

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**TOWN OF BLACKSTONE,
MASSACHUSETTS**

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2019

Report on Internal Control
Over Financial Reporting and
on Compliance and Other Matters
Year Ended June 30, 2019



TOWN OF BLACKSTONE, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Blackstone, Massachusetts

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 Blackstone, Massachusetts, (the "Town") 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity 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 schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not 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 a report dated December 27, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Blackstone, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$30.3 million (*total net position*) at June 30, 2019. This represents an increase of approximately \$0.6 million from the prior year. The Town's net position in its governmental activities increased over \$224,000 while its net position in its business-type activities increased nearly \$372,000.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$13.9 million, which is approximately \$1.1 million greater than the prior year. The Town reported a positive change in fund balance in its general and capital investment funds of approximately \$636,000 and \$522,000, respectively. These positive changes were offset by an approximate \$91,000 decrease in fund balance in the nonmajor governmental funds.
- Of the ending fund balance in the Town's governmental funds, approximately \$4.8 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was approximately 25% of the total general fund expenditures and the total general fund balance was approximately 39% of the total general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities decreased by over \$1.0 million in 2019. The Town's total long-term debt was approximately \$6.6 million at June 30, 2019.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, 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 of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*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 of the Town include general government, public safety, highways and streets, sanitation, education through a regional district, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its water and sewer operations.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- Nonspendable—amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing

so, readers may better understand the long-term impact of the government's near-term financing decisions.

Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital investment fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes to the financial statements.

Proprietary Funds. *Proprietary funds* are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise 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 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 proprietary funds.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund.

Government-Wide Financial Analysis

The following table presents the condensed comparative statements of net position:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Assets:						
Current and other assets	\$ 16,483,125	\$ 15,776,442	\$ 2,597,346	\$ 2,593,178	\$ 19,080,471	\$ 18,369,620
Capital assets, net	<u>18,348,250</u>	<u>18,422,606</u>	<u>16,132,412</u>	<u>16,548,783</u>	<u>34,480,662</u>	<u>34,971,389</u>
Total Assets	<u>34,831,375</u>	<u>34,199,048</u>	<u>18,729,758</u>	<u>19,141,961</u>	<u>53,561,133</u>	<u>53,341,009</u>
Deferred Outflows of Resources	<u>2,083,736</u>	<u>1,624,592</u>	<u>181,194</u>	<u>141,269</u>	<u>2,264,930</u>	<u>1,765,861</u>
Liabilities:						
Long-term liabilities	15,070,565	14,301,610	6,391,119	7,949,037	21,461,684	22,250,647
Other liabilities	<u>1,461,397</u>	<u>1,184,909</u>	<u>1,106,740</u>	<u>277,560</u>	<u>2,568,137</u>	<u>1,462,469</u>
Total Liabilities	<u>16,531,962</u>	<u>15,486,519</u>	<u>7,497,859</u>	<u>8,226,597</u>	<u>24,029,821</u>	<u>23,713,116</u>
Deferred Inflows of Resources	<u>1,391,553</u>	<u>1,569,632</u>	<u>121,004</u>	<u>136,490</u>	<u>1,512,557</u>	<u>1,706,122</u>
Net Position:						
Net investment in capital assets	17,474,039	17,427,396	10,203,472	9,756,709	27,677,511	27,184,105
Restricted	3,546,919	1,871,883	-	-	3,546,919	1,871,883
Unrestricted	<u>(2,029,362)</u>	<u>(531,790)</u>	<u>1,088,617</u>	<u>1,163,434</u>	<u>(940,745)</u>	<u>631,644</u>
Total Net Position	<u>\$ 18,991,596</u>	<u>\$ 18,767,489</u>	<u>\$ 11,292,089</u>	<u>\$ 10,920,143</u>	<u>\$ 30,283,685</u>	<u>\$ 29,687,632</u>

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$30.3 million (*total net position*). The Town continues to report a deficit in its unrestricted net position in its governmental activities. Included in this deficit is approximately \$14.1 million and \$12.9 million of net pension and other postemployment liabilities at June 30, 2019 and 2018, respectively. These non-cash personnel benefit liabilities are the primary contributors to these reported deficits.

The largest portion (approximately \$27.7 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$3.5 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance (a deficit of approximately \$0.9 million) is referred to as *unrestricted net position* and may be used to meet the government's ongoing obligations to citizens and creditors.

