

TOWN OF ORANGE, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2019

TOWN OF ORANGE, 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 Orange, 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 Orange, 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.

Opinion

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 Orange, 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 the 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 March 19, 2020, on our consideration of the Town of Orange, 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 Orange, Massachusetts' internal control over financial reporting and compliance.



March 19, 2020

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Orange, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town 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.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Orange'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. The government-wide financial statements provide both long and short-term information about the Town as a whole. The fund financial statements focus on the individual components 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. The 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.

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, 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.

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

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 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund and Federal Grants fund are considered major funds for presentation purposes. These major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains two types of propriety 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 Water and Sewer Departments.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for dental insurance 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 statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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 Orange's liabilities and deferred inflows exceeded assets and deferred outflows for governmental activities by \$6.2 million and the business-type activities assets and deferred outflows exceeded liabilities and deferred inflows by \$6.6 million at the close of the most recent year. Key components of the Town's activities presented below.

Governmental Activities

| | 2019 | 2018 |
|---|-----------------------|-----------------------|
| Assets: | | |
| Current assets..... | \$ 9,176,189 | \$ 7,866,147 |
| Noncurrent assets (excluding capital)..... | 148,227 | 165,137 |
| Capital assets, non depreciable..... | 3,804,686 | 2,253,056 |
| Capital assets, net of accumulated depreciation.... | 20,798,973 | 21,503,718 |
| Total assets..... | 33,928,075 | 31,788,058 |
| Deferred outflows of resources..... | 2,461,271 | 2,033,148 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 1,979,969 | 2,035,219 |
| Noncurrent liabilities (excluding debt)..... | 32,862,725 | 30,108,973 |
| Current debt..... | 1,017,902 | 1,251,113 |
| Noncurrent debt..... | 1,911,363 | 1,945,171 |
| Total liabilities..... | 37,771,959 | 35,340,476 |
| Deferred inflows of resources..... | 4,789,789 | 6,782,774 |
| Net position: | | |
| Net investment in capital assets..... | 21,745,101 | 20,770,490 |
| Restricted..... | 1,922,219 | 1,436,322 |
| Unrestricted..... | (29,839,722) | (30,508,856) |
| Total net position..... | \$ (6,172,402) | \$ (8,302,044) |

Governmental net position of \$21.7 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) 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 net position of \$1.9 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 \$29.8 million deficit. The primary reason for this deficit balance is the recognition of the Pension and OPEB liabilities.

| | 2019 | 2018 |
|---|-----------------------|-----------------------|
| Program Revenues: | | |
| Charges for services..... | \$ 1,706,807 | \$ 1,357,570 |
| Operating grants and contributions..... | 8,696,371 | 8,487,770 |
| Capital grants and contributions..... | 3,062,651 | 74,730 |
| General Revenues: | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 10,965,296 | 10,674,305 |
| Tax and other liens..... | 378,685 | 165,946 |
| Motor vehicle and other excise taxes..... | 903,383 | 828,777 |
| Penalties and interest on taxes..... | 140,155 | 198,852 |
| Payments in lieu of taxes..... | 15,790 | 15,496 |
| Grants and contributions not restricted to specific programs..... | 1,789,570 | 1,739,664 |
| Unrestricted investment income..... | 98,740 | 16,326 |
| Gain on sale of land..... | 326,431 | 24,181 |
| Miscellaneous..... | 95,402 | 70,834 |
| Total revenues..... | 28,179,281 | 23,654,451 |
| Expenses: | | |
| General government..... | 1,655,703 | 1,455,967 |
| Public safety..... | 4,128,457 | 3,239,112 |
| Education..... | 15,780,639 | 13,759,630 |
| Public works..... | 2,886,516 | 2,403,672 |
| Airport..... | 462,014 | 390,072 |
| Health and human services..... | 392,382 | 269,049 |
| Culture and recreation..... | 512,284 | 417,136 |
| Interest..... | 231,644 | 297,669 |
| Total expenses..... | 26,049,639 | 22,232,307 |
| Change in net position..... | 2,129,642 | 1,422,144 |
| Net position, beginning of year..... | (8,302,044) | (9,724,188) |
| Net position, end of year..... | \$ (6,172,402) | \$ (8,302,044) |

Governmental net position increased during 2019 by approximately \$2.1 million as compared to an increase of \$1.4 million in 2018. Total revenues increased \$4.5 million (19.1%) from charges for services, capital and operation grants and real estate and other taxes; while expenses increased \$3.8 million (17.2%), mainly from public safety and educational expenses.

Business-type Activities

Water Fund

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| Assets: | | |
| Current assets..... | \$ 1,591,065 | \$ 1,024,539 |
| Capital assets, non depreciable..... | 53,522 | 53,522 |
| Capital assets, net of accumulated depreciation..... | 5,591,788 | 5,709,310 |
| Total assets..... | <u>7,236,375</u> | <u>6,787,371</u> |
| | | |
| Deferred outflows of resources..... | <u>118,999</u> | <u>92,730</u> |
| | | |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 114,622 | 94,044 |
| Noncurrent liabilities (excluding debt)..... | 1,373,785 | 1,241,628 |
| Total liabilities..... | <u>1,488,407</u> | <u>1,335,672</u> |
| | | |
| Deferred inflows of resources..... | <u>189,109</u> | <u>273,375</u> |
| | | |
| Net position: | | |
| Net investment in capital assets..... | 5,645,310 | 5,762,832 |
| Unrestricted..... | 32,548 | (491,778) |
| | | |
| Total net position..... | <u>\$ 5,677,858</u> | <u>\$ 5,271,054</u> |

Water fund net position of \$5.6 million represents investments in capital assets net of related debt. The remaining \$33,000 is available to be used for the ongoing operation of the Town's water fund.

As shown in the following table, there was an increase of approximately \$407,000 in net position compared to an increase of approximately \$265,000 in the prior year.

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| Program Revenues: | | |
| Charges for services..... | \$ 704,020 | \$ 744,319 |
| General Revenues: | | |
| Gain on the sale of land..... | 544,053 | 42,647 |
| Investment income..... | 2,897 | 1,087 |
| Total revenues..... | <u>1,250,970</u> | <u>788,053</u> |
| | | |
| Expenses: | | |
| Water..... | 844,166 | 522,588 |
| | | |
| Change in net position..... | <u>406,804</u> | <u>265,465</u> |
| | | |
| Net position, beginning of year..... | <u>5,271,054</u> | <u>5,005,589</u> |
| | | |
| Net position, end of year..... | <u>\$ 5,677,858</u> | <u>\$ 5,271,054</u> |

Sewer Fund

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Assets: | | |
| Current assets..... | \$ 700,144 | \$ 963,887 |
| Capital assets, non depreciable..... | 315,943 | 24,741 |
| Capital assets, net of accumulated depreciation.... | 2,234,342 | 2,327,119 |
| Total assets..... | 3,250,429 | 3,315,747 |
| Deferred outflows of resources..... | 92,442 | 63,459 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 85,400 | 90,220 |
| Noncurrent liabilities (excluding debt)..... | 736,293 | 635,568 |
| Current debt..... | 1,047,847 | 1,095,205 |
| Noncurrent debt..... | 517,034 | 542,881 |
| Total liabilities..... | 2,386,574 | 2,363,874 |
| Deferred inflows of resources..... | 81,508 | 128,348 |
| Net position: | | |
| Net investment in capital assets..... | 1,439,846 | 1,384,913 |
| Unrestricted..... | (565,057) | (497,929) |
| Total net position..... | \$ 874,789 | \$ 886,984 |

Sewer fund net position of \$1.4 million represent investments in capital assets net of related debt. The unrestricted balance of net position resulted in a deficit of \$565,000.

As shown in the following table, there was a decrease of approximately \$12,000 in net position compared to an increase of approximately \$79,000 in the prior year, mainly due to increased operating costs in the current year.

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Program Revenues: | | |
| Charges for services..... | \$ 692,482 | \$ 624,010 |
| Operating grants and contributions..... | 3,613 | 3,925 |
| General Revenues: | | |
| Investment income..... | 514 | 554 |
| Total revenues..... | 696,609 | 628,489 |
| Expenses: | | |
| Sewer..... | 708,804 | 549,563 |
| Change in net position..... | (12,195) | 78,926 |
| Net position, beginning of year..... | 886,984 | 808,058 |
| Net position, end of year..... | \$ 874,789 | \$ 886,984 |

Financial Analysis of the Government's 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 of Orange'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 of Orange'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, governmental funds reported combined ending fund balances of approximately \$3.7 million, an increase of approximately \$1.0 million from the prior year.

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$1.9 million, while total fund balance was \$2.1 million.

The Federal Grants fund is a special revenue fund used primarily for school, community development and airport grants. The fund has current year revenues of \$2.6 million and expenditures of \$2.6 million leaving a deficit fund balance of \$5,400.

General Fund Budgetary Highlights

The Town of Orange adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Actual revenues were higher than budgeted amounts by approximately \$2,000. Actual expenditures, including carryovers, were less than budgeted amounts by approximately \$443,000 or 2%.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares capital budgets for the upcoming year. Major capital additions during the year relate to infrastructure, Town building upgrades, vehicles, and equipment. Total additions for the Governmental and Business-type Activities amounted to \$2.8 million and \$343,000 respectively.

