please refer to the Notes 4, 6, and 7 for further discussion of the major capital and debt activity.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Chelmsford'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 the Town Accountant, 50 Billerica Road, Chelmsford, MA 01824.

# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 33,000,893	\$ 4,015,643	\$ 37,016,536
Investments.....	16,748,529	-	16,748,529
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,425,284	-	1,425,284
Tax liens.....	661,887	37,820	699,707
Community preservation fund surtax.....	10,596	-	10,596
Motor vehicle and other excise taxes.....	515,400	-	515,400
User charges.....	-	3,644,353	3,644,353
Intergovernmental - other.....	2,531,068	-	2,531,068
Special assessments.....	1,477,580	-	1,477,580
Tax foreclosures.....	44,450	-	44,450
Total current assets.....	<u>56,415,687</u>	<u>7,697,816</u>	<u>64,113,503</u>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	10,609,202	70,917	10,680,119
Capital assets, net of accumulated depreciation.....	<u>210,877,638</u>	<u>3,856,278</u>	<u>214,733,916</u>
Total noncurrent assets.....	<u>221,486,840</u>	<u>3,927,195</u>	<u>225,414,035</u>
<b>TOTAL ASSETS.....</b>	<b><u>277,902,527</u></b>	<b><u>11,625,011</u></b>	<b><u>289,527,538</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows for refunding debt.....	200,692	-	200,692
Deferred outflows related to pensions.....	13,342,839	709,674	14,052,513
Deferred outflows related to other postemployment benefits.....	<u>89,242</u>	<u>1,269</u>	<u>90,511</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b><u>13,632,773</u></b>	<b><u>710,943</u></b>	<b><u>14,343,716</u></b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	5,540,851	426,810	5,967,661
Accrued payroll.....	811,797	39,437	851,234
Tax refunds payable.....	57,412	-	57,412
Accrued interest.....	410,791	-	410,791
Other liabilities.....	1,409,075	-	1,409,075
Compensated absences.....	1,198,650	176,641	1,375,291
Bonds payable.....	<u>13,207,402</u>	<u>-</u>	<u>13,207,402</u>
Total current liabilities.....	<u>22,635,978</u>	<u>642,888</u>	<u>23,278,866</u>
<b>NONCURRENT:</b>			
Compensated absences.....	184,659	-	184,659
Net pension liability.....	105,389,762	5,605,437	110,995,199
Other postemployment benefits.....	59,204,845	842,131	60,046,976
Bonds payable.....	<u>70,367,787</u>	<u>-</u>	<u>70,367,787</u>
Total noncurrent liabilities.....	<u>235,147,053</u>	<u>6,447,568</u>	<u>241,594,621</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>257,783,031</u></b>	<b><u>7,090,456</u></b>	<b><u>264,873,487</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	3,665,288	194,948	3,860,236
Deferred inflows related to other postemployment benefits.....	<u>411,868</u>	<u>5,858</u>	<u>417,726</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b><u>4,077,156</u></b>	<b><u>200,806</u></b>	<b><u>4,277,962</u></b>
<b>NET POSITION</b>			
Net investment in capital assets.....	136,735,342	3,927,195	140,662,537
Restricted for:			
Streets.....	348,230	-	348,230
Permanent funds:			
Expendable.....	3,178,274	-	3,178,274
Gifts and grants.....	328,438	-	328,438
Community preservation.....	2,884,902	-	2,884,902
Unrestricted.....	<u>(113,800,073)</u>	<u>1,117,497</u>	<u>(112,682,576)</u>
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 29,675,113</u></b>	<b><u>\$ 5,044,692</u></b>	<b><u>\$ 34,719,805</u></b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 10,148,648	\$ 326,378	\$ 266,139	\$ -	\$ (9,556,131)
Public safety.....	21,375,569	2,042,576	159,446	-	(19,173,547)
Education.....	102,095,598	3,769,515	29,231,434	-	(69,094,649)
Public works.....	19,779,046	2,544,789	454,819	350,614	(16,428,824)
Health and human services.....	2,403,174	441,703	90,739	-	(1,870,732)
Culture and recreation.....	3,808,410	91,505	275,040	-	(3,441,865)
Interest.....	2,471,953	-	-	-	(2,471,953)
<b>Total Governmental Activities.....</b>	<b>162,082,398</b>	<b>9,216,466</b>	<b>30,477,617</b>	<b>350,614</b>	<b>(122,037,701)</b>
<i>Business-Type Activities:</i>					
Sewer.....	2,974,627	3,586,102	-	-	611,475
PEG Cable Access.....	719,794	715,046	-	88,800	84,052
Golf course.....	20,095	40,643	-	-	20,548
Stormwater.....	561,261	788,526	-	-	227,265
Ice Rink Forum.....	1,350	93,173	-	-	91,823
<b>Total Business-Type Activities.....</b>	<b>4,277,127</b>	<b>5,223,490</b>	<b>-</b>	<b>88,800</b>	<b>1,035,163</b>
<b>Total Primary Government.....</b>	<b>\$ 166,359,525</b>	<b>\$ 14,439,956</b>	<b>\$ 30,477,617</b>	<b>\$ 439,414</b>	<b>\$ (121,002,538)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(122,037,701)</b>	\$ <b>1,035,163</b>	\$ <b>(121,002,538)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	100,653,286	-	100,653,286
Tax and other liens.....	326,192	-	326,192
Motor vehicle and other excise taxes.....	5,609,874	-	5,609,874
Hotel/motel tax.....	530,441	-	530,441
Meals tax.....	643,303	-	643,303
Community preservation tax.....	1,150,404	-	1,150,404
Penalties and interest on taxes.....	544,753	-	544,753
Payments in lieu of taxes.....	131,037	-	131,037
Grants and contributions not restricted to specific programs.....	8,822,055	-	8,822,055
Unrestricted investment income.....	1,356,405	18,903	1,375,308
Gain (loss) on sale of capital assets.....	337,406	-	337,406
Miscellaneous.....	1,047,657	10,614	1,058,271
<i>Transfers, net</i> .....	<u>(856,656)</u>	<u>856,656</u>	<u>-</u>
Total general revenues and transfers.....	<u>120,296,157</u>	<u>886,173</u>	<u>121,182,330</u>
Change in net position.....	(1,741,544)	1,921,336	179,792
<i>Net position:</i>			
Beginning of year (as revised).....	<u>31,416,657</u>	<u>3,123,356</u>	<u>34,540,013</u>
End of year..... \$	<u><u>29,675,113</u></u>	\$ <u><u>5,044,692</u></u>	\$ <u><u>34,719,805</u></u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2019

	General	Community Preservation	Sewer Betterments	Chapter 90 Fund	Town Capital Projects	Revolving Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents.....	\$ 11,486,366	\$ 2,874,447	\$ 5,117,800	\$ -	\$ 1,527,974	\$ 6,281,830	\$ 5,712,476	\$ 33,000,893
Investments.....	8,569,073	-	6,633,870	-	-	-	1,545,586	16,748,529
Receivables, net of uncollectibles:								
Real estate and personal property taxes.....	1,425,284	-	-	-	-	-	-	1,425,284
Tax liens.....	661,887	-	-	-	-	-	-	661,887
Community preservation fund surtax.....	-	10,596	-	-	-	-	-	10,596
Motor vehicle and other excise taxes.....	515,400	-	-	-	-	-	-	515,400
Intergovernmental - other.....	1,244,258	-	-	1,150,792	-	-	136,018	2,531,068
Special assessments.....	-	-	1,477,580	-	-	-	-	1,477,580
Tax foreclosures.....	44,450	-	-	-	-	-	-	44,450
Due from other funds.....	640,960	-	-	-	-	-	-	640,960
<b>TOTAL ASSETS.....</b>	<b>\$ 24,587,678</b>	<b>\$ 2,885,043</b>	<b>\$ 13,229,250</b>	<b>\$ 1,150,792</b>	<b>\$ 1,527,974</b>	<b>\$ 6,281,830</b>	<b>\$ 7,394,080</b>	<b>\$ 57,056,647</b>
<b>LIABILITIES</b>								
Warrants payable.....	\$ 1,725,798	\$ 141	\$ -	\$ 158,845	\$ 3,297,614	\$ 152,713	\$ 205,740	\$ 5,540,851
Accrued payroll.....	789,478	-	-	2,757	-	4,115	15,447	811,797
Tax refunds payable.....	57,412	-	-	-	-	-	-	57,412
Due to other funds.....	-	-	-	640,960	-	-	-	640,960
Other liabilities.....	1,409,075	-	-	-	-	-	-	1,409,075
<b>TOTAL LIABILITIES.....</b>	<b>3,981,763</b>	<b>141</b>	<b>-</b>	<b>802,562</b>	<b>3,297,614</b>	<b>156,828</b>	<b>221,187</b>	<b>8,460,095</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue.....	2,235,917	10,595	1,477,580	348,230	-	-	14,384	4,086,706
<b>FUND BALANCES</b>								
Nonspendable.....	-	-	-	-	-	-	2,871,272	2,871,272
Restricted.....	366,572	2,874,307	11,751,670	-	160,492	6,125,002	4,460,950	25,738,993
Assigned.....	388,069	-	-	-	-	-	-	388,069
Unassigned.....	17,615,357	-	-	-	(1,930,132)	-	(173,713)	15,511,512
<b>TOTAL FUND BALANCES.....</b>	<b>18,369,998</b>	<b>2,874,307</b>	<b>11,751,670</b>	<b>-</b>	<b>(1,769,640)</b>	<b>6,125,002</b>	<b>7,158,509</b>	<b>44,509,846</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 24,587,678</b>	<b>\$ 2,885,043</b>	<b>\$ 13,229,250</b>	<b>\$ 1,150,792</b>	<b>\$ 1,527,974</b>	<b>\$ 6,281,830</b>	<b>\$ 7,394,080</b>	<b>\$ 57,056,647</b>