The following table presents the condensed comparative statements of activities are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,291,087	\$ 1,250,493	\$ 2,006,240	\$ 1,982,256	\$ 3,297,327	\$ 3,232,749
Operating grants and contributions	512,509	397,835	-	-	512,509	397,835
Capital grants and contributions	31,723	343,487	-	-	31,723	343,487
General revenues:						
Property taxes	18,307,771	17,806,740	-	-	18,307,771	17,806,740
Excise taxes	1,350,405	1,354,663	-	-	1,350,405	1,354,663
Intergovernmental	1,415,233	1,367,375	-	-	1,415,233	1,367,375
Other	479,767	53,147	-	-	479,767	53,147
Total Revenues	23,388,495	22,573,740	2,006,240	1,982,256	25,394,735	24,555,996
Expenses:						
General government	2,551,808	2,358,839	-	-	2,551,808	2,358,839
Public safety	4,809,242	4,334,887	-	-	4,809,242	4,334,887
Education	10,558,551	10,128,867	-	-	10,558,551	10,128,867
Public works	2,617,635	2,540,601	-	-	2,617,635	2,540,601
Health and human services	625,965	586,748	-	-	625,965	586,748
Culture and recreation	1,042,740	977,481	-	-	1,042,740	977,481
Interest expense	42,817	46,504	-	-	42,817	46,504
Sewer and water services	-	-	2,549,924	2,746,099	2,549,924	2,746,099
Total Expenses	22,248,758	20,973,927	2,549,924	2,746,099	24,798,682	23,720,026
Change in Net Position Before Transfers	1,139,737	1,599,813	(543,684)	(763,843)	596,053	835,970
Transfers	(915,630)	(987,859)	915,630	987,859	-	-
Change in Net Position	224,107	611,954	371,946	224,016	596,053	835,970
Net Position:						
Beginning of year	18,767,489	18,155,535	10,920,143	10,696,127	29,687,632	28,851,662
End of year	\$ 18,991,596	\$ 18,767,489	\$ 11,292,089	\$ 10,920,143	\$ 30,283,685	\$ 29,687,632

Governmental Activities. During fiscal year 2019, Town property taxes (which include PILOT revenues) comprised approximately 78% of total revenues, which is consistent with prior year. In terms of actual dollars, the Town's property taxes increased over \$501,000, or approximately 2.8%, from the prior year. The increase was consistent with the normal growth under Proposition 2 ½ plus new growth. No other revenues were greater than 10% of total revenues in fiscal years 2019 or 2018.

The Town's largest expense category is education, which the Town continues to devote substantial resources towards. Education expenses totaled approximately 48% of total annual expenditures in both fiscal year 2019 and 2018. In terms of gross dollars, education expenses increased nearly \$430,000 in fiscal year 2019, which reflected the increase in the Town's assessment for its regional school district. Public safety, public works and general government expenses represented approximately 22%, 12% and 11% of total annual expenditures in fiscal year 2019; these ratios were consistent with the prior year.

Business-Type Activities. User charges represent the majority of the reported revenues in both fiscal years 2019 and 2018. Business-type revenues were consistent year-over-year, while expenses decreased approximately \$196,000.

Governmental Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$13.9 million, which is an approximate \$1.1 million increase from the prior year. The Town reported a positive change in fund balance in its general and capital investment funds of approximately \$636,000 and \$522,000, respectively. These positive changes were offset by an approximate \$91,000 decrease in fund balance in the nonmajor governmental funds. Of the ending fund balance, approximately \$4.8 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was approximately \$5.3 million, while total fund balance was nearly \$8.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 25% of total general fund expenditures, while total fund balance represents approximately 39% of that same amount.

The Town's capital investment fund is restricted for debt service purposes. Its primary source of funding is the transfer of PILOT monies received from the Town's agreement with ANP Blackstone Energy Company LLC, a power generator. At June 30, 2019, the capital investment fund has a fund balance of approximately \$4.6 million. The release of funds from the capital investment fund requires the affirmative vote of two-thirds by the local legislative body at either the Annual Town Meeting or at a Special Town Meeting.

The Town reports approximately \$1.0 million as restricted in the nonmajor governmental funds due to constraints placed externally by third-parties. This amount is offset by deficit fund balances in the Town's capital project funds of approximately \$0.5 million, which is reported as a deficit in the unassigned fund balance of the nonmajor governmental funds. This deficit was principally due to capital repairs made to the Town Hall roof, which the Town expects to fund through available revenues, grant funds or bond proceeds in future fiscal years.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, the net position of the sewer and water enterprise funds were approximately \$11.3 million in the aggregate.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2019, the Town's investment in capital assets for its governmental and business-type activities approximated \$18.3 million and \$16.1 million, respectively. Governmental and business-type net fixed assets decreased by nearly \$0.5 million in the aggregate as depreciation expense exceeded capital additions in fiscal year 2019.

Additional information on the Town capital assets can be found in the notes to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of approximately \$6.6 million. The Town's total long-term bonded debt decreased by approximately \$1.0 million during the current fiscal year due to scheduled debt payments.