Outstanding long-term debt of the general government, as of June 30, 2019, totaled \$1.9 million, of which approximately \$1.2 million is related to the construction of a new fire station, \$735,000 is for energy conservation, and \$40,000 is a state house note. In addition, the Sewer enterprise fund has approximately \$543,000 of outstanding long-term debt related to funding various sewer projects.

Please refer to the notes to the financial statements 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 Orange'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 Office of the Town Accountant at 6 Prospect Street, Orange, MA 01364.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2019

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 3,948,968 | \$ 1,863,109 | \$ 5,812,077 |
| Investments..... | 1,286,601 | - | 1,286,601 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 192,855 | - | 192,855 |
| Tax liens..... | 1,235,406 | - | 1,235,406 |
| Motor vehicle and other excise taxes..... | 154,274 | - | 154,274 |
| User charges..... | - | 428,100 | 428,100 |
| Departmental and other..... | 497,520 | - | 497,520 |
| Intergovernmental..... | 1,623,471 | - | 1,623,471 |
| Special assessments..... | 20,644 | - | 20,644 |
| Tax foreclosures..... | 192,850 | - | 192,850 |
| Working capital deposit..... | 23,600 | - | 23,600 |
| Total current assets..... | 9,176,189 | 2,291,209 | 11,467,398 |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Loans..... | 148,227 | - | 148,227 |
| Capital assets, nondepreciable..... | 3,804,686 | 369,465 | 4,174,151 |
| Capital assets, net of accumulated depreciation..... | 20,798,973 | 7,826,130 | 28,625,103 |
| Total noncurrent assets..... | 24,751,886 | 8,195,595 | 32,947,481 |
| TOTAL ASSETS..... | 33,928,075 | 10,486,804 | 44,414,879 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions..... | 1,699,175 | 171,331 | 1,870,506 |
| Deferred outflows related to other postemployment benefits..... | 762,096 | 40,110 | 802,206 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | 2,461,271 | 211,441 | 2,672,712 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 1,081,279 | 173,927 | 1,255,206 |
| Accrued payroll..... | 656,244 | 9,583 | 665,827 |
| Health claims payable..... | 8,268 | - | 8,268 |
| Payroll withholdings..... | 154,579 | - | 154,579 |
| Capital lease obligations..... | 23,139 | - | 23,139 |
| Compensated absences..... | 79,599 | 16,512 | 96,111 |
| Notes payable..... | 883,750 | 1,022,000 | 1,905,750 |
| Bonds payable..... | 111,013 | 25,847 | 136,860 |
| Total current liabilities..... | 2,997,871 | 1,247,869 | 4,245,740 |
| NONCURRENT: | | | |
| Capital lease obligations..... | 77,205 | - | 77,205 |
| Compensated absences..... | 3,829 | - | 3,829 |
| Net pension liability..... | 7,897,471 | 796,319 | 8,693,790 |
| Other postemployment benefits..... | 24,961,425 | 1,313,759 | 26,275,184 |
| Bonds payable..... | 1,834,158 | 517,034 | 2,351,192 |
| Total noncurrent liabilities..... | 34,774,088 | 2,627,112 | 37,401,200 |
| TOTAL LIABILITIES..... | 37,771,959 | 3,874,981 | 41,646,940 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions..... | 384,291 | 38,749 | 423,040 |
| Deferred inflows related to other postemployment benefits..... | 4,405,498 | 231,868 | 4,637,366 |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | 4,789,789 | 270,617 | 5,060,406 |
| NET POSITION | | | |
| Net investment in capital assets..... | 21,745,101 | 7,085,156 | 28,830,257 |
| Restricted for: | | | |
| Loans..... | 148,227 | - | 148,227 |
| Permanent funds: | | | |
| Expendable..... | 322,849 | - | 322,849 |
| Nonexpendable..... | 596,346 | - | 596,346 |
| Gifts and grants..... | 854,797 | - | 854,797 |
| Unrestricted..... | (29,839,722) | (532,509) | (30,372,231) |
| TOTAL NET POSITION..... | \$ (6,172,402) | \$ 6,552,647 | \$ 380,245 |

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 | |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 1,655,703 | \$ 257,035 | \$ 53,962 | \$ 261,723 | \$ (1,082,983) |
| Public safety..... | 4,128,457 | 1,012,452 | 142,190 | 482,345 | (2,491,470) |
| Education..... | 15,780,639 | 14,712 | 7,995,641 | 221,765 | (7,548,521) |
| Public works..... | 2,886,516 | 295,034 | 370,591 | 7,057 | (2,213,834) |
| Airport..... | 462,014 | 99,940 | 1,060 | 2,089,761 | 1,728,747 |
| Health and human services..... | 392,382 | 24,913 | 107,415 | - | (260,054) |
| Culture and recreation..... | 512,284 | 2,721 | 25,512 | - | (484,051) |
| Interest..... | 231,644 | - | - | - | (231,644) |
| Total Governmental Activities..... | 26,049,639 | 1,706,807 | 8,696,371 | 3,062,651 | (12,583,810) |
| <i>Business-Type Activities:</i> | | | | | |
| Water..... | 844,166 | 704,020 | - | - | (140,146) |
| Sewer..... | 708,804 | 692,482 | 3,613 | - | (12,709) |
| Total Business-Type Activities..... | 1,552,970 | 1,396,502 | 3,613 | - | (152,855) |
| Total Primary Government..... | \$ 27,602,609 | \$ 3,103,309 | \$ 8,699,984 | \$ 3,062,651 | \$ (12,736,665) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

| | Primary Government | | |
|---|----------------------------|-----------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... \$ | (12,583,810) | (152,855) | (12,736,665) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 10,965,296 | - | 10,965,296 |
| Tax and other liens..... | 378,685 | - | 378,685 |
| Motor vehicle and other excise taxes..... | 903,383 | - | 903,383 |
| Penalties and interest on taxes..... | 140,155 | - | 140,155 |
| Payments in lieu of taxes..... | 15,790 | - | 15,790 |
| Grants and contributions not restricted to specific programs..... | 1,789,570 | - | 1,789,570 |
| Unrestricted investment income..... | 98,740 | 3,411 | 102,151 |
| Gain on sale of land..... | 326,431 | 544,053 | 870,484 |
| Miscellaneous..... | 95,402 | - | 95,402 |
| Total general revenues..... | 14,713,452 | 547,464 | 15,260,916 |
| Change in net position..... | 2,129,642 | 394,609 | 2,524,251 |
| <i>Net position:</i> | | | |
| Beginning of year..... | (8,302,044) | 6,158,038 | (2,144,006) |
| End of year..... \$ | <u>(6,172,402)</u> | <u>6,552,647</u> | <u>380,245</u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

| | General | Federal Grants | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 2,792,646 | \$ 40,591 | \$ 1,014,296 | \$ 3,847,533 |
| Investments..... | - | - | 1,286,601 | 1,286,601 |
| Receivables, net of uncollectibles: | | | | |
| Real estate and personal property taxes..... | 192,855 | - | - | 192,855 |
| Tax liens..... | 1,235,406 | - | - | 1,235,406 |
| Motor vehicle and other excise taxes..... | 154,274 | - | - | 154,274 |
| Departmental and other..... | 492,811 | - | 4,709 | 497,520 |
| Intergovernmental..... | 565,643 | 357,143 | 700,685 | 1,623,471 |
| Special assessments..... | 20,644 | - | - | 20,644 |
| Loans..... | - | 148,227 | - | 148,227 |
| Tax foreclosures..... | 192,850 | - | - | 192,850 |
| TOTAL ASSETS..... | \$ 5,647,129 | \$ 545,961 | \$ 3,006,291 | \$ 9,199,381 |
| LIABILITIES | | | | |
| Warrants payable..... | \$ 601,319 | \$ 364,957 | \$ 115,003 | \$ 1,081,279 |
| Accrued payroll..... | 547,060 | 38,190 | 70,994 | 656,244 |
| Payroll withholdings..... | 154,579 | - | - | 154,579 |
| Notes payable..... | - | - | 883,750 | 883,750 |
| TOTAL LIABILITIES..... | 1,302,958 | 403,147 | 1,069,747 | 2,775,852 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue..... | 2,231,101 | 148,227 | 329,700 | 2,709,028 |
| FUND BALANCES | | | | |
| Nonspendable..... | - | - | 596,346 | 596,346 |
| Restricted..... | - | 58,144 | 1,981,756 | 2,039,900 |
| Assigned..... | 208,978 | - | - | 208,978 |
| Unassigned..... | 1,904,092 | (63,557) | (971,258) | 869,277 |
| TOTAL FUND BALANCES..... | 2,113,070 | (5,413) | 1,606,844 | 3,714,501 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 5,647,129 | \$ 545,961 | \$ 3,006,291 | \$ 9,199,381 |