See notes to basic financial statements.

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

JUNE 30, 2019

Total governmental fund balances.....		\$ 44,509,846
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		221,486,840
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		4,086,706
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		9,555,617
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(410,791)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(83,575,189)	
Net pension liability.....	(105,389,762)	
Other postemployment benefits.....	(59,204,845)	
Compensated absences.....	<u>(1,383,309)</u>	
Net effect of reporting long-term liabilities.....		<u>(249,553,105)</u>
Net position of governmental activities.....		\$ <u><u>29,675,113</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	General	Community Preservation	Sewer Betterments	Chapter 90 Fund	Town Capital Projects	Revolving Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>								
Real estate and personal property taxes, net of tax refunds.....	\$ 100,698,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,698,795
Tax liens.....	467,676	-	-	-	-	-	-	467,676
Motor vehicle and other excise taxes.....	5,642,117	-	-	-	-	-	-	5,642,117
Hotel/motel tax.....	530,441	-	-	-	-	-	-	530,441
Meals tax.....	643,303	-	-	-	-	-	-	643,303
Penalties and interest on taxes.....	544,753	-	-	-	-	-	-	544,753
Fees and rentals.....	487,246	-	-	-	-	825	-	488,071
Payments in lieu of taxes.....	131,037	-	-	-	-	-	-	131,037
Licenses and permits.....	1,639,590	-	-	-	-	-	-	1,639,590
Fines and forfeitures.....	168,594	-	-	-	-	-	-	168,594
Intergovernmental - state aid.....	16,745,226	-	-	-	-	-	-	16,745,226
Intergovernmental - other.....	12,847,123	-	-	1,555,251	99,947	3,569,758	2,668,200	20,740,279
Departmental and other.....	350,764	-	2,468,757	-	-	3,136,911	1,194,428	7,150,860
Community preservation taxes.....	-	1,147,509	-	-	-	-	-	1,147,509
Community preservation state match.....	-	205,347	-	-	-	-	-	205,347
Special assessments.....	43,167	-	-	-	-	-	-	43,167
Contributions and donations.....	-	-	-	-	1,822,640	-	1,697,513	3,520,153
Investment income.....	1,217,143	-	-	-	-	-	139,262	1,356,405
Miscellaneous.....	775,413	-	-	-	-	-	-	775,413
<b>TOTAL REVENUES.....</b>	<b>142,932,388</b>	<b>1,352,856</b>	<b>2,468,757</b>	<b>1,555,251</b>	<b>1,922,587</b>	<b>6,707,494</b>	<b>5,699,403</b>	<b>162,638,736</b>
<b>EXPENDITURES:</b>								
Current:								
General government.....	3,309,480	168,474	-	-	3,793,340	56,127	368,798	7,696,219
Public safety.....	12,949,303	-	-	-	30,398	-	402,631	13,382,332
Education.....	61,907,725	-	-	-	293,616	4,989,179	5,843,218	73,033,738
Public works.....	9,168,215	-	-	1,555,251	1,931,110	143,815	1,217,548	14,015,939
Health and human services.....	1,080,692	-	-	-	-	136,760	464,814	1,682,266
Culture and recreation.....	2,060,119	-	-	-	-	3,938	286,010	2,350,067
Pension benefits.....	8,729,114	-	-	-	-	-	-	8,729,114
Pension benefits - Teachers Retirement.....	12,222,813	-	-	-	-	-	-	12,222,813
Employee benefits.....	14,666,315	-	-	-	-	-	-	14,666,315
State and county charges.....	2,136,415	-	-	-	-	-	-	2,136,415
Debt service:								
Principal.....	11,517,623	595,646	-	-	-	-	80,000	12,193,269
Interest.....	3,108,197	135,381	-	-	-	-	17,000	3,260,578
<b>TOTAL EXPENDITURES.....</b>	<b>142,856,011</b>	<b>899,501</b>	<b>-</b>	<b>1,555,251</b>	<b>6,048,464</b>	<b>5,329,819</b>	<b>8,680,019</b>	<b>165,369,065</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>76,377</b>	<b>453,355</b>	<b>2,468,757</b>	<b>-</b>	<b>(4,125,877)</b>	<b>1,377,675</b>	<b>(2,980,616)</b>	<b>(2,730,329)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Issuance of bonds.....	1,360,000	-	-	-	-	-	2,878,229	4,238,229
Issuance of refunding bonds.....	-	-	-	-	1,995,000	-	-	1,995,000
Premium from issuance of bonds.....	180,000	-	-	-	-	-	307,237	487,237
Premium from issuance of refunding bonds.....	-	-	-	-	235,637	-	-	235,637
Payments to refunded bond escrow agent.....	-	-	-	-	(2,230,637)	-	-	(2,230,637)
Proceeds from the sale of capital assets.....	2,000	-	-	-	-	-	335,406	337,406
Transfers in.....	3,432,618	-	-	-	-	-	446,220	3,878,838
Transfers out.....	(1,714,383)	-	(2,377,727)	-	-	(268,776)	(374,608)	(4,735,494)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>3,260,235</b>	<b>-</b>	<b>(2,377,727)</b>	<b>-</b>	<b>-</b>	<b>(268,776)</b>	<b>3,592,484</b>	<b>4,206,216</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,336,612</b>	<b>453,355</b>	<b>91,030</b>	<b>-</b>	<b>(4,125,877)</b>	<b>1,108,899</b>	<b>611,868</b>	<b>1,475,887</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>15,033,386</b>	<b>2,420,952</b>	<b>11,660,640</b>	<b>-</b>	<b>2,356,237</b>	<b>5,016,103</b>	<b>6,546,641</b>	<b>43,033,959</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 18,369,998</b>	<b>\$ 2,874,307</b>	<b>\$ 11,751,670</b>	<b>\$ -</b>	<b>\$ (1,769,640)</b>	<b>\$ 6,125,002</b>	<b>\$ 7,158,509</b>	<b>\$ 44,509,846</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds.....		\$ 1,475,887
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	6,308,380	
Depreciation expense.....	<u>(10,439,937)</u>	
Net effect of reporting capital assets.....		(4,131,557)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(1,778,632)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(4,238,229)	
Issuance of refunding bonds.....	(1,995,000)	
Premium from issuance of bonds.....	(722,874)	
Premium from issuance of refunding bonds.....	(235,637)	
Payments to refunded bond escrow agent.....	2,230,637	
Net amortization of premium from issuance of bonds.....	782,992	
Net change in deferred charge on refunding.....	(47,495)	
Debt service principal payments.....	<u>12,193,269</u>	
Net effect of reporting long-term debt.....		7,967,663
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	75,014	
Net change in accrued interest on long-term debt.....	53,127	
Net change in deferred outflow/(inflow) of resources related to pensions.....	2,502,706	
Net change in net pension liability.....	(6,867,988)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..	178,022	
Net change in other postemployment benefits liability.....	<u>(1,215,786)</u>	
Net effect of recording long-term liabilities.....		<u>(5,274,905)</u>
Change in net position of governmental activities.....		\$ <u>(1,741,544)</u>

See notes to basic financial statements.