The Town's bond rating of "AA+" was set by Standard and Poor's Financial Services LLC in July 2015 and the Town continues to maintain this rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the Town is approximately \$49.3 million, which significantly exceeds the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The Town's real estate tax base is made up predominantly of residential taxes, which in 2019 represented approximately 81% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year's tax levy. The Town typically taxes at or near its levy limit annually.
- The Town continues to experience modest new growth in its property tax base.
- The Town anticipates state aid for 2020 to increase to approximately \$1,744,000.
- The Massachusetts Department of Revenue certified the Town's fiscal year 2020 free cash in September 2019. The Town has approximately \$1,394,000 and \$770,000, respectively, in free cash available to its general fund and enterprise funds.

Each of these factors were considered in preparing the Town's budget for the 2020 fiscal year, which was adopted at Town Meeting in May 2019. The Town set its fiscal year 2020 property tax rate on November 22, 2019.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, 15 Saint Paul Street, Blackstone, MA 01504.

TOWN OF BLACKSTONE, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 8,204,307	\$ 1,969,652	\$ 10,173,959
Investments	6,634,432	-	6,634,432
Receivables, net of allowances:			
Property taxes	1,057,586	-	1,057,586
Excise taxes	198,450	-	198,450
Departmental, user charges and other	257,500	627,694	885,194
Intergovernmental	130,850	-	130,850
Land	4,052,592	152,506	4,205,098
Depreciable capital assets, net	<u>14,295,658</u>	<u>15,979,906</u>	<u>30,275,564</u>
Total Assets	<u>34,831,375</u>	<u>18,729,758</u>	<u>53,561,133</u>
Deferred Outflows of Resources:			
Other postemployment benefits	442,611	38,488	481,099
Pensions	<u>1,641,125</u>	<u>142,706</u>	<u>1,783,831</u>
Total Deferred Outflows of Resources	<u>2,083,736</u>	<u>181,194</u>	<u>2,264,930</u>
Liabilities:			
Warrants payable and accrued expenses	605,660	169,546	775,206
Accrued interest	15,102	104,750	119,852
Bond anticipation note payable	500,000	-	500,000
Noncurrent liabilities:			
Due within one year	340,635	832,444	1,173,079
Due in more than one year	<u>15,070,565</u>	<u>6,391,119</u>	<u>21,461,684</u>
Total Liabilities	<u>16,531,962</u>	<u>7,497,859</u>	<u>24,029,821</u>
Deferred Inflows of Resources:			
Other postemployment benefits	487,314	42,375	529,689
Pensions	<u>904,239</u>	<u>78,629</u>	<u>982,868</u>
Total Deferred Inflows of Resources	<u>1,391,553</u>	<u>121,004</u>	<u>1,512,557</u>
Net Position:			
Net investment in capital assets	17,474,039	10,203,472	27,677,511
Restricted for:			
Federal and state grants	200,180	-	200,180
Gifts and donations	192,668	-	192,668
Revolving funds	1,066,699	-	1,066,699
Other purposes	2,087,372	-	2,087,372
Unrestricted	<u>(2,029,362)</u>	<u>1,088,617</u>	<u>(940,745)</u>
Total Net Position	<u>\$ 18,991,596</u>	<u>\$ 11,292,089</u>	<u>\$ 30,283,685</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,551,808	\$ 574,888	\$ 47,267	\$ -	\$ (1,929,653)		\$ (1,929,653)
Public safety	4,809,242	486,038	47,489	31,723	(4,243,992)		(4,243,992)
Education	10,558,551	30,403	156,507	-	(10,371,641)		(10,371,641)
Public works	2,617,635	148,913	81,528	-	(2,387,194)		(2,387,194)
Health and human services	625,965	48,663	137,959	-	(439,343)		(439,343)
Culture and recreation	1,042,740	2,182	41,759	-	(998,799)		(998,799)
Interest expense	42,817	-	-	-	(42,817)		(42,817)
Total Governmental Activities	22,248,758	1,291,087	512,509	31,723	(20,413,439)		(20,413,439)
Business-Type Activities:							
Sewer	1,382,605	849,455	-	-		\$ (533,150)	(533,150)
Water	1,167,319	1,156,785	-	-		(10,534)	(10,534)
Total Business-Type Activities	2,549,924	2,006,240	-	-		(543,684)	(543,684)
Total Primary Government	\$ 24,798,682	\$ 3,297,327	\$ 512,509	\$ 31,723		(543,684)	(20,957,123)
General Revenues:							
Property taxes					18,307,771	-	18,307,771
Motor vehicle and other excise taxes					1,350,405	-	1,350,405
Grants and contributions not restricted to to specific programs					1,415,233	-	1,415,233
Penalties and interest on taxes					154,893	-	154,893
Unrestricted investment income					324,874	-	324,874
Transfers, net					(915,630)	915,630	-
Total General Revenues and Transfers					20,637,546	915,630	21,553,176
Change in Net Position					224,107	371,946	596,053
Net Position:							
Beginning of year					18,767,489	10,920,143	29,687,632
End of year					<u>\$ 18,991,596</u>	<u>\$ 11,292,089</u>	<u>\$ 30,283,685</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Capital Investment Fund	Nonmajor Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 5,849,015	\$ 809,653	\$ 1,545,639	\$ 8,204,307
Investments	2,888,501	3,745,931	-	6,634,432
Receivables, net of allowances:				
Property taxes	1,057,586	-	-	1,057,586
Excise taxes	198,450	-	-	198,450
Departmental, user charges and other	-	-	257,500	257,500
Intergovernmental	130,850	-	-	130,850
Total Assets	10,124,402	4,555,584	1,803,139	16,483,125
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 10,124,402	\$ 4,555,584	\$ 1,803,139	\$ 16,483,125
Liabilities:				
Warrants payable and accrued expenses	\$ 584,969	\$ -	\$ 20,691	\$ 605,660
Bond anticipation note payable	-	-	500,000	500,000
Total Liabilities	584,969	-	520,691	1,105,660
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	987,684	-	-	987,684
Unavailable revenues - other	198,450	-	254,808	453,258
Total Deferred Inflows of Resources	1,186,134	-	254,808	1,440,942
Fund Balances:				
Restricted	-	-	1,479,540	1,479,540
Committed	2,158,578	4,555,584	-	6,714,162
Assigned	900,978	-	-	900,978
Unassigned	5,293,743	-	(451,900)	4,841,843
Total Fund Balances	8,353,299	4,555,584	1,027,640	13,936,523
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,124,402	\$ 4,555,584	\$ 1,803,139	\$ 16,483,125