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..... | | \$ 3,714,501 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 24,603,659 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | | 2,709,028 |
| 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..... | | (2,328,518) |
| The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position..... | | 116,767 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Bonds payable..... | (1,945,171) | |
| Net pension liability..... | (7,897,471) | |
| Other postemployment benefits..... | (24,961,425) | |
| Capital lease obligations..... | (100,344) | |
| Compensated absences..... | (83,428) | |
| Net effect of reporting long-term liabilities..... | | <u>(34,987,839)</u> |
| Net position of governmental activities..... | | <u>\$ (6,172,402)</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

| | General | Federal Grants | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 10,908,305 | \$ - | \$ - | \$ 10,908,305 |
| Tax liens..... | 126,831 | - | - | 126,831 |
| Motor vehicle and other excise taxes..... | 872,895 | - | - | 872,895 |
| Charges for services..... | 121,395 | - | 13,758 | 135,153 |
| Penalties and interest on taxes..... | 140,155 | - | - | 140,155 |
| Payments in lieu of taxes..... | 15,790 | - | - | 15,790 |
| Intergovernmental - Teachers Retirement..... | 1,254,623 | - | - | 1,254,623 |
| Intergovernmental..... | 7,176,289 | 2,628,298 | 2,389,029 | 12,193,616 |
| Departmental and other..... | 985,760 | - | 407,527 | 1,393,287 |
| Contributions and donations..... | - | - | 121,620 | 121,620 |
| Investment income..... | 31,317 | - | 67,423 | 98,740 |
| Miscellaneous..... | 95,402 | - | - | 95,402 |
| TOTAL REVENUES..... | 21,728,762 | 2,628,298 | 2,999,357 | 27,356,417 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 880,772 | 58,640 | 188,964 | 1,128,376 |
| Public safety..... | 2,480,251 | 638,740 | 333,234 | 3,452,225 |
| Education..... | 11,369,886 | 510,962 | 832,693 | 12,713,541 |
| Public works..... | 1,463,940 | - | 451,974 | 1,915,914 |
| Health and human services..... | 220,514 | - | 122,850 | 343,364 |
| Culture and recreation..... | 344,701 | - | 24,194 | 368,895 |
| Airport..... | 176,759 | 1,356,400 | 310,149 | 1,843,308 |
| Pension benefits..... | 869,222 | - | - | 869,222 |
| Pension benefits - Teachers Retirement..... | 1,254,623 | - | - | 1,254,623 |
| Employee benefits..... | 2,100,728 | - | - | 2,100,728 |
| State and county charges..... | 581,400 | - | - | 581,400 |
| Debt service: | | | | |
| Principal..... | 174,695 | - | - | 174,695 |
| Interest..... | 34,832 | - | - | 34,832 |
| TOTAL EXPENDITURES..... | 21,952,323 | 2,564,742 | 2,264,058 | 26,781,123 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (223,561) | 63,556 | 735,299 | 575,294 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Capital lease financing..... | 126,554 | - | - | 126,554 |
| Proceeds from the sale of land..... | 326,431 | - | - | 326,431 |
| Transfers in..... | 226,982 | - | 478,001 | 704,983 |
| Transfers out..... | (470,115) | - | (234,868) | (704,983) |
| TOTAL OTHER FINANCING SOURCES (USES).... | 209,852 | - | 243,133 | 452,985 |
| NET CHANGE IN FUND BALANCES..... | (13,709) | 63,556 | 978,432 | 1,028,279 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 2,126,779 | (68,969) | 628,412 | 2,686,222 |
| FUND BALANCES AT END OF YEAR..... | \$ 2,113,070 | \$ (5,413) | \$ 1,606,844 | \$ 3,714,501 |

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..... | | \$ 1,028,279 |
| <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..... | 2,753,553 | |
| Depreciation expense..... | <u>(1,906,668)</u> | |
| Net effect of reporting capital assets..... | | 846,885 |
| <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> | | |
| | | 496,433 |
| <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> | | |
| Principal payments on capital leases..... | 26,210 | |
| Capital lease financing..... | (126,554) | |
| Debt service principal payments..... | <u>174,695</u> | |
| Debt service principal payments..... | | 74,351 |
| <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..... | (4,549) | |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | 1,222,620 | |
| Net change in net pension liability..... | (1,818,362) | |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.. | 1,198,488 | |
| Net change in other postemployment benefits liability..... | <u>(941,121)</u> | |
| Net effect of recording long-term liabilities..... | | (342,924) |
| The net activity of internal service funds is reported with Governmental Activities..... | | <u>26,618</u> |
| Change in net position of governmental activities..... | | <u>\$ 2,129,642</u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2019

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|---|--------------------------|----------------------------|--|
| | Water | Sewer | Total | |
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents..... | \$ 1,408,667 | \$ 454,442 | \$ 1,863,109 | \$ 101,435 |
| Receivables, net of allowance for uncollectibles: | | | | |
| User charges..... | 182,398 | 245,702 | 428,100 | - |
| Working capital deposit..... | - | - | - | 23,600 |
| Total current assets..... | <u>1,591,065</u> | <u>700,144</u> | <u>2,291,209</u> | <u>125,035</u> |
| NONCURRENT: | | | | |
| Capital assets, non depreciable..... | 53,522 | 315,943 | 369,465 | - |
| Capital assets, net of accumulated depreciation..... | 5,591,788 | 2,234,342 | 7,826,130 | - |
| Total noncurrent assets..... | <u>5,645,310</u> | <u>2,550,285</u> | <u>8,195,595</u> | <u>-</u> |
| TOTAL ASSETS..... | <u>7,236,375</u> | <u>3,250,429</u> | <u>10,486,804</u> | <u>125,035</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions..... | 89,799 | 81,532 | 171,331 | - |
| Deferred outflows related to other postemployment benefits..... | 29,200 | 10,910 | 40,110 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>118,999</u> | <u>92,442</u> | <u>211,441</u> | <u>-</u> |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Warrants payable..... | 109,241 | 64,686 | 173,927 | - |
| Accrued payroll..... | 5,381 | 4,202 | 9,583 | - |
| Health claims payable..... | - | - | - | 8,268 |
| Compensated absences..... | - | 16,512 | 16,512 | - |
| Notes payable..... | - | 1,022,000 | 1,022,000 | - |
| Bonds payable..... | - | 25,847 | 25,847 | - |
| Total current liabilities..... | <u>114,622</u> | <u>1,133,247</u> | <u>1,247,869</u> | <u>8,268</u> |
| NONCURRENT: | | | | |
| Net pension liability..... | 417,368 | 378,951 | 796,319 | - |
| Other postemployment benefits..... | 956,417 | 357,342 | 1,313,759 | - |
| Bonds payable..... | - | 517,034 | 517,034 | - |
| Total noncurrent liabilities..... | <u>1,373,785</u> | <u>1,253,327</u> | <u>2,627,112</u> | <u>-</u> |
| TOTAL LIABILITIES..... | <u>1,488,407</u> | <u>2,386,574</u> | <u>3,874,981</u> | <u>8,268</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions..... | 20,309 | 18,440 | 38,749 | - |
| Deferred inflows related to other postemployment benefits..... | 168,800 | 63,068 | 231,868 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>189,109</u> | <u>81,508</u> | <u>270,617</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets..... | 5,645,310 | 1,439,846 | 7,085,156 | - |
| Unrestricted..... | 32,548 | (565,057) | (532,509) | 116,767 |
| TOTAL NET POSITION..... | <u>\$ 5,677,858</u> | <u>\$ 874,789</u> | <u>\$ 6,552,647</u> | <u>\$ 116,767</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 | | | Governmental Activities - Internal Service Fund |
|--|---|-------------------|---------------------|--|
| | Water | Sewer | Total | |
| OPERATING REVENUES: | | | | |
| Employer contributions..... | \$ - | \$ - | \$ - | \$ 49,719 |
| Charges for services..... | 704,020 | 692,482 | 1,396,502 | - |
| TOTAL OPERATING REVENUES | 704,020 | 692,482 | 1,396,502 | 49,719 |
| OPERATING EXPENSES: | | | | |
| Cost of services and administration..... | 610,220 | 578,278 | 1,188,498 | - |
| Utilities..... | 37,798 | - | 37,798 | - |
| Repairs and maintenance..... | 26,364 | - | 26,364 | - |
| Depreciation..... | 169,784 | 92,777 | 262,561 | - |
| Employee benefits..... | - | - | - | 23,101 |
| TOTAL OPERATING EXPENSES | 844,166 | 671,055 | 1,515,221 | 23,101 |
| OPERATING INCOME (LOSS) | (140,146) | 21,427 | (118,719) | 26,618 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Investment income..... | 2,897 | 514 | 3,411 | - |
| Interest expense..... | - | (34,136) | (34,136) | - |
| Gain on sale of land..... | 544,053 | - | 544,053 | - |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET | 546,950 | (33,622) | 513,328 | - |
| CHANGE IN NET POSITION | 406,804 | (12,195) | 394,609 | 26,618 |
| NET POSITION AT BEGINNING OF YEAR | 5,271,054 | 886,984 | 6,158,038 | 90,149 |
| NET POSITION AT END OF YEAR | \$ 5,677,858 | \$ 874,789 | \$ 6,552,647 | \$ 116,767 |