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

JUNE 30, 2019

Business-type Activities - Enterprise Funds						
	Sewer	PEG Cable Access	Golf Course	Stormwater	Ice Rink Forum	Total
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....	\$ 2,115,145	\$ 153,736	\$ 152,036	\$ 1,393,387	\$ 201,339	\$ 4,015,643
Receivables, net of allowance for uncollectibles:						
Liens - user charges.....	37,820	-	-	-	-	37,820
User charges.....	<u>3,366,713</u>	<u>-</u>	<u>-</u>	<u>277,640</u>	<u>-</u>	<u>3,644,353</u>
Total current assets.....	<u>5,519,678</u>	<u>153,736</u>	<u>152,036</u>	<u>1,671,027</u>	<u>201,339</u>	<u>7,697,816</u>
<b>NONCURRENT:</b>						
Capital assets, non depreciable.....	70,917	-	-	-	-	70,917
Capital assets, net of accumulated depreciation.....	<u>1,390,672</u>	<u>410,929</u>	<u>299,452</u>	<u>653,454</u>	<u>1,101,771</u>	<u>3,856,278</u>
Total noncurrent assets.....	<u>1,461,589</u>	<u>410,929</u>	<u>299,452</u>	<u>653,454</u>	<u>1,101,771</u>	<u>3,927,195</u>
<b>TOTAL ASSETS.....</b>	<u>6,981,267</u>	<u>564,665</u>	<u>451,488</u>	<u>2,324,481</u>	<u>1,303,110</u>	<u>11,625,011</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions.....	477,973	190,517	-	41,184	-	709,674
Deferred outflows related to other postemployment benefits.....	<u>776</u>	<u>485</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>1,269</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<u>478,749</u>	<u>191,002</u>	<u>-</u>	<u>41,192</u>	<u>-</u>	<u>710,943</u>
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	149,904	15,644	-	261,262	-	426,810
Accrued payroll.....	29,636	9,801	-	-	-	39,437
Compensated absences.....	<u>127,007</u>	<u>49,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,641</u>
Total current liabilities.....	<u>306,547</u>	<u>75,079</u>	<u>-</u>	<u>261,262</u>	<u>-</u>	<u>642,888</u>
<b>NONCURRENT:</b>						
Net pension liability.....	3,775,320	1,504,822	-	325,295	-	5,605,437
Other postemployment benefits.....	<u>515,147</u>	<u>321,484</u>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>842,131</u>
Total noncurrent liabilities.....	<u>4,290,467</u>	<u>1,826,306</u>	<u>-</u>	<u>330,795</u>	<u>-</u>	<u>6,447,568</u>
<b>TOTAL LIABILITIES.....</b>	<u>4,597,014</u>	<u>1,901,385</u>	<u>-</u>	<u>592,057</u>	<u>-</u>	<u>7,090,456</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions.....	131,300	52,335	-	11,313	-	194,948
Deferred inflows related to other postemployment benefits.....	<u>3,584</u>	<u>2,236</u>	<u>-</u>	<u>38</u>	<u>-</u>	<u>5,858</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<u>134,884</u>	<u>54,571</u>	<u>-</u>	<u>11,351</u>	<u>-</u>	<u>200,806</u>
<b>NET POSITION</b>						
Net investment in capital assets.....	1,461,589	410,929	299,452	653,454	1,101,771	3,927,195
Unrestricted.....	<u>1,266,529</u>	<u>(1,611,218)</u>	<u>152,036</u>	<u>1,108,811</u>	<u>201,339</u>	<u>1,117,497</u>
<b>TOTAL NET POSITION.....</b>	<u>\$ 2,728,118</u>	<u>\$ (1,200,289)</u>	<u>\$ 451,488</u>	<u>\$ 1,762,265</u>	<u>\$ 1,303,110</u>	<u>\$ 5,044,692</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds					
	Sewer	PEG Cable Access	Golf Course	Stormwater	Ice Rink Forum	Total
<b>OPERATING REVENUES:</b>						
Charges for services.....	\$ 3,586,102	715,046	\$ 40,643	\$ 788,526	\$ -	\$ 5,130,317
Other income.....	-	-	-	-	93,173	93,173
Intergovernmental.....	-	99,414	-	-	-	99,414
<b>TOTAL OPERATING REVENUES</b> .....	<b>3,586,102</b>	<b>814,460</b>	<b>40,643</b>	<b>788,526</b>	<b>93,173</b>	<b>5,322,904</b>
<b>OPERATING EXPENSES:</b>						
Cost of services and administration.....	1,832,415	269,381	7,872	1,129,767	1,350	3,240,785
Salaries and wages.....	1,044,827	400,149	-	84,948	-	1,529,924
Depreciation.....	97,385	50,264	12,223	-	-	159,872
<b>TOTAL OPERATING EXPENSES</b> .....	<b>2,974,627</b>	<b>719,794</b>	<b>20,095</b>	<b>1,214,715</b>	<b>1,350</b>	<b>4,930,581</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>611,475</b>	<b>94,666</b>	<b>20,548</b>	<b>(426,189)</b>	<b>91,823</b>	<b>392,323</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income.....	18,903	-	-	-	-	18,903
Capital outlay.....	-	-	-	653,454	-	653,454
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>630,378</b>	<b>94,666</b>	<b>20,548</b>	<b>227,265</b>	<b>91,823</b>	<b>1,064,680</b>
<b>TRANSFERS:</b>						
Transfers in.....	-	-	-	1,535,000	211,287	1,746,287
Transfers out.....	(719,425)	(68,435)	-	-	(101,771)	(889,631)
<b>TOTAL TRANSFERS</b> .....	<b>(719,425)</b>	<b>(68,435)</b>	<b>-</b>	<b>1,535,000</b>	<b>109,516</b>	<b>856,656</b>
<b>CHANGE IN NET POSITION</b> .....	<b>(89,047)</b>	<b>26,231</b>	<b>20,548</b>	<b>1,762,265</b>	<b>201,339</b>	<b>1,921,336</b>
<b>NET POSITION AT BEGINNING OF YEAR (as revised)</b> .....	<b>2,817,165</b>	<b>(1,226,520)</b>	<b>430,940</b>	<b>-</b>	<b>1,101,771</b>	<b>3,123,356</b>
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 2,728,118</b>	<b>\$ (1,200,289)</b>	<b>\$ 451,488</b>	<b>\$ 1,762,265</b>	<b>\$ 1,303,110</b>	<b>\$ 5,044,692</b>

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2019

Business-type Activities - Enterprise Funds

	Sewer	PEG Cable Access	Golf Course	Stormwater	Ice Rink Forum	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users.....	\$ 4,430,630	\$ 715,046	\$ 40,643	\$ 772,148	\$ 93,173	\$ 6,051,640
Receipts from other governments.....	-	99,414	-	-	-	99,414
Payments to vendors.....	(1,766,240)	(268,677)	(7,872)	(1,129,767)	(1,350)	(3,173,906)
Payments to employees.....	(1,507,332)	(233,536)	-	216,006	-	(1,524,862)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>1,157,058</b>	<b>312,247</b>	<b>32,771</b>	<b>(141,613)</b>	<b>91,823</b>	<b>1,452,286</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in.....	-	-	-	1,535,000	211,287	1,746,287
Transfers out.....	(719,425)	(68,435)	-	-	(101,771)	(889,631)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(719,425)</b>	<b>(68,435)</b>	<b>-</b>	<b>1,535,000</b>	<b>109,516</b>	<b>856,656</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets.....	(592,230)	(221,016)	-	-	-	(813,246)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income.....	18,903	-	-	-	-	18,903
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(135,694)</b>	<b>22,796</b>	<b>32,771</b>	<b>1,393,387</b>	<b>201,339</b>	<b>1,514,599</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>2,250,839</b>	<b>130,940</b>	<b>119,265</b>	<b>-</b>	<b>-</b>	<b>2,501,044</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 2,115,145</b>	<b>\$ 153,736</b>	<b>\$ 152,036</b>	<b>\$ 1,393,387</b>	<b>\$ 201,339</b>	<b>\$ 4,015,643</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>						
<b>FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 611,475	\$ 94,666	\$ 20,548	\$ (426,189)	\$ 91,823	\$ 392,323
Adjustments to reconcile operating income to net cash from operating activities:						
Depreciation.....	97,385	50,264	12,223	-	-	159,872
Deferred (outflows)/inflows related to pensions.....	(42,163)	(44,193)	-	(29,871)	-	(116,227)
Deferred (outflows)/inflows related to opeb.....	125	192	-	30	-	347
Changes in assets and liabilities:						
Tax liens.....	781,386	-	-	-	-	781,386
User charges.....	63,142	-	-	(277,640)	-	(214,498)
Warrants payable.....	66,175	704	-	261,262	-	328,141
Accrued payroll.....	4,990	283	-	-	-	5,273
Compensated absences.....	29,916	2,580	-	-	-	32,496
Net pension liability.....	(406,071)	214,209	-	325,295	-	133,433
Other postemployment benefits.....	(49,302)	(6,458)	-	5,500	-	(50,260)
<b>Total adjustments.....</b>	<b>545,583</b>	<b>217,581</b>	<b>12,223</b>	<b>284,576</b>	<b>-</b>	<b>1,059,963</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 1,157,058</b>	<b>\$ 312,247</b>	<b>\$ 32,771</b>	<b>\$ (141,613)</b>	<b>\$ 91,823</b>	<b>\$ 1,452,286</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Other Postemployment Benefit Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ -	\$ 873,202
Investments:		
Other investments.....	10,442,866	-
<b>TOTAL ASSETS.....</b>	<b>10,442,866</b>	<b>873,202</b>
<b>LIABILITIES</b>		
Accrued payroll.....	-	36,918
Liabilities due depositors.....	-	822,426
Other liabilities.....	-	13,858
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>873,202</b>
<b>NET POSITION</b>		
Restricted for other postemployment benefits.....	\$ 10,442,866	\$ -

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions.....	\$ 1,047,000
Employer contributions for other postemployment benefit payments....	3,131,059
Total contributions.....	4,178,059
Net investment income:	
Investment income.....	546,111
TOTAL ADDITIONS.....	4,724,170
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	3,131,059
NET INCREASE (DECREASE) IN NET POSITION.....	1,593,111
NET POSITION AT BEGINNING OF YEAR.....	8,849,755
NET POSITION AT END OF YEAR.....	\$ 10,442,866

See notes to basic financial statements.

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

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected five member Board of Selectmen and an appointed Town Manager.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. There are no component units that meet the requirements for inclusion in the Town’s basic financial statements.

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in the following joint venture:

Name	Purpose	Address	2019 Assessment
Nashoba Valley Technical High School	To provide vocational education	100 Littleton Road Westford, MA 01886	\$ 3,042,583

The Nashoba Valley Technical High School is governed by a twelve member school committee consisting of three voting appointed representatives from the Town of Chelmsford. The Town is indirectly liable for debt and other expenditures of the School and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing the Business Manager of the School District at the above address.

B. Government-Wide and Fund Financial Statements

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities, which* are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are supported primarily by user fees and charges.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

*Major Fund Criteria*

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

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all fund of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

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

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

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

The *community preservation fund* is used to account for funds held for uses restricted by law for community preservation purposes.

The *sewer betterments fund* is a special revenue fund used to account for all sewer betterment assessments.

The *chapter 90 fund* is a fund used to account for construction, reconstruction and improvements of roadways, streets and sidewalks.

The *Town capital projects fund* is used to account for activity for various town-wide capital projects.

The *revolving fund* is a fund used to account for various Town activities.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The *sewer enterprise fund* is a major proprietary fund and was established by the Town to account for the operating cost of the sewer activities, such as personnel, maintenance and repairs. Sewer rates are set to cover these operating expenses. All related debt activity is accounted for as a governmental activity because revenues are raised in those funds to pay for debt service expenses.

The *PEG access cable fund* is a major proprietary fund and was established by the Town to account for the Town's cable television.

The *golf course fund* is a major proprietary fund and was established by the Town to account for the operating cost of golf activities.

The *stormwater fund* is a major proprietary fund and was established to account for costs associated with stormwater management operations for the Department of Public Works.

The *ice rink forum fund* is a major proprietary fund and was established to account for management and operations related to the Chelmsford Forum ice rink.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* is used to accumulate resources to provide funding for future other postemployment benefit (OPEB) liabilities.

The *agency fund* is used to account for assets held in a purely custodial capacity.

#### D. Cash and Investments

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

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These

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

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

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

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

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

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

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

#### F. Accounts Receivable

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

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

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

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed annually on delinquent properties and are recorded as receivables in the year they are processed.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of the increase in the property tax levy in any given year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 1/2% of the total assets value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

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

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

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

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

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

### ***Sewer User Fees***

User fees are levied semi-annually based on usage data received from three independent sources, the Central, East, and North Water Districts, and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and are included as a lien on the property owner's tax bill. Sewer charges and related liens are recorded as receivables in the year of the levy.

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

### ***Departmental and Other***

Departmental and other receivables consist primarily of public buildings and other receivables and are recorded as receivables in the year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

### ***Special Assessments***

Special assessments consist of sewer betterments levied on properties that have benefited by the construction of the Town's sewer project. The sewer betterment assessment is a one-time tax that can be paid in one lump sum or apportioned up to a maximum of twenty (20) years and is primarily designed to pay back all or a portion of the debt service associated with the sewer project.

### ***Intergovernmental – Federal and State***

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

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

G. Inventories

*Government-Wide and Fund Financial Statements*

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

H. Capital Assets

*Government-Wide Financial Statements*

Capital assets, which include land, buildings and improvements, machinery, equipment and furnishings, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	10-40
Machinery, equipment, and furnishings.....	5-15
Vehicles.....	5-15
Infrastructure.....	20-50

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of

resources (expense/ expenditure) until then. The Town reported deferred charges on refunding and deferred outflows of resource related to pensions and other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows of resource related to pensions and other postemployment benefits in this category.

#### *Governmental Fund Financial Statements*

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

#### J. Interfund Receivables and Payables

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

#### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as “internal balances.”

#### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

#### K. Interfund Transfers

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

#### *Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net.”

*Fund Financial Statements*

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

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net position)*

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

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

Net position has been “restricted for” the following:

“Streets” represents the amounts restricted for street improvements.

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

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Community Preservation” represents restrictions placed on assets relative to the Town’s CPA fund.

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

*Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

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

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The Board of Selectmen has, by resolution, authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

#### M. Long-term Debt

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

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

##### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### N. Pensions

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

#### O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income of the Sewer Enterprise Fund is retained within that fund.

#### P. Compensated Absences

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

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

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

##### *Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

#### Q. Use of Estimates

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

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

#### R. Total Column

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

The total column presented on the government-wide financial statements represents consolidated financial information.

##### *Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## **NOTE 2 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town has adopted a formal policy to limit custodial credit risk of deposits. The policy limits the Town’s investments to no more than 5% of a financial institution’s assets.

At year-end, the carrying amount of deposits totaled \$37,812,278 and the bank balance totaled \$41,102,376. Of the bank balance, \$3,192,084 was covered by Federal Depository Insurance, \$4,545,044 was covered by the Depositors Insurance Fund, \$1,868,392 was collateralized and \$31,496,856 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

Investment Type	Fair value	Maturities			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt securities:</u>					
U.S. treasury bonds.....	\$ 549,044	\$ 280,266	\$ 268,778	\$ -	\$ -
Government sponsored enterprises.....	8,585,046	1,290,122	3,044,147	532,326	3,718,451
Corporate bonds.....	2,031,740	195,308	1,624,492	211,940	-
Municipal bonds.....	1,590,429	402,306	984,529	203,594	-
Total debt securities.....	12,756,259	\$ 2,168,002	\$ 5,921,946	\$ 947,860	\$ 3,718,451
<u>Other investments:</u>					
Equity securities.....	3,992,270				
Pension Reserve Investment Trust (PRIT)...	10,442,866				
MMDT - Cash portfolio.....	77,460				
Total investments.....	\$ 27,268,855				

MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 2 months. The Town’s investment in MMDT is unrated.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of the outside party. The Town’s investments of \$9,134,090 in Government Sponsored Enterprise and U.S. Treasury Notes, \$2,031,740 in corporate bonds, \$1,590,429 in municipal bonds and \$3,992,270 in equity securities all have custodial credit risk exposure because the related securities are uninsured, unregistered and are not held in the Town’s name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Town’s policy is to limit the risk by diversification and prudent selection of investment instruments, and choice of depository.

Credit Risk

The Town policy relating to credit risk is to invest in instruments allowed under Massachusetts law with an emphasis on safety, liquidity and yield. The Town’s investments at June 30, 2019 are on the following page.

Quality Rating	U.S. Treasury Bonds	Government Sponsored Enterprises	Corporate Bonds	Municipal Bonds
AAA.....	\$ 549,044	\$ 2,078,323	\$ -	\$ -
A1.....	-	-	194,947	-
A2.....	-	-	154,974	-
A3.....	-	-	10,007	-
Baa1.....	-	-	121,304	-
Baa2.....	-	-	9,993	-
Not Rated.....	-	6,506,723	1,540,515	1,590,429
<b>Total.....</b>	<b>\$ 549,044</b>	<b>\$ 8,585,046</b>	<b>\$ 2,031,740</b>	<b>\$ 1,590,429</b>

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer except for bank deposits such as checking, savings, money market accounts, certificates of deposit, certificate of deposit account registry services (CDARS), or repurchase agreements which are limited to no more than 5% of the financial institution's assets.