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

| | <u>Business-type Activities - Enterprise Funds</u> | | | Governmental Activities - Internal Service Fund |
|--|--|-------------------|---------------------|--|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | | |
| Receipts from customers and users..... | \$ 721,157 | \$ 663,269 | \$ 1,384,426 | \$ - |
| Receipts from interfund services provided..... | - | - | - | 49,719 |
| Payments to vendors..... | (392,092) | (381,437) | (773,529) | - |
| Payments to employees..... | (240,090) | (176,759) | (416,849) | - |
| Payments for interfund services used..... | - | - | - | (23,895) |
| NET CASH FROM OPERATING ACTIVITIES..... | 88,975 | 105,073 | 194,048 | 25,824 |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | | | |
| Proceeds from the issuance of bonds and notes..... | - | 1,022,000 | 1,022,000 | - |
| Proceeds from the sale of land..... | 544,053 | - | 544,053 | - |
| Acquisition and construction of capital assets..... | (52,262) | (291,202) | (343,464) | - |
| Principal payments on bonds and notes..... | - | (1,095,205) | (1,095,205) | - |
| Interest expense..... | - | (34,136) | (34,136) | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | 491,791 | (398,543) | 93,248 | - |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | | |
| Investment income..... | 2,897 | 514 | 3,411 | - |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | 583,663 | (292,956) | 290,707 | 25,824 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 825,004 | 747,398 | 1,572,402 | 75,611 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 1,408,667 | \$ 454,442 | \$ 1,863,109 | \$ 101,435 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u> | | | | |
| <u>FROM OPERATING ACTIVITIES:</u> | | | | |
| Operating income (loss)..... | \$ (140,146) | \$ 21,427 | \$ (118,719) | \$ 26,618 |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | |
| Depreciation..... | 169,784 | 92,777 | 262,561 | - |
| Deferred (outflows)/inflows related to pensions..... | (64,614) | (58,665) | (123,279) | - |
| Deferred (outflows)/inflows related to OPEB..... | (45,921) | (17,158) | (63,079) | - |
| Changes in assets and liabilities: | | | | |
| User charges..... | 17,137 | (32,508) | (15,371) | - |
| Intergovernmental..... | - | 3,295 | 3,295 | - |
| Working capital deposit..... | - | - | - | (200) |
| Warrants payable..... | 18,557 | (14,868) | 3,689 | - |
| Accrued payroll..... | 2,021 | (1,485) | 536 | - |
| Health claims payable..... | - | - | - | (594) |
| Compensated absences..... | - | 11,533 | 11,533 | - |
| Net pension liability..... | 96,097 | 87,252 | 183,349 | - |
| Other postemployment benefits..... | 36,060 | 13,473 | 49,533 | - |
| Total adjustments..... | 229,121 | 83,646 | 312,767 | (794) |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 88,975 | \$ 105,073 | \$ 194,048 | \$ 25,824 |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

| | Private Purpose Trust Funds | Agency Funds |
|---------------------------------------|-----------------------------------|-----------------|
| ASSETS | | |
| Cash and cash equivalents..... | \$ 54,738 | \$ 9,986 |
| LIABILITIES | | |
| Liabilities due depositors..... | - | 9,986 |
| NET POSITION | | |
| Held in trust for other purposes..... | \$ 54,738 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

| | | Private Purpose Trust Funds |
|--|----|-----------------------------------|
| <u>ADDITIONS:</u> | | |
| Contributions: | | |
| Private donations..... | \$ | 2,138 |
| NET POSITION AT BEGINNING OF YEAR..... | | 52,600 |
| NET POSITION AT END OF YEAR..... | \$ | 54,738 |

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Orange, Massachusetts (the 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 Town accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected 5-member Board of Selectmen.

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. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

Joint Ventures

The Town is a member of the Ralph C. Mahar School District (the District) that provides for the education of grade levels 7-12 for the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital costs of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2019 assessment was \$4,149,061 and its shares of the debt service expense totaled \$196,812.

The Town is also a member of the Franklin County Technical High School that serves the members' students seeking an education in academic, technical and agriculture studies. The members share in the operations of the Franklin County Technical High School and each member is responsible for its proportionate share of the operational and capital costs of the Franklin County Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Franklin County Technical High School and the 2019 assessment was \$561,182 and its shares of the debt service expense totaled \$17,726.

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 activities) 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 and major individual enterprise 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, liabilities, etc.) for all funds 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.

Internal service funds and 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. Exceptions are charges between the general fund and the water enterprise fund. 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, other postemployment benefits obligations, and 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 *Federal Grant fund* is a special revenue fund used to account for all federal grant activity.

The non-major governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital project fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report 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 principle ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee dental program.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. 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, when applicable:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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 Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds 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 1st 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 1st, November 1st, February 1st and May 1st 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 on delinquent properties and are recorded as receivables in the year they are processed.

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

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town 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.

Water and Sewer Fees

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer fees and liens are recorded as receivables in the year of the levy.

Since the receivables are subject to 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 are recorded as receivables in the year earned. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

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 of the governmental funds and the water enterprise fund 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 and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, 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 greater than one year.

Capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets being depreciated are as follows:

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

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 has reported deferred outflows of resources related to pension and OPEB 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 has reported deferred inflows of resources related to pension and OPEB 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.

J. Unavailable revenue

Fund Financial Statements

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. 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.

L. 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”.

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

Net position is reported as restricted when amounts that 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:

“Loans” represents the Town’s Community Development loans receivable balances.

“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 trustee to authorize 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.

“Gifts and grants” represents amounts held for school and other Town grants, and for gift funds that have restrictions placed on assets from outside parties.

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.

“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.

“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.

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 Franklin Regional Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems 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. 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.

P. Investment Income

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

Q. Compensated Absences

Employees are granted vacation 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 leave is reported as a liability and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation leave, which will be liquidated with expendable available financial resources, is reported as an expenditure and fund liability.

R. 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.

S. Individual Fund Deficits

There are several individual deficits within the Special Revenue and Capital Projects funds. These deficits will be funded through grants, bond proceeds, and other available funds.

T. 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 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 (the 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 of Orange's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$5,848,225 and the bank balance totaled \$5,424,567. Of the bank balance, \$785,501 was covered by Federal Depository Insurance, \$2,220,723 was covered by Depositors Insurance Fund, \$2,066,500 was covered by Share Insurance Fund, \$137,260 was collateralized and \$214,583 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

| <u>Investment Type</u> | <u>Fair value</u> | <u>Maturities</u> | |
|---------------------------------------|-------------------|---------------------|------------------|
| | | <u>Under 1 Year</u> | <u>1-5 Years</u> |
| <u>Debt securities:</u> | | | |
| U.S. treasury bonds..... | \$ 221,352 | \$ 120,931 | \$ 100,421 |
| Government sponsored enterprises..... | 287,850 | - | 287,850 |
| Corporate bonds..... | 299,304 | 94,683 | 204,621 |
| Total debt securities..... | 808,506 | \$ 215,614 | \$ 592,892 |
| <u>Other investments:</u> | | | |
| Equity securities..... | 478,095 | | |
| Money market mutual funds..... | 28,576 | | |
| Total investments..... | \$ 1,315,177 | | |

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 an outside party. The Town's investments of \$221,352 in U.S. Treasury Bonds, \$287,850 in Governmental Sponsored Enterprises, \$299,304 in corporate bonds, and \$478,095 in equity securities all have custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty.

The Town does not have an investment policy for custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. At June 30, 2019, the Town’s investments were rated as follows by Moody’s Investor’s Services:

| Quality Rating | U.S. Treasury Bonds | Government Sponsored Enterprises | Corporate Bonds | Total |
|----------------|---------------------|----------------------------------|-------------------|-------------------|
| AAA..... | \$ 221,352 | \$ - | \$ - | \$ 221,352 |
| AA+..... | - | 287,850 | - | 287,850 |
| A+..... | - | - | 34,912 | 34,912 |
| A..... | - | - | 48,340 | 48,340 |
| A-..... | - | - | 96,570 | 96,570 |
| BBB+..... | - | - | 119,482 | 119,482 |
| Total..... | \$ <u>221,352</u> | \$ <u>287,850</u> | \$ <u>299,304</u> | \$ <u>808,506</u> |

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer.

Fair 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 measurements 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 measurement 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) |
| Investments measured at fair value: | | | | |
| <u>Debt securities:</u> | | | | |
| U.S. treasury bonds..... | \$ 221,352 | \$ 221,352 | \$ - | \$ - |
| Government sponsored enterprises..... | 287,850 | 287,850 | - | - |
| Corporate bonds..... | 299,304 | - | 299,304 | - |
| Total debt securities..... | 808,506 | 509,202 | 299,304 | - |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 478,095 | 478,095 | - | - |
| Money market mutual funds..... | 28,576 | 28,576 | - | - |
| Total other investments..... | 506,671 | 506,671 | - | - |
| Total investments measured at fair value..... | 1,315,177 | \$ 1,015,873 | \$ 299,304 | \$ - |
| Total investments..... | \$ 1,315,177 | | | |

U.S. government treasuries, government sponsored enterprises, money market mutual funds and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds 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.