Fair Market Value of Investments

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

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Town has the following recurring fair value measurements as of June 30, 2019:

Investment Type	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 549,044	\$ 549,044	\$ -	\$ -
Government sponsored enterprises.....	8,585,046	8,585,046	-	-
Corporate bonds.....	2,031,740	-	2,031,740	-
Municipal bonds.....	1,590,429	1,590,429	-	-
<b>Total debt securities.....</b>	<b>12,756,259</b>	<b>10,724,519</b>	<b>2,031,740</b>	<b>-</b>
<u>Other investments:</u>				
Equity securities.....	3,992,270	3,992,270	-	-
<b>Total investments measured at fair value.....</b>	<b>16,748,529</b>	<b>\$ 14,716,789</b>	<b>\$ 2,031,740</b>	<b>\$ -</b>
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	77,460			
<b>Investments measured at net asset value:</b>				
Pension Reserve Investment Trust (PRIT).....	10,442,866			
<b>Total investments.....</b>	<b>\$ 27,268,855</b>			

Government sponsored enterprises, U.S. government treasuries, municipal bonds, and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bond classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

PRIT investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool’s shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIT.

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

**NOTE 3 – RECEIVABLES**

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Real estate and personal property taxes..... \$	1,425,284	\$ -	\$ 1,425,284
Tax liens.....	661,887	-	661,887
Community preservation fund surtax.....	10,596	-	10,596
Motor vehicle and other excise taxes.....	515,400	-	515,400
Intergovernmental - other.....	2,531,068	-	2,531,068
Special assessments.....	1,477,580	-	1,477,580
Total.....	<u>\$ 6,621,815</u>	<u>\$ -</u>	<u>\$ 6,621,815</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Sewer liens - user charges..... \$	37,820	\$ -	\$ 37,820
Sewer user charges.....	3,366,713	-	3,366,713
Stormwater.....	277,640	-	277,640
Total.....	<u>\$ 3,682,173</u>	<u>\$ -</u>	<u>\$ 3,682,173</u>

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

	General Fund	Other Governmental Funds	Total
<b>Receivables:</b>			
Real estate and personal property taxes.....	\$ 1,014,942	\$ -	\$ 1,014,942
Tax liens.....	705,931	-	705,931
Community preservation fund surtax.....	-	10,595	10,595
Motor vehicle and other excise taxes.....	515,044	-	515,044
Intergovernmental - highway improvements and other.....	-	362,614	362,614
Special assessments.....	-	1,477,580	1,477,580
<b>Total.....</b>	<b>\$ 2,235,917</b>	<b>\$ 1,850,789</b>	<b>\$ 4,086,706</b>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 6,137,726	\$ -	\$ -	\$ 6,137,726
Construction in progress.....	2,874,020	1,901,632	(304,176)	4,471,476
<b>Total capital assets not being depreciated....</b>	<b>9,011,746</b>	<b>1,901,632</b>	<b>(304,176)</b>	<b>10,609,202</b>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	128,401,506	291,288	-	128,692,794
Machinery and equipment.....	14,967,766	711,147	(44,812)	15,634,101
Vehicles.....	8,181,849	271,513	(185,445)	8,267,917
Infrastructure.....	220,483,343	3,436,976	-	223,920,319
<b>Total capital assets being depreciated.....</b>	<b>372,034,464</b>	<b>4,710,924</b>	<b>(230,257)</b>	<b>376,515,131</b>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(56,472,425)	(3,862,474)	-	(60,334,899)
Machinery and equipment.....	(10,284,988)	(1,349,100)	44,812	(11,589,276)
Vehicles.....	(3,846,215)	(982,419)	185,445	(4,643,189)
Infrastructure.....	(84,824,185)	(4,245,944)	-	(89,070,129)
<b>Total accumulated depreciation.....</b>	<b>(155,427,813)</b>	<b>(10,439,937)</b>	<b>230,257</b>	<b>(165,637,493)</b>
<b>Total capital assets being depreciated, net.....</b>	<b>216,606,651</b>	<b>(5,729,013)</b>	<b>-</b>	<b>210,877,638</b>
<b>Total governmental activities capital assets, net.....</b>	<b>\$ 225,618,397</b>	<b>\$ (3,827,381)</b>	<b>\$ (304,176)</b>	<b>\$ 221,486,840</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 70,917	\$ -	\$ 70,917
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	1,468,449	-	-	1,468,449
Machinery and equipment.....	368,701	221,016	-	589,717
Vehicles.....	320,158	209,133	-	529,291
Infrastructure.....	735,688	965,634	-	1,701,322
Total capital assets being depreciated.....	2,892,996	1,395,783	-	4,288,779
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(55,003)	(12,223)	-	(67,226)
Machinery and equipment.....	(37,880)	(48,351)	-	(86,231)
Vehicles.....	(145,426)	(55,121)	-	(200,547)
Infrastructure.....	(34,320)	(44,177)	-	(78,497)
Total accumulated depreciation.....	(272,629)	(159,872)	-	(432,501)
Total business-type activities capital assets, net....	\$ 2,620,367	\$ 1,306,828	\$ -	\$ 3,927,195

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

<b>Governmental Activities:</b>	
General government.....	\$ 650,916
Public safety.....	646,999
Education.....	2,899,908
Public works.....	5,900,501
Health and human services.....	120,105
Culture and recreation.....	221,508
Total depreciation expense - governmental activities.....	\$ 10,439,937
<b>Business-Type Activities:</b>	
Sewer.....	\$ 97,385
Airport.....	50,264
Golf course.....	12,223
Total depreciation expense - business-type activities.....	\$ 159,872

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables between funds at June 30, 2019, are summarized as follows:

Receivable Fund	Payable Fund	Amount
Governmental Activities:		
General fund	Chapter 90 fund.....	\$ 640,960 (1)

1) Represents advances between funds to meet temporary cash flow needs.

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

Transfers Out:	Transfers In:				Total	
	General fund	Nonmajor governmental funds	Stormwater Enterprise fund	Ice Forum Enterprise fund		
General fund.....	\$ -	\$ 77,612	\$ 1,535,000	\$ 101,771	\$ 1,714,383	(1)
Sewer betterments.....	2,377,727	-	-	-	2,377,727	(2)
Revolving fund.....	159,260	-	-	109,516	268,776	(3)
Nonmajor governmental funds.....	6,000	368,608	-	-	374,608	(4)
Sewer enterprise fund.....	719,425	-	-	-	719,425	(5)
Cable enterprise fund.....	68,435	-	-	-	68,435	(6)
Ice Forum enterprise fund.....	101,771	-	-	-	101,771	(7)
<b>Total.....</b>	<b>\$ 3,432,618</b>	<b>\$ 446,220</b>	<b>\$ 1,535,000</b>	<b>\$ 211,287</b>	<b>\$ 5,625,125</b>	

- 1) Represents transfers from the general fund to various non major governmental funds. Also represents transfers from the general fund to the stormwater and ice forum enterprise funds.
- 2) Represents a transfer from the sewer betterment fund to the general fund.
- 3) Represents transfers from the revolving fund to the general fund. Also represents a transfer from the revolving fund to the ice forum enterprise fund.
- 4) Represents transfers between various nonmajor governmental funds and from nonmajor governmental funds to the general fund.
- 5) Represents a transfer from the sewer enterprise fund to the general fund.
- 6) Represents a transfer from the cable enterprise fund to the general fund.
- 7) Represents a transfer from the ice forum enterprise fund to the general fund.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

As of June 30, 2019, the Town did not have any short-term debt outstanding.

**NOTE 7 – LONG-TERM DEBT**

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

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

**Bonds Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
MCWT - 2004.....	2023	3,145,466	0.00	1,010,000
MCWT - 2006.....	2025	28,613,280	0.00	6,254,864
MCWT - 2007.....	2026	4,281,616	2.00	1,923,517
MCWT - 2008.....	2027	4,707,976	2.00	2,355,916
MCWT - 2009.....	2028	2,938,008	2.00	1,609,823
General Obligation Bonds of 2010.....	2020	2,457,090	2.00 - 4.00	150,000
General Obligation Refunding Bonds of 2011.....	2030	4,170,000	2.00 - 4.25	785,000
MCWT - 2011.....	2030	11,902,436	2.00	7,703,395
General Obligation Bonds of 2012.....	2032	4,865,870	2.00 - 4.00	1,825,000
General Obligation Bonds of 2013.....	2032	9,396,161	2.00 - 4.00	5,480,000
General Obligation Bonds of 2013.....	2032	5,052,488	2.00 - 4.00	1,975,000
General Obligation Bonds of 2014.....	2033	23,125,144	2.00 - 5.00	15,245,000
General Obligation Bonds of 2014.....	2033	9,881,953	2.00 - 5.00	6,510,000
General Obligation Bonds of 2015.....	2025	3,248,352	2.00 - 5.00	1,230,000
General Obligation Refunding Bonds of 2015.....	2022	8,380,000	2.00 - 5.00	3,720,000
General Obligation Refunding Bonds of 2016.....	2024	2,535,000	2.00 - 4.00	1,275,000
General Obligation Bonds of 2016.....	2026	3,012,153	2.00 - 4.00	1,380,000
General Obligation Refunding Bonds of 2017.....	2030	4,000,000	2.00 - 4.00	3,330,001
General Obligation Bonds of 2017.....	2027	3,020,567	2.00 - 4.00	1,900,000
General Obligation Bonds of 2018.....	2032	9,755,000	2.00 - 5.00	8,530,000
General Obligation Bonds of 2019.....	2028	521,771	3.00 - 5.00	466,771
General Obligation Bonds of 2019.....	2028	2,878,229	3.00 - 5.00	2,878,229
General Obligation Bonds of 2019.....	2029	1,360,000	3.00 - 5.00	1,360,000
General Obligation Refunding Bonds of 2019.....	2031	1,995,000	3.00 - 5.00	1,995,000
Total Bonds Payable.....				80,892,516
Add: Unamortized premium on bonds.....				2,682,673
Total Bonds Payable, net.....				\$ 83,575,189

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

Year	Principal	Interest	Total
2020.....	\$ 12,532,680	\$ 2,970,668	\$ 15,503,348
2021.....	11,162,783	2,478,253	13,641,036
2022.....	9,993,598	1,976,542	11,970,140
2023.....	8,280,134	1,572,362	9,852,496
2024.....	7,197,410	1,282,598	8,480,008
2025.....	6,250,439	1,029,772	7,280,211
2026.....	5,294,237	826,114	6,120,351
2027.....	4,494,073	660,553	5,154,626
2028.....	3,913,822	521,471	4,435,293
2029.....	3,337,713	400,604	3,738,317
2030.....	2,930,735	290,744	3,221,479
2031.....	2,714,892	196,474	2,911,366
2032.....	1,840,000	114,475	1,954,475
2033.....	950,000	46,000	996,000
Total.....	\$ <u>80,892,516</u>	\$ <u>14,366,630</u>	\$ <u>95,259,146</u>

In order to take advantage of favorable interest rates, the Town issued \$1,995,000 of general obligation refunding bonds on June 26, 2019. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$2,220,000 and became callable on June 15, 2019. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$219,890 and a reduction of \$248,062 in future debt service payments.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2019, the Town had the following authorized and unissued debt:

Purpose	Amount
IT - Security Camera Upgrades.....	\$ 100,000.00
Town Clerk - Records Storage.....	57,819.00
Library - Carpet Replacement.....	50,000.00
Fire Engine 4.....	718,960.00
DPW - Sidewalk Construction.....	325,000.00
DPW - Roadway Improvements.....	350,000.00
DPW - 10 Wheel Truck.....	213,724.00
DPW - One Ton Pickup Truck.....	70,000.00
Cemetery - Dump Truck.....	56,000.00
Facilities - 3/4 Ton Pickup Truck.....	45,240.00
Facilities -Field Striper/Groomer.....	28,925.00
Facilities - Town Offices Roof.....	354,648.00
Harrington School-Parking Lot.....	205,000.00
School Kitchen Upgrades.....	101,706.00
Sch. Kitchen Code Compliance.....	285,644.00
School IT - Security Upgrades.....	440,000.00
Total.....	\$ <u>3,402,666</u>

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of approximately \$359,357 and interest costs for \$206,165. Thus, net MCWT loan repayments, including interest, are scheduled to be \$22,646,580. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. During 2019 principal and interest subsidies totaled approximately \$215,091 and \$135,523, respectively.

### Changes in Long-term Liabilities

As of June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 89,733,438	\$ 6,233,229	\$ (14,413,269)	\$ -	\$ -	\$ 80,892,516	\$ 13,207,402
Add: Unamortized premium on bonds.....	2,081,909	722,874	(782,992)	-	-	2,682,673	674,722
Total bonds payable.....	91,815,347	6,956,103	(15,196,261)	-	-	83,575,189	13,882,124
Compensated absences.....	1,458,323	-	-	145,749	(220,763)	1,383,309	1,198,650
Net pension liability.....	98,521,774	-	-	14,468,499	(7,600,511)	105,389,762	-
Other postemployment benefits.....	57,989,059	-	-	5,335,250	(4,119,464)	59,204,845	-
Total governmental activity long-term liabilities.....	\$ 249,784,503	\$ 6,956,103	\$ (15,196,261)	\$ 19,949,498	\$ (11,940,738)	\$ 249,553,105	\$ 15,080,774
<b>Business-Type Activities:</b>							
Compensated absences.....	\$ 144,145	\$ -	\$ -	\$ 176,641	\$ (144,145)	\$ 176,641	\$ 176,641
Net pension liability.....	5,472,004	-	-	555,573	(422,140)	5,605,437	-
Other postemployment benefits.....	892,391	-	-	8,335	(58,595)	842,131	-
Total business-type activity long-term liabilities.....	\$ 6,508,540	\$ -	\$ -	\$ 740,549	\$ (624,880)	\$ 6,624,209	\$ 176,641

### **NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

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

	General	Community Preservation	Sewer Betterments	Revolving Funds	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Permanent fund principal..... \$	- \$	- \$	- \$	- \$	- \$	2,871,272 \$	2,871,272 \$
<b>Restricted for:</b>							
Community preservation.....	-	2,874,307	-	-	-	-	2,874,307
Sewer betterments.....	-	-	11,751,670	-	-	-	11,751,670
Major capital funds.....	-	-	-	6,125,002	-	-	6,125,002
Town capital projects.....	-	-	-	-	160,492	-	160,492
COA lunch program.....	-	-	-	-	-	16,077	16,077
School lunch program.....	-	-	-	-	-	694,124	694,124
Other intergovernmental grants.....	-	-	-	-	-	314,054	314,054
Other special revenue funds.....	-	-	-	-	-	2,564,046	2,564,046
Capital project articles.....	-	-	-	-	-	565,647	565,647
Permanent trust funds.....	-	-	-	-	-	99,386	99,386
Expendable trust funds.....	-	-	-	-	-	207,616	207,616
General obligation principal payments...	366,572	-	-	-	-	-	366,572
<b>Assigned to:</b>							
<b>Encumbrances:</b>							
General government.....	16,600	-	-	-	-	-	16,600
Public safety.....	10,900	-	-	-	-	-	10,900
Education.....	241,765	-	-	-	-	-	241,765
Public works.....	115,860	-	-	-	-	-	115,860
Culture and recreation.....	2,944	-	-	-	-	-	2,944
Unassigned.....	17,615,357	-	-	-	(1,930,132)	(173,713)	15,511,512
<b>Total Fund Balances..... \$</b>	<b>18,369,998 \$</b>	<b>2,874,307 \$</b>	<b>11,751,670 \$</b>	<b>6,125,002 \$</b>	<b>(1,769,640) \$</b>	<b>7,158,509 \$</b>	<b>44,509,846 \$</b>

**NOTE 9 – STABILIZATION**

At June 30, 2019, \$11,077,679 and \$1,791,618 has been set aside in the general stabilization and sewer construction funds, respectively. An additional \$236,423 has also been set aside for various other purposes. All of these amounts are reported as unassigned fund balance in the general fund. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

**NOTE 10 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active employees.

**NOTE 11 – PENSION PLAN**

*Plan Descriptions*

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 76 member units. The MCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

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

#### *Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$12,222,813 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$120,617,262 as of the measurement date.

#### *Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

#### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The actual contribution totaled \$8,579,114 and was 32.17% of covered payroll, the required contribution was actuarially determined as an amount that, when combine with plan member contributions, is

expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2019, the Town reported a liability of \$110,995,199 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2018, the Town’s proportion was 7.12%, which was a slight decrease from the last measurement of 7.33%

*Pension Expense*

For the year ended June 30, 2019, the Town recognized a pension expense of \$12,961,602. At June 30, 2019, the Town reported deferred outflows and inflows of resources related to pensions of \$14,052,513 and \$3,860,236, respectively.