NOTE 3 – RECEIVABLES

At June 30, 2019, receivables for the 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> | | | |
| Real estate and personal property taxes..... | \$ 219,057 | \$ (26,202) | \$ 192,855 |
| Tax liens..... | 1,235,406 | - | 1,235,406 |
| Motor vehicle and other excise taxes..... | 171,416 | (17,142) | 154,274 |
| Departmental and other..... | 611,224 | (113,704) | 497,520 |
| Intergovernmental..... | 1,623,471 | - | 1,623,471 |
| Special assessments..... | 20,644 | - | 20,644 |
| Loans..... | 148,227 | - | 148,227 |
| Total..... | \$ 4,029,445 | \$ (157,048) | \$ 3,872,397 |

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

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|-------------------------|-----------------|------------------------------------|---------------|
| <u>Receivables:</u> | | | |
| Water user charges..... | \$ 182,398 | \$ - | \$ 182,398 |
| Sewer user charges..... | 245,702 | - | 245,702 |
| | | | |
| Total..... | \$ 428,100 | \$ - | \$ 428,100 |

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 |
|--|-----------------|--------------------------------|--------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 135,114 | \$ - | \$ 135,114 |
| Tax liens..... | 1,235,406 | - | 1,235,406 |
| Motor vehicle and other excise taxes..... | 154,275 | - | 154,275 |
| Departmental and other..... | 492,812 | 4,709 | 497,521 |
| Intergovernmental..... | - | 283,283 | 283,283 |
| Intergovernmental - School Building Authority..... | - | 41,708 | 41,708 |
| Loans..... | - | 148,227 | 148,227 |
| Special assessments..... | 20,644 | - | 20,644 |
| Tax foreclosures..... | 192,850 | - | 192,850 |
| | | | |
| Total..... | \$ 2,231,101 | \$ 477,927 | \$ 2,709,028 |

NOTE 4 – CAPITAL ASSETS

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|----------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 2,253,056 | \$ - | \$ - | \$ 2,253,056 |
| Construction in progress..... | - | 1,551,630 | - | 1,551,630 |
| Total capital assets not being depreciated.... | <u>2,253,056</u> | <u>1,551,630</u> | <u>-</u> | <u>3,804,686</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings..... | 16,402,773 | - | - | 16,402,773 |
| Machinery and equipment..... | 5,928,140 | 557,304 | - | 6,485,444 |
| Infrastructure..... | 36,959,906 | - | - | 36,959,906 |
| Vehicles..... | 1,395,560 | 644,619 | - | 2,040,179 |
| Total capital assets being depreciated..... | <u>60,686,379</u> | <u>1,201,923</u> | <u>-</u> | <u>61,888,302</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (9,642,144) | (422,311) | - | (10,064,455) |
| Machinery and equipment..... | (4,866,234) | (170,306) | - | (5,036,540) |
| Infrastructure..... | (23,467,382) | (1,104,244) | - | (24,571,626) |
| Vehicles..... | (1,206,901) | (209,807) | - | (1,416,708) |
| Total accumulated depreciation..... | <u>(39,182,661)</u> | <u>(1,906,668)</u> | <u>-</u> | <u>(41,089,329)</u> |
| Total capital assets being depreciated, net..... | <u>21,503,718</u> | <u>(704,745)</u> | <u>-</u> | <u>20,798,973</u> |
| Total governmental activities capital assets, net..... | <u>\$ 23,756,774</u> | <u>\$ 846,885</u> | <u>\$ -</u> | <u>\$ 24,603,659</u> |
| | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Water: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 53,522 | \$ - | \$ - | \$ 53,522 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings..... | 331,167 | - | - | 331,167 |
| Machinery and equipment..... | 665,781 | - | - | 665,781 |
| Infrastructure..... | 8,551,731 | - | - | 8,551,731 |
| Vehicles..... | 173,941 | 52,262 | - | 226,203 |
| Total capital assets being depreciated..... | <u>9,722,620</u> | <u>52,262</u> | <u>-</u> | <u>9,774,882</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (136,328) | (4,561) | - | (140,889) |
| Machinery and equipment..... | (531,223) | (20,067) | - | (551,290) |
| Infrastructure..... | (3,221,628) | (124,755) | - | (3,346,383) |
| Vehicles..... | (124,131) | (20,401) | - | (144,532) |
| Total accumulated depreciation..... | <u>(4,013,310)</u> | <u>(169,784)</u> | <u>-</u> | <u>(4,183,094)</u> |
| Total capital assets being depreciated, net..... | <u>5,709,310</u> | <u>(117,522)</u> | <u>-</u> | <u>5,591,788</u> |
| Total water activities capital assets, net..... | <u>\$ 5,762,832</u> | <u>\$ (117,522)</u> | <u>\$ -</u> | <u>\$ 5,645,310</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------------|-------------|---------------------|
| Sewer: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 24,741 | \$ - | \$ - | \$ 24,741 |
| Construction in progress..... | - | 291,202 | - | 291,202 |
| Total capital assets not being depreciated.... | <u>24,741</u> | <u>291,202</u> | <u>-</u> | <u>315,943</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings..... | 1,364,311 | - | - | 1,364,311 |
| Machinery and equipment..... | 407,531 | - | - | 407,531 |
| Infrastructure..... | 3,507,115 | - | - | 3,507,115 |
| Vehicles..... | 75,367 | - | - | 75,367 |
| Total capital assets being depreciated..... | <u>5,354,324</u> | <u>-</u> | <u>-</u> | <u>5,354,324</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (1,425,678) | (9,813) | - | (1,435,491) |
| Machinery and equipment..... | (342,798) | (9,789) | - | (352,587) |
| Infrastructure..... | (1,183,362) | (73,175) | - | (1,256,537) |
| Vehicles..... | (75,367) | - | - | (75,367) |
| Total accumulated depreciation..... | <u>(3,027,205)</u> | <u>(92,777)</u> | <u>-</u> | <u>(3,119,982)</u> |
| Total capital assets being depreciated, net..... | <u>2,327,119</u> | <u>(92,777)</u> | <u>-</u> | <u>2,234,342</u> |
| Total sewer activities capital assets, net..... | <u>\$ 2,351,860</u> | <u>\$ 198,425</u> | <u>\$ -</u> | <u>\$ 2,550,285</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government..... | \$ 158,343 |
| Public safety..... | 276,344 |
| Education..... | 278,658 |
| Public works..... | 922,792 |
| Airport..... | 263,077 |
| Culture and recreation..... | <u>7,454</u> |
| Total depreciation expense - governmental activities..... | <u>\$ 1,906,668</u> |
| Business-Type Activities: | |
| Water..... | \$ 169,784 |
| Sewer..... | <u>92,777</u> |
| Total depreciation expense - business-type activities..... | <u>\$ 262,561</u> |

NOTE 5 – INTERFUND TRANSFERS

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

| Transfers Out: | Transfers In: | | |
|----------------------------------|---------------|-----------------------------|----------------|
| | General fund | Nonmajor governmental funds | Total |
| General fund..... | \$ - | \$ 470,115 | \$ 470,115 (1) |
| Nonmajor governmental funds..... | 226,982 | 7,886 | 234,868 (2) |
| Total..... | \$ 226,982 | \$ 478,001 | \$ 704,983 |

- (1) Represents amounts transferred out of the general fund to the Dexter school roof capital fund, to the Butterfield capital project fund, and to the Putnam Hall capital fund. As well as a transfer from general fund into a revolving special revenue fund.
- (2) Represent amounts transferred into the general fund from the Putnam Hall capital project fund, from the airport revolving fund, and the ambulance receipts reserved fund. As well as various transfers between special revenue funds.

NOTE 6 – CAPITAL LEASES

The Town has entered into a new lease agreement to finance the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, have been recorded at the present values of their future minimum lease payments as of the inception date. The following identifies the assets acquired through capital lease agreements:

| Asset: | Governmental Activities |
|-----------------------------------|-------------------------|
| Machinery and equipment..... | \$ 126,554 |
| Less: accumulated depreciation... | (12,655) |
| Total..... | \$ 113,899 |

The future minimum lease obligations and the net present values of these minimum lease payments at June 30, 2019, are as follows:

| Years ending June 30: | Governmental Activities |
|---|-------------------------|
| 2020..... | \$ 28,569 |
| 2021..... | 28,569 |
| 2022..... | 28,569 |
| 2023..... | 28,570 |
| Total minimum lease payments..... | 114,277 |
| Less: amounts representing interest..... | (13,933) |
| Present value of minimum lease payments... \$ | 100,344 |

NOTE 7 – 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, state aid, or tax anticipation notes (RANS, SANS 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 and the water enterprise fund, respectively.

Details related to the short-term debt activity for the year ended June 30, 2019, are as follows:

| Type | Purpose | Rate (%) | Due Date | Balance at June 30, 2018 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2019 |
|----------------------------------|--|----------|----------|--------------------------|-----------------|-------------------|--------------------------|
| Governmental Funds: | | | | | | | |
| BAN | School Roof..... | 1.30% | 07/20/18 | \$ 353,000 | \$ - | \$ (353,000) | \$ - |
| BAN | Emergency Borrowing..... | 1.30% | 07/20/18 | 150,000 | - | (150,000) | - |
| BAN | Butterfield Park Renovations..... | 1.30% | 07/20/18 | 85,000 | - | (85,000) | - |
| BAN | Police Station Renovations..... | 1.30% | 07/20/18 | 105,000 | - | (105,000) | - |
| BAN | Ambulance..... | 1.30% | 07/20/18 | 212,218 | - | (212,218) | - |
| BAN | Municipal Purposes..... | 1.24% | 07/20/18 | 171,200 | - | (171,200) | - |
| BAN | Emergency Borrowing..... | 2.34% | 07/19/19 | - | 70,707 | - | 70,707 |
| BAN | School Roof..... | 2.34% | 07/19/19 | - | 290,375 | - | 290,375 |
| BAN | Recreation Facility..... | 2.34% | 07/19/19 | - | 70,000 | - | 70,000 |
| BAN | Police Department Renovations..... | 2.34% | 07/19/19 | - | 90,000 | - | 90,000 |
| BAN | Ambulance..... | 2.34% | 07/19/19 | - | 141,468 | - | 141,468 |
| BAN | Town Clerk Records Storage..... | 2.34% | 07/19/19 | - | 2,700 | - | 2,700 |
| BAN | Highway Truck..... | 2.34% | 07/19/19 | - | 91,000 | - | 91,000 |
| BAN | Highway Dam Repair..... | 2.34% | 07/19/19 | - | 10,000 | - | 10,000 |
| BAN | Fire Department Protective Clothing..... | 2.34% | 07/19/19 | - | 9,000 | - | 9,000 |
| BAN | Fire Department Thermal Camera..... | 2.34% | 07/19/19 | - | 9,000 | - | 9,000 |
| BAN | Police Computer/Tech..... | 2.34% | 07/19/19 | - | 5,000 | - | 5,000 |
| BAN | Police Cruiser..... | 2.34% | 07/19/19 | - | 44,500 | - | 44,500 |
| SAN | School Feasibility Study..... | 2.00% | 07/19/19 | - | 50,000 | - | 50,000 |
| Total Governmental Funds..... | | | | \$ 1,076,418 | \$ 883,750 | \$ (1,076,418) | \$ 883,750 |
| Sewer Enterprise Fund: | | | | | | | |
| BAN | WWTP Sewer Main..... | 1.30% | 07/20/18 | \$ 155,000 | \$ - | \$ (155,000) | \$ - |
| BAN | Sewer Planning..... | 1.60% | 02/28/19 | 892,000 | - | (892,000) | - |
| BAN | WWTP Sewer Main..... | 2.34% | 07/19/19 | - | 130,000 | - | 130,000 |
| BAN | Sewer Planning..... | 2.55% | 02/28/20 | - | 892,000 | - | 892,000 |
| Total Sewer Enterprise Fund..... | | | | 1,047,000 | 1,022,000 | (1,047,000) | 1,022,000 |
| Total Enterprise Fund..... | | | | \$ 1,047,000 | \$ 1,022,000 | \$ (1,047,000) | \$ 1,022,000 |

For the BANS that came due on July 19, 2019, \$231,175 was paid down and the remaining \$782,575 was rolled into a new BAN with an interest rate of 2.04% and a maturity date of July 17, 2020. For the BAN that came due on February 28, 2020, \$892,000 was rolled into a new BAN with an interest rate of 1.50% and a maturity date of August 28, 2020.

NOTE 8 – 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 |
|-----------------------------------|--------------------|----------------------|-------------------|------------------------------|
| Fire Station Bond..... | 2048 | \$ 1,335,000 | 4.00 | \$ 1,170,542 |
| Energy Conservation Bond..... | 2031 | 952,300 | 4.00 | 734,629 |
| State House Note - Equipment..... | 2020 | 204,245 | 2.20 | 40,000 |
| Total Bonds Payable, net..... | | | | <u>\$ 1,945,171</u> |

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

| Year | Principal | Interest | Total |
|------------|---------------------|---------------------|---------------------|
| 2020..... | \$ 111,013 | \$ 77,087 | \$ 188,100 |
| 2021..... | 73,854 | 73,366 | 147,220 |
| 2022..... | 76,808 | 70,412 | 147,220 |
| 2023..... | 79,880 | 67,340 | 147,220 |
| 2024..... | 83,075 | 64,145 | 147,220 |
| 2025..... | 86,398 | 60,822 | 147,220 |
| 2026..... | 89,855 | 57,365 | 147,220 |
| 2027..... | 93,448 | 53,771 | 147,219 |
| 2028..... | 97,186 | 50,034 | 147,220 |
| 2029..... | 101,073 | 46,146 | 147,219 |
| 2030..... | 105,116 | 42,104 | 147,220 |
| 2031..... | 109,266 | 37,899 | 147,165 |
| 2032..... | 35,412 | 33,528 | 68,940 |
| 2033..... | 36,829 | 32,111 | 68,940 |
| 2034..... | 38,302 | 30,638 | 68,940 |
| 2035..... | 39,834 | 29,106 | 68,940 |
| 2036..... | 41,427 | 27,513 | 68,940 |
| 2037..... | 43,084 | 25,856 | 68,940 |
| 2038..... | 44,808 | 24,132 | 68,940 |
| 2039..... | 46,600 | 22,340 | 68,940 |
| 2040..... | 48,464 | 20,476 | 68,940 |
| 2041..... | 50,402 | 18,538 | 68,940 |
| 2042..... | 52,418 | 16,522 | 68,940 |
| 2043..... | 54,515 | 14,425 | 68,940 |
| 2044..... | 56,696 | 12,244 | 68,940 |
| 2045..... | 58,964 | 9,976 | 68,940 |
| 2046..... | 61,322 | 7,618 | 68,940 |
| 2047..... | 63,775 | 5,165 | 68,940 |
| 2048..... | 65,347 | 1,307 | 66,654 |
| Total..... | <u>\$ 1,945,171</u> | <u>\$ 1,031,986</u> | <u>\$ 2,977,157</u> |

Bonds Payable Schedule – Sewer Enterprise Fund

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2019 |
|--------------------------------------|-----------------------|----------------------------|-------------------------|------------------------------------|
| General Obligation Sewer Bond..... | 2048 | \$ 380,000 | 4.25 | \$ 282,560 |
| MCWT Wastewater Management Plan..... | 2033 | 350,000 | 2.00 | 260,321 |
| Total Bonds Payable, net..... | | | | \$ 542,881 |

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

| Year | Principal | Interest | Total |
|------------|------------|------------|------------|
| 2020..... | \$ 25,847 | \$ 17,054 | \$ 42,901 |
| 2021..... | 26,197 | 16,314 | 42,511 |
| 2022..... | 26,554 | 15,567 | 42,121 |
| 2023..... | 26,920 | 14,812 | 41,732 |
| 2024..... | 27,293 | 14,051 | 41,344 |
| 2025..... | 27,674 | 13,282 | 40,956 |
| 2026..... | 28,064 | 12,506 | 40,570 |
| 2027..... | 28,463 | 11,721 | 40,184 |
| 2028..... | 28,869 | 10,929 | 39,798 |
| 2029..... | 29,285 | 10,128 | 39,413 |
| 2030..... | 29,710 | 9,319 | 39,029 |
| 2031..... | 30,143 | 8,501 | 38,644 |
| 2032..... | 30,587 | 7,674 | 38,261 |
| 2033..... | 31,131 | 6,838 | 37,969 |
| 2034..... | 9,744 | 6,211 | 15,955 |
| 2035..... | 9,744 | 5,797 | 15,541 |
| 2036..... | 9,744 | 5,383 | 15,127 |
| 2037..... | 9,744 | 4,969 | 14,713 |
| 2038..... | 9,744 | 4,555 | 14,299 |
| 2039..... | 9,744 | 4,141 | 13,885 |
| 2040..... | 9,744 | 3,726 | 13,470 |
| 2041..... | 9,744 | 3,312 | 13,056 |
| 2042..... | 9,744 | 2,898 | 12,642 |
| 2043..... | 9,744 | 2,484 | 12,228 |
| 2044..... | 9,744 | 2,070 | 11,814 |
| 2045..... | 9,744 | 1,656 | 11,400 |
| 2046..... | 9,744 | 1,242 | 10,986 |
| 2047..... | 9,744 | 828 | 10,572 |
| 2048..... | 9,728 | 413 | 10,141 |
| Total..... | \$ 542,881 | \$ 218,381 | \$ 761,262 |

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for \$3,295 of principal and \$478 for interest costs. 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 the principal and interest subsidy totaled \$3,295 and \$478, respectively. During 2019 the Town made the final MCWT principal and interest 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 |
|--|----------------------|
| School Building Feasibility..... | \$ 825,000 |
| North Main Street, Transportation Improvement Program..... | 750,000 |
| Fire Station Structural Repairs..... | 100,000 |
| Wastewater Aeration Blower..... | 200,000 |
| Upgrade Wastewater Plant..... | 15,981,000 |
| FY20 Capital Plan..... | 473,229 |
| Ambulance..... | 295,000 |
| Total..... | \$ 18,624,229 |

Changes in Long-term Liabilities

During the year ended 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 |
|---|-------------------|------------------------|--------------------------|-----------------|-----------------|----------------|---------------------|
| Governmental Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 2,119,866 | \$ - | \$ (174,695) | \$ - | \$ - | \$ 1,945,171 | \$ 111,013 |
| Capital lease obligations..... | - | - | - | 126,554 | (26,210) | 100,344 | 23,139 |
| Compensated absences..... | 78,879 | - | - | 73,868 | (69,319) | 83,428 | 79,599 |
| Net pension liability..... | 6,079,109 | - | - | 8,282,295 | (6,463,933) | 7,897,471 | - |
| Other postemployment benefits..... | 24,020,304 | - | - | 1,198,488 | (257,367) | 24,961,425 | - |
| Total governmental activity long-term liabilities..... | \$ 32,298,158 | \$ - | \$ (174,695) | \$ 9,681,205 | \$ (6,816,829) | \$ 34,987,839 | \$ 213,751 |
| Business-Type Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 591,086 | \$ - | \$ (48,205) | \$ - | \$ - | \$ 542,881 | \$ 25,847 |
| Compensated absences..... | 4,979 | - | - | 16,512 | (4,979) | 16,512 | 16,512 |
| Net pension liability..... | 612,970 | - | - | 835,121 | (651,772) | 796,319 | - |
| Other postemployment benefits..... | 1,264,226 | - | - | 63,079 | (13,546) | 1,313,759 | - |
| Total business-type activity long-term liabilities..... | \$ 2,473,261 | \$ - | \$ (48,205) | \$ 914,712 | \$ (670,297) | \$ 2,669,471 | \$ 42,359 |

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its year 2011 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town’s financial statements. The reporting standard establishes a hierarchy for fund balance classification and the constraints imposed on the uses of those resources.