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

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 227,090	\$ (386,882)	\$ (159,792)
Difference between projected and actual earnings.....	4,947,463	-	4,947,463
Changes in assumptions.....	6,898,135	-	6,898,135
Changes in proportion and proportionate share of contributions...	1,979,825	(3,473,354)	(1,493,529)
Total deferred outflows/(inflows) of resources.....	\$ 14,052,513	\$ (3,860,236)	\$ 10,192,277

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

Year ended June 30:	
2020.....	\$ 3,922,378
2021.....	3,110,661
2022.....	1,796,743
2023.....	1,362,495
Total.....	\$ 10,192,277

*Actuarial Assumptions* - The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2018:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Prior year's total contribution increased by 6.5% for fiscal 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	As of July 1, 2018, 1 year remaining for 2002 ERI liability, 2 years remaining for 203 ERI liability, 4 years remaining for 2010 ERI liability, and 17 years for remaining unfunded liability.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the market value.
Inflation rate.....	3.25% (previously 3.5%)
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Cost of living adjustments.....	3.0% of the first \$14,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service related).
Mortality rates:	
Pre-Retirement.....	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality table projected generationally with Scale MP-2017.
Disabled Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.
Investment rate of return/Discount rate.....	7.50%, net of pension plan investment expense, including inflation previously 7.75%.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
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.....	0.30%	0.00%
Overlay.....	0.90%	0.00%
Total.....	<u>100.00%</u>	

*Rate of return*

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

*Discount rate*

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net position liability, calculated using the discount rate of 7.5%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	December 31, 2018 Measurement Date		
	1% Decrease	Current	1% Increase
	(6.5%)	(7.5%)	(8.5%)
The Town's proportionate share of the net pension liability.....	\$ <u>134,642,154</u>	\$ <u>110,995,199</u>	\$ <u>91,057,350</u>

*Changes in Assumptions*

None.

*Changes in Plan Provisions*

None.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Summary of Significant Accounting Policies* – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 60 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 40 percent of their premium costs. During 2019, the Town contributed approximately \$4.2 million to the plan.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2019, the Town pre-funded future OPEB liabilities totaling \$3.1 million by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2019, the balance of this fund totaled \$10.4 million.

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

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

Active members.....	741
Inactive members currently receiving benefits.....	<u>873</u>
Total.....	<u><u>1,614</u></u>

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$ 70,489,842
Less: OPEB plan’s fiduciary net position.....	<u>(10,442,866)</u>
Net OPEB liability.....	<u><u>\$ 60,046,976</u></u>
The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability.....	14.81%

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2019, to be in accordance with GASB Statement #74 and Statement #75:

Valuation date.....	Actuarially determined contribution was calculated as of July 1, 2017, updated to June 30, 2019
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market value of assets as of the reporting date, June 30, 2019.
Investment rate of return.....	7.04%, net of OPEB plan investment expense, including inflation.
Discount rate.....	7.00%, net of OPEB plan investment expense, including inflation
Inflation rate.....	2.75% as of June 30, 2019 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2019 and for future periods.
Municipal bond rate.....	2.79% as of June 30, 2019 (source: S&P Municipal Bond 20-Year Grade Index SAPIHG)

Mortality rates:

Pre-retirement mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-retirement mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality.....	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

*Rate of return* – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.62%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan’s expected future real rate of return of 4.79% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of return of 7.54%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	14.50%	4.00%
Domestic equity - small/mid cap.....	3.50%	6.00%
International equities - developed market	16.00%	4.50%
International equities - emerging market.	6.00%	7.00%
Domestic fixed income.....	20.00%	2.00%
International fixed income.....	3.00%	3.00%
Alternatives.....	23.00%	6.50%
Real estate.....	14.00%	6.25%
Total.....	100.00%	

*Discount rate* – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2019, and 6.75% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy.

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018.....	\$ 67,731,205	\$ 8,849,755	\$ 58,881,450
Changes for the year:			
Service cost.....	1,416,828	-	1,416,828
Interest.....	4,732,629	-	4,732,629
Net investment income.....	-	546,111	(546,111)
Employer contributions.....	-	4,178,059	(4,178,059)
Differences between expected and actual experience.....	(259,761)	-	(259,761)
Benefit payments.....	(3,131,059)	(3,131,059)	-
Net change.....	2,758,637	1,593,111	1,165,526
Balances at June 30, 2019.....	\$ <u>70,489,842</u>	<u>10,442,866</u>	<u>60,046,976</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 7.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability.....	\$ <u>69,608,832</u>	\$ <u>60,046,976</u>	\$ <u>50,485,120</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 5.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ <u>46,483,363</u>	\$ <u>60,046,976</u>	\$ <u>76,864,818</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Town recognized OPEB expense of \$5,390,910, and the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources noted on the following page.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (207,809)	\$ (207,809)
Difference between projected and actual earnings.....	90,511	(209,917)	(119,406)
Total deferred outflows/(inflows) of resources.....	\$ 90,511	\$ (417,726)	\$ (327,215)

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

Measurement date year ended June 30:	
2020.....	\$ (99,297)
2021.....	(99,297)
2022.....	(99,295)
2023.....	(29,326)
Total.....	\$ (327,215)

*Changes of Assumptions* - The discount rate increased from 6.75% to 7.00%.

*Changes in Plan Provisions* – None.

**NOTE 13 – COMMITMENTS**

The Town has entered into, or is planning to enter into, contracts totaling \$3,473,018 for various school construction and technology projects and for various public works projects.

**NOTE 14 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 1, 2019, which is the date the financial statements were available to be issued.

**NOTE 16 – REVISION OF NET POSITION PREVIOUSLY REPORTED**

Beginning net position of governmental activities, business-type activities and each applicable enterprise fund has been revised to reflect the updated measurement date of the net OPEB liability to the current year end. Accordingly, the beginning net position was updated to bring the measurement date from June 30, 2017 to June 30, 2018. The revised balances are summarized in the following table:

	06/30/2018 Previously Reported Balances	Update of OPEB Measurement Date	Establishment of new ice forum enterprise fund	06/30/2018 Revised Balances
<b>Government-Wide Financial Statements</b>				
Governmental activities.....	\$ 31,170,527	\$ 1,347,901	\$ (1,101,771)	\$ 31,416,657
Business-type activities.....	2,002,491	19,094	1,101,771	3,123,356
Total.....	<u>\$ 33,173,018</u>	<u>\$ 1,366,995</u>	<u>\$ -</u>	<u>\$ 34,540,013</u>
<b>Business-type Activities - Enterprise Funds</b>				
Sewer fund.....	\$ 2,803,754	\$ 13,411	\$ -	\$ 2,817,165
PEG Cable Access fund.....	(1,232,203)	5,683	-	(1,226,520)
Golf Course.....	430,940	-	-	430,940
Ice forum enterprise fund.....	-	-	1,101,771	1,101,771
Total.....	<u>\$ 2,002,491</u>	<u>\$ 19,094</u>	<u>\$ 1,101,771</u>	<u>\$ 3,123,356</u>

**NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2019, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

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

The GASB issued Statement #91, Conduit Debt Obligations, which is required to be implemented in 2022.