Massachusetts General Law Ch. 40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. The specification and any alteration of purpose, and any appropriation of funds from any such fund, shall be approved by a two-thirds vote. At year end the balance of the General Stabilization Fund is \$586,393 and is reported as unassigned fund balance within the General Fund.

GASB Statement No. 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 Statement No. 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.

The Town has classified its governmental fund balances with the following hierarchy.

| | General | Federal Grants | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|-----------|----------------|-----------------------------|--------------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund principal..... \$ | - | - | 596,346 | \$ 596,346 |
| Restricted for: | | | | |
| Federal Grants..... | - | 58,144 | - | 58,144 |
| Other special revenue funds..... | - | - | 954,097 | 954,097 |
| Revolving funds..... | - | - | 135,415 | 135,415 |
| Receipts reserved funds..... | - | - | 210,836 | 210,836 |
| Highway..... | - | - | 360,092 | 360,092 |
| Permanent fund..... | - | - | 321,316 | 321,316 |
| Assigned to: | | | | |
| Encumbrances: | | | | |
| General government..... | 98,562 | - | - | 98,562 |
| Public safety..... | 39,402 | - | - | 39,402 |
| Education..... | 5,357 | - | - | 5,357 |
| Public works..... | 9,466 | - | - | 9,466 |
| Airport..... | 39,264 | - | - | 39,264 |
| Culture and recreation..... | 178 | - | - | 178 |
| Employee benefits..... | 16,749 | - | - | 16,749 |
| Unassigned..... | 1,904,092 | (63,557) | (971,258) | 869,277 |
| Total Fund Balances..... \$ | 2,113,070 | \$ (5,413) | \$ 1,606,844 | \$ 3,714,501 |

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 amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town was self-insured for its health insurance activities until converting to a premium-based plan beginning April 1, 2010. The Town continues to self-insure its dental benefits. Dental insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Dental Insurance

The estimate of Incurred But Not Reported (IBNR) claims is based on an estimate of claims incurred but unpaid at year end. At June 30, 2019, the amount of the liability for dental claims totaled \$8,268. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2018 are as follows:

| | Balance at Beginning of Year | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Year-End |
|-----------|------------------------------------|--|--------------------|------------------------|
| 2018..... | \$ 9,190 | \$ 110,950 | \$ (111,278) | \$ 8,862 |
| 2019..... | 8,862 | 89,852 | (90,446) | 8,268 |

NOTE 11 – PENSION PLAN

Plan Descriptions

The Town is a member of the Franklin Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 39 member units. The System 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 teacher 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-andreports/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, 2019. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$1,254,623 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth’s collective net pension liability associated with the Town is \$12,380,879 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 the 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 become 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 year of creditable service. There were no changes in benefit terms that affected the measurement of the total pension liability at December 31, 2018.

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 FRRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended June 30, 2019, which was \$922,264 and 22.39% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs 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 \$8,693,790 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 14.17% which decreased from its proportion measured at December 31, 2017 of 14.64%.

Pension Expense

For the year ended June 30, 2019, the Town recognized pension expense of \$1,578,085. At June 30, 2019, the Town reported deferred outflows of resources and inflows of resources related to pensions of \$1,870,506 and \$423,040, 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..... | \$ 153,831 | \$ (7,031) | \$ 146,800 |
| Difference between projected and actual earnings, net..... | 1,262,320 | - | 1,262,320 |
| Changes in assumptions..... | 289,953 | - | 289,953 |
| Changes in proportion and proportionate share of contributions... | 164,402 | (416,009) | (251,607) |
| Total deferred outflows/(inflows) of resources..... | \$ 1,870,506 | \$ (423,040) | \$ 1,447,466 |

The deferred outflows/(inflows) of resources related to pension will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|--------------|
| 2019..... | \$ 651,979 |
| 2020..... | 196,200 |
| 2021..... | 161,439 |
| 2022..... | 437,848 |
| Total..... | \$ 1,447,466 |

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 date that was updated to December 31, 2018:

- Valuation date..... January 1, 2018
- Actuarial cost method..... Entry Age Normal.
- Amortization method - UAAL..... Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2034. The annual increase in appropriation is further limited to 5.75%.
- Amortization method - 2002 & 2003, ERI Actuarial Liability..... Level dollar amount to reduce the 2002 and 2003 ERI Actuarial Accrued Liability to zero on or before June 30, 2019, and June 30, 2020, respectively.
- Asset valuation method..... The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:
 - a) 75% of gains and losses of the prior year,
 - b) 50% of gains and losses of the second prior year and
 - c) 25% of gains and losses of the third prior year.
 Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.

| | |
|--------------------------------|--|
| Inflation rate..... | 3% per year. |
| Salary increases..... | Group 1: 6% to 4.25% based on service. Group 4: 4.75% based on service. |
| Payroll growth..... | 4% per year |
| Investment rate of return..... | 7.75%, net of pension plan investment expense, including inflation. |
| Mortality Rates..... | Based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB. |

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan 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 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 weighing 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 are summarized in the table as follows:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|---------------------------|--|---|
| PRIT Core..... | 45.00% | 5.10% |
| Domestic Equity..... | 27.00% | 5.40% |
| International Equity..... | 5.00% | 5.00% |
| Real estate..... | 10.00% | 7.00% |
| Fixed Income..... | 13.00% | 2.40% |
| Total..... | 100.00% | |

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 -4.05%. 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 7.75%. 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 rate. 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 pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of (7.75%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| | 1% Decrease (6.75%) | Current Discount (7.75%) | 1% Increase (8.75%) |
|---|------------------------|--------------------------------|------------------------|
| The Town's proportionate share of the net pension liability..... | \$ 11,822,566 | \$ 8,693,790 | \$ 6,044,921 |

Changes in Assumptions – None.

Changes in Plan Provisions – None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Orange administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental, and life 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.

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 75% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25% of their premium costs.

Total OPEB Liability – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. At June 30, 2019, the Town’s total OPEB liability of \$26.3 million was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2019:

| | |
|---|-------------------|
| Active members..... | 160 |
| Inactive employees or beneficiaries currently receiving benefits..... | <u>149</u> |
| Total..... | <u><u>309</u></u> |

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2017 actuarial valuation was determined by 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 #75.

| | |
|--------------------------------------|--|
| Valuation date..... | July 1, 2017 |
| Actuarial cost method..... | Individual Entry Age Normal. |
| Investment rate of return..... | 6.50%, net of OPEB plan investment expense, including inflation. |
| Municipal Bond rate..... | 3.45% as of June 30, 2018 (Source: S&P Municipal Bond 20-Year High Grade Index- SAPIHG) |
| Single Equivalent Discount rate..... | 3.50%, net of OPEB plan investment expense, including inflation. |
| Inflation rate..... | 2.75% as of June 30, 2018 and for future periods. |
| Salary increases..... | 3.00% annually as of June 30, 2017 and for future periods. |
| 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. |

Discount rate – The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2019, which was based on the 20 year municipal bond index for a pay-as-you-go plan.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|---------------------------------|
| Balance at June 30, 2018..... | \$ 25,284,530 |
| Changes for the year: | |
| Service cost..... | 835,653 |
| Interest..... | 901,260 |
| Changes of benefit terms..... | - |
| Differences between expected and actual experience..... | - |
| Changes in assumptions and other inputs..... | - |
| Benefit payments..... | <u>(746,259)</u> |
| Net change..... | <u>990,654</u> |
| Balance at June 30, 2019..... | <u>\$ 26,275,184</u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following table presents the total other postemployment benefit liability, calculated using the discount rate of 3.50%, as well as what the total other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate.

| | 1% Decrease (2.50%) | Current Discount Rate (3.50%) | 1% Increase (4.50%) |
|------------------------|------------------------|-------------------------------------|------------------------|
| OPEB liability..... \$ | 31,011,392 | 26,275,184 | 22,550,978 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the total other postemployment benefit liability, calculated using the current healthcare trend rate of 5.00%, as well as what the total 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 |
|------------------------|-------------|---------------|-------------|
| OPEB liability..... \$ | 20,652,650 | 26,275,184 | 33,564,679 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$271,000. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|--|--------------------------------------|-------------------------------------|-------------|
| Differences between expected and actual experience..... \$ | - | (4,637,366) | (4,637,366) |
| Changes in assumptions..... | 802,206 | - | 802,206 |
| Total deferred outflows/(inflows) of resources..... \$ | 802,206 | (4,637,366) | (3,835,160) |

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

| Measurement date year ended June 30: | |
|--------------------------------------|----------------|
| 2020..... | \$ (767,032) |
| 2021..... | (767,032) |
| 2022..... | (767,032) |
| 2023..... | (767,032) |
| 2024..... | (767,032) |
| Total..... | \$ (3,835,160) |

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 13 – COMMITMENTS

The Town is currently committed to the following projects:

| Purpose | Amount |
|--|-----------------------------|
| School Building Feasibility..... | \$ 825,000 |
| North Main Street, Transportation Improvement Program..... | 750,000 |
| Fire Station Structural Repairs..... | 100,000 |
| Wastewater Aeration Blower..... | 200,000 |
| Upgrade Wastewater Plant..... | 15,981,000 |
| FY20 Capital Plan..... | 473,229 |
| Ambulance..... | 295,000 |
| Total..... | \$ <u>18,624,229</u> |

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 March 19, 2020, which is the date the financial statements were available to be issued.