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

## ***Required Supplementary Information***

# ***General Fund Budgetary Schedule***

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

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

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 100,830,787	\$ 100,830,787	\$ 100,864,468	\$ 100,417,702	\$ -	\$ (446,766)
Tax liens.....	-	-	-	-	467,676	-	467,676
Motor vehicle and other excise taxes.....	-	5,450,000	5,450,000	5,000,000	5,642,117	-	642,117
Hotel/motel tax.....	-	423,524	423,524	450,000	530,441	-	80,441
Meals tax.....	-	625,000	625,000	625,000	643,303	-	18,303
Penalties and interest on taxes.....	-	430,000	430,000	450,000	544,753	-	94,753
Fees and rentals.....	-	440,000	440,000	440,000	487,246	-	47,246
Payments in lieu of taxes.....	-	70,393	70,393	94,393	131,037	-	36,644
Licenses and permits.....	-	1,325,000	1,325,000	1,425,000	1,639,590	-	214,590
Fines and forfeitures.....	-	170,000	170,000	200,000	168,594	-	(31,406)
Intergovernmental - state aid.....	-	16,927,849	16,927,849	17,356,318	16,745,226	-	(611,092)
Intergovernmental - other.....	-	350,000	350,000	350,000	273,696	-	(76,304)
Departmental and other.....	-	354,200	354,200	350,200	350,764	-	564
Special assessments.....	-	40,000	40,000	40,000	43,167	-	3,167
Investment income.....	-	150,000	150,000	250,000	566,485	-	316,485
Miscellaneous.....	-	596,883	596,883	750,407	775,413	-	25,006
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>128,183,636</b>	<b>128,183,636</b>	<b>128,645,786</b>	<b>129,427,210</b>	<b>-</b>	<b>781,424</b>
<b>EXPENDITURES:</b>							
Current:							
General government.....	4,817	3,472,928	3,477,745	3,370,909	3,309,480	16,600	44,829
Public safety.....	-	13,395,706	13,395,706	13,568,729	12,949,303	10,900	608,526
Education.....	116,998	62,042,583	62,159,581	62,159,582	61,907,725	241,765	10,092
Public works.....	84,745	9,197,037	9,281,782	9,376,463	9,168,215	115,860	92,388
Health and human services.....	2,846	1,131,179	1,134,025	1,164,860	1,080,692	2,944	81,224
Culture and recreation.....	-	2,029,891	2,029,891	2,029,891	2,026,736	-	3,155
Pension benefits.....	-	8,329,114	8,329,114	8,729,114	8,729,114	-	-
Employee benefits.....	-	15,096,000	15,096,000	14,696,000	14,666,315	-	29,685
State and county charges.....	-	2,490,422	2,490,422	2,918,891	2,136,415	-	782,476
Debt service:							
Principal.....	-	11,362,046	11,362,046	11,252,534	11,252,532	-	2
Interest.....	-	2,884,342	2,884,342	2,993,854	2,934,439	-	59,415
<b>TOTAL EXPENDITURES.....</b>	<b>209,406</b>	<b>131,431,248</b>	<b>131,640,654</b>	<b>132,260,827</b>	<b>130,160,966</b>	<b>388,069</b>	<b>1,711,792</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(209,406)</b>	<b>(3,247,612)</b>	<b>(3,457,018)</b>	<b>(3,615,041)</b>	<b>(733,756)</b>	<b>(388,069)</b>	<b>2,493,216</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from the sale of capital assets.....	-	-	-	-	2,000	-	2,000
Use of prior year reserves.....	209,406	-	209,406	209,406	-	-	(209,406)
Transfers in.....	-	3,247,612	3,247,612	4,244,015	3,247,612	-	(996,403)
Transfers out.....	-	-	-	(838,380)	(845,492)	-	(7,112)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>209,406</b>	<b>3,247,612</b>	<b>3,457,018</b>	<b>3,615,041</b>	<b>2,404,120</b>	<b>-</b>	<b>(1,210,921)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,670,364</b>	<b>(388,069)</b>	<b>1,282,295</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>3,240,580</b>	<b>3,240,580</b>	<b>3,240,580</b>	<b>3,240,580</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ -</b>	<b>\$ 3,240,580</b>	<b>\$ 3,240,580</b>	<b>\$ 3,240,580</b>	<b>\$ 4,910,944</b>	<b>\$ (388,069)</b>	<b>\$ 1,282,295</b>

See notes to required supplementary information.

# ***Pension Plan Schedules***

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

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

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

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
CHELMSFORD CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Net pension liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2018.....	7.12%	\$ 110,995,199	\$ 26,145,209	424.53%	46.40%
December 31, 2017.....	7.33%	103,993,778	25,052,394	415.11%	49.27%
December 31, 2016.....	7.07%	100,190,226	23,331,173	429.43%	45.59%
December 31, 2015.....	7.21%	93,051,442	24,062,042	386.71%	46.13%

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
CHELMSFORD CONTRIBUTORY RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2019.....	\$ 8,329,114	\$ (8,579,114)	\$ (250,000)	\$ 26,668,113	32.17%
June 30, 2018.....	7,822,651	(8,022,651)	(200,000)	\$ 25,052,394	32.02%
June 30, 2017.....	7,552,208	(7,552,208)	-	23,331,173	32.37%
June 30, 2016.....	7,096,040	(7,096,040)	-	24,062,042	29.49%
June 30, 2015.....	6,483,706	(6,483,706)	-	23,136,579	28.02%

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

See notes to required supplementary information.

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

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2019.....	\$ 120,617,262	\$ 12,222,813	54.84%
2018.....	112,362,450	11,727,596	54.25%
2017.....	111,999,623	11,424,696	52.73%
2016.....	105,727,350	8,575,429	55.38%
2015.....	78,798,501	5,474,510	61.64%

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

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019
<b>Total OPEB Liability</b>			
Service Cost.....	\$ 1,718,986	\$ 1,337,207	\$ 1,416,828
Interest.....	4,861,019	5,521,315	4,732,629
Changes of benefit terms.....	-	-	-
Differences between expected and actual experience....	-	(15,184,031)	(259,761)
Changes of assumptions.....	-	-	-
Benefit payments.....	<u>(3,057,836)</u>	<u>(2,914,745)</u>	<u>(3,131,059)</u>
Net change in total OPEB liability.....	3,522,169	(11,240,254)	2,758,637
Total OPEB liability - beginning.....	<u>75,449,290</u>	<u>78,971,459</u>	<u>67,731,205</u>
Total OPEB liability - ending (a).....	<u>\$ 78,971,459</u>	<u>\$ 67,731,205</u>	<u>\$ 70,489,842</u>
<b>Plan fiduciary net position</b>			
Employer contributions.....	\$ 1,083,088	\$ 1,326,609	\$ 1,047,000
Employer contributions for OPEB payments.....	3,057,836	2,914,745	3,131,059
Net investment income.....	737,809	723,982	546,111
Benefit payments.....	<u>(3,057,836)</u>	<u>(2,914,745)</u>	<u>(3,131,059)</u>
Net change in plan fiduciary net position.....	1,820,897	2,050,591	1,593,111
Plan fiduciary net position - beginning of year.....	<u>4,978,266</u>	<u>6,799,164</u>	<u>8,849,755</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 6,799,164</u>	<u>\$ 8,849,755</u>	<u>\$ 10,442,866</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 72,172,295</u>	<u>\$ 58,881,450</u>	<u>\$ 60,046,976</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	8.61%	13.07%	14.81%
Covered-employee payroll.....	\$ 64,604,681	\$ 68,082,927	\$ 68,539,107
Net OPEB liability as a percentage of covered-employee payroll.....	111.71%	86.48%	87.61%

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

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2019.....	\$ 5,939,230	\$ (4,178,059)	\$ 1,761,171	\$ 68,539,107	6.10%
June 30, 2018.....	\$ 6,772,820	\$ (4,241,354)	\$ 2,531,466	\$ 68,082,927	6.23%
June 30, 2017.....	6,908,441	(4,140,924)	2,767,517	64,604,681	6.41%

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

See notes to required supplementary information.

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

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Year	Annual money-weighted rate of return, net of investment expense
June 30, 2019.....	5.62%
June 30, 2018.....	9.53%
June 30, 2017.....	7.35%

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

See notes to required supplementary information.

**NOTE A – BUDGETARY BASIS OF ACCOUNTING**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget for the general fund that is approved by Town Meeting. The Town Manager and the Finance Committee present an annual budget to the Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between and within departments subsequent to the approval of the annual budget requires majority Town Meeting approval via a supplemental appropriation.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2019 approved budget authorized approximately \$131.4 million in appropriations and other amounts to be raised and approximately \$209,000 in encumbrances and continuing appropriations carried over from previous years. Supplemental appropriations of approximately \$1.5 million were approved during 2019.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2019, is presented below:

Net change in fund balance - budgetary basis.....	\$ 1,670,364
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	1,385,155
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	130,552
Net change in recording 60 day receipts.....	150,541
Recognition of revenue for on-behalf payments.....	12,222,813
Recognition of expenditures for on-behalf payments.....	<u>(12,222,813)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 3,336,612</u>

**NOTE B – PENSION PLAN**A. Schedule of the Town's Proportionate Share of the Net Pension Liability

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

B. Schedule of Town's Contributions

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

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

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

D. Changes in Assumptions

None.

E. Changes in Plan Provisions

None.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan ("the Other Post Employment Benefit Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retirement members, including teachers.

**The Other Postemployment Benefit Plan**

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

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

B. Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. The actuarially determined contribution rate is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	Actuarially determined contribution was calculated as of July 1, 2017, updated to June 30, 2019
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market value of assets as of the reporting date, June 30, 2019.
Investment rate of return.....	7.04%, net of OPEB plan investment expense, including inflation.
Discount rate.....	7.00%, net of OPEB plan investment expense, including inflation
Inflation rate.....	2.75% as of June 30, 2019 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2019 and for future periods.
Municipal bond rate.....	2.79% as of June 30, 2019 (source: S&P Municipal Bond 20-Year Grade Index SAPIHG)
Mortality rates:	
Pre-retirement mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-retirement mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality.....	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

C. Schedule of Investment Return

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

D. Changes of Assumptions

The discount rate increased from 6.75% to 7.00%.

E. Changes in Provisions

None.