NOTE 16 – 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.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2021.

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

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Required Supplementary Information

General Fund Budgetary Comparison 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.

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 |
|---|---------------------|-------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 11,225,516 | \$ 11,225,516 | \$ 10,926,827 | \$ - | (298,689) |
| Tax liens..... | - | - | 126,831 | - | 126,831 |
| Motor vehicle and other excise taxes..... | 765,000 | 765,000 | 872,895 | - | 107,895 |
| Charges for services..... | 129,000 | 129,000 | 121,395 | - | (7,605) |
| Penalties and interest on taxes..... | 198,000 | 198,000 | 140,155 | - | (57,845) |
| Payments in lieu of taxes..... | 15,000 | 15,000 | 15,790 | - | 790 |
| Intergovernmental..... | 7,094,729 | 7,094,729 | 7,176,129 | - | 81,400 |
| Departmental and other..... | 1,029,000 | 1,029,000 | 985,760 | - | (43,240) |
| Investment income..... | 11,000 | 11,000 | 20,605 | - | 9,605 |
| Miscellaneous..... | 12,500 | 12,500 | 95,402 | - | 82,902 |
| TOTAL REVENUES..... | 20,479,745 | 20,479,745 | 20,481,789 | - | 2,044 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | 908,361 | 1,204,069 | 920,092 | 98,562 | 185,415 |
| Public safety..... | 2,429,131 | 2,534,327 | 2,480,251 | 39,402 | 14,674 |
| Education..... | 11,378,162 | 11,382,260 | 11,369,886 | 5,357 | 7,017 |
| Public works..... | 1,139,303 | 1,371,278 | 1,337,386 | 9,466 | 24,426 |
| Airport..... | 198,988 | 216,709 | 176,759 | 39,264 | 686 |
| Health and human services..... | 241,196 | 241,196 | 220,514 | - | 20,682 |
| Culture and recreation..... | 340,285 | 353,838 | 344,701 | 178 | 8,959 |
| Pension benefits..... | 922,264 | 922,264 | 922,264 | - | - |
| Employee benefits..... | 2,529,815 | 2,339,626 | 2,217,094 | 16,749 | 105,783 |
| State and county charges..... | 591,074 | 591,074 | 581,400 | - | 9,674 |
| Debt service: | | | | | |
| Principal..... | 174,695 | 174,695 | 174,695 | - | - |
| Interest..... | 100,741 | 100,741 | 34,672 | - | 66,069 |
| TOTAL EXPENDITURES..... | 20,954,015 | 21,432,077 | 20,779,714 | 208,978 | 443,385 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (474,270) | (952,332) | (297,925) | (208,978) | 445,429 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in..... | - | 463,370 | 463,370 | - | - |
| Transfers out..... | - | (493,021) | (493,021) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | - | (29,651) | (29,651) | - | - |
| NET CHANGE IN FUND BALANCE..... | (474,270) | (981,983) | (327,576) | (208,978) | 445,429 |
| BUDGETARY FUND BALANCE, Beginning of year..... | 1,789,346 | 1,789,346 | 1,789,346 | - | - |
| BUDGETARY FUND BALANCE, End of year..... | \$ 1,315,076 | \$ 807,363 | \$ 1,461,770 | \$ (208,978) | \$ 445,429 |

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 PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FRANKLIN REGIONAL RETIREMENT SYSTEM**

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Net pension liability as a percentage of Covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2018..... | 14.17% | \$ 8,693,790 | \$ 4,038,150 | 215.29% | 68.98% |
| December 31, 2017..... | 14.64% | 6,692,078 | 4,069,644 | 164.44% | 75.89% |
| December 31, 2016..... | 15.24% | 8,007,780 | 3,873,126 | 206.75% | 70.75% |
| December 31, 2015..... | 16.04% | 7,474,423 | 4,111,318 | 181.80% | 71.73% |
| December 31, 2014..... | 12.97% | 4,868,195 | 4,001,848 | 121.65% | 75.98% |

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 CONTRIBUTIONS
FRANKLIN REGIONAL RETIREMENT SYSTEM

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of Covered payroll |
|--------------------|---|--|--|--------------------|---|
| June 30, 2018..... | \$ 922,264 | \$ (922,264) | - | \$ 4,118,913 | 22.39% |
| June 30, 2017..... | 902,626 | (902,626) | - | 4,151,037 | 21.74% |
| June 30, 2016..... | 895,582 | (895,582) | - | 3,950,589 | 22.67% |
| June 30, 2015..... | 905,685 | (905,685) | - | 4,193,544 | 21.60% |
| June 30, 2014..... | 740,049 | (740,049) | - | 4,081,885 | 18.13% |

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

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..... | \$ 12,380,879 | \$ 1,254,623 | 54.84% |
| 2018..... | 12,509,047 | 1,305,606 | 54.25% |
| 2017..... | 12,443,456 | 1,269,314 | 52.73% |
| 2016..... | 10,945,084 | 887,744 | 55.38% |
| 2015..... | 9,012,647 | 626,152 | 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 Benefits Plan Schedules

The Schedule of Changes in the Town's Total Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability.

The Schedule of the Town's Contributions presents, over time, the ratio of the actual annual employer contribution to the annual required contribution.

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 CHANGES IN THE
OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| | June 30, 2018 | June 30, 2019 |
|---|------------------|------------------|
| Total OPEB Liability | | |
| Service Cost..... | \$ 781,865 | \$ 835,653 |
| Interest..... | 1,189,271 | 901,260 |
| Changes of benefit terms..... | (3,175,698) | - |
| Differences between expected and actual experience..... | (7,688,266) | - |
| Changes of assumptions..... | 1,329,972 | - |
| Benefit payments..... | (693,903) | (746,259) |
| Net change in total OPEB liability..... | (8,256,759) | 990,654 |
| Total OPEB liability - beginning..... | 33,541,289 | 25,284,530 |
| Total OPEB liability - ending (a)..... | \$ 25,284,530 | \$ 26,275,184 |
| Covered payroll..... | \$ 9,545,603 | \$ 9,831,971 |
| OPEB liability as a percentage of covered payroll..... | 265% | 267% |

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 CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

| <u>Year</u> | <u>Actuarially determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered payroll</u> | <u>Contributions as a percentage of Covered payroll</u> |
|--------------------|--|---|---|----------------------------|---|
| June 30, 2019..... | \$ 1,736,913 | \$ (746,259) | \$ 990,654 | \$ 9,545,603 | 7.82% |
| June 30, 2018..... | 1,971,136 | (693,903) | 1,277,233 | 9,545,603 | 7.27% |

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 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to 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 Special Town Meeting approval via a special article.

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 two-thirds majority vote of the Board of Selectmen and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original year 2019 approved budget authorized approximately \$22.1 million in appropriations and other amounts to be raised.

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

B. 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..... | \$ | (327,576) |
| <u>Perspective differences:</u> | | |
| Activity of the stabilization fund recorded in the general fund for GAAP..... | | 330,050 |
| <u>Basis of accounting differences:</u> | | |
| Net change in recording 60 day receipts..... | | (18,524) |
| Net change in recording accrued expenses..... | | 2,341 |
| Recognition of revenue for on-behalf payments..... | | 1,254,623 |
| Recognition of expenditures for on-behalf payments..... | | <u>(1,254,623)</u> |
| Net change in fund balance - GAAP basis..... | \$ | <u>(13,709)</u> |

NOTE B – PENSION PLANSchedule 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.

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.

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 revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions

None.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit PlanThe Schedule of Changes in the Town's Total Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Total 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 total other postemployment benefit liability as a percentage of covered payroll.

Schedule of the Town’s Contributions

The Schedule of the Town’s Contribution includes the Town’s actuarially determined contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of the covered payroll. Actuarial contribution rates are calculated as of June 30, 2019. Methods and assumptions used to determine contribution rates are as follows:

| | |
|--------------------------------------|--|
| Valuation date..... | July 1, 2017 |
| Actuarial cost method..... | Individual Entry Age Normal. |
| Investment rate of return..... | 6.50%, net of OPEB plan investment expense, including inflation. |
| Municipal Bond rate..... | 3.45% as of June 30, 2018 (Source: S&P Municipal Bond 20-Year High Grade Index- SAPIHG) |
| Single Equivalent Discount rate..... | 3.50%, net of OPEB plan investment expense, including inflation. |
| Inflation rate..... | 2.75% as of June 30, 2018 and for future periods. |
| Salary increases..... | 3.00% annually as of June 30, 2017 and for future periods. |
| 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. |

Changes in Assumptions

None.

Changes in Provisions

None.