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION AS OF
JUNE 30, 2019**

Total Governmental Fund Balances		\$ 13,936,523
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		18,348,250
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		1,440,942
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - other postemployment benefits	442,611	
Deferred outflows of resources - pensions	1,641,125	
Deferred inflows of resources - other postemployment benefits	(487,314)	
Deferred inflows of resources - pensions	(904,239)	
Net effect of reporting deferred outflows and inflows of resources		692,183
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(15,102)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(3,087,189)	
Net pension liability	(10,991,935)	
Compensated absences	(471,274)	
Capital lease obligations	(251,655)	
Bonds and notes payable	(609,147)	
Net effect of reporting long-term liabilities		(15,411,200)
Net Position — Governmental Activities		<u>\$ 18,991,596</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Capital Investment Fund	Nonmajor Governmental Funds	Total
Revenues :				
Property taxes, net of tax refunds	\$ 18,563,826	\$ -	\$ -	\$ 18,563,826
Intergovernmental	1,714,594	-	185,971	1,900,565
Motor vehicle and other excise taxes	1,331,615	-	-	1,331,615
Licenses and permits	201,782	-	-	201,782
Penalties and interest on taxes	154,893	-	-	154,893
Fines and forfeitures	47,922	-	-	47,922
Departmental and other revenues	394,743	-	705,568	1,100,311
Contributions and donations	-	-	58,900	58,900
Investment income	166,705	158,166	3	324,874
Total Revenues	22,576,080	158,166	950,442	23,684,688
Expenditures:				
Current:				
General government	2,010,731	-	154,646	2,165,377
Public safety	3,410,833	-	46,091	3,456,924
Education	10,461,796	-	23,029	10,484,825
Public works	2,394,294	-	44,706	2,439,000
Health and human services	439,157	-	26,575	465,732
Culture and recreation	675,443	-	61,976	737,419
Pension and fringe benefits	1,673,287	-	-	1,673,287
State and county charges	43,844	-	-	43,844
Debt service:				
Principal	199,147	-	-	199,147
Interest	36,559	-	-	36,559
Total Expenditures	21,345,091	-	357,023	21,702,114
Excess of Revenues Over Expenditures	1,230,989	158,166	593,419	1,982,574
Other Financing Sources (Uses):				
Transfers in	2,287,856	1,977,590	-	4,265,446
Transfers out	(2,882,525)	(1,613,734)	(684,817)	(5,181,076)
Total Other Financing Sources (Uses)	(594,669)	363,856	(684,817)	(915,630)
Change in Fund Balances	636,320	522,022	(91,398)	1,066,944
Fund Balances:				
Beginning of the year	7,716,979	4,033,562	1,119,038	12,869,579
End of the year	<u>\$ 8,353,299</u>	<u>\$ 4,555,584</u>	<u>\$ 1,027,640</u>	<u>\$ 13,936,523</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**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**

Change in Fund Balances — Total Governmental Funds \$ 1,066,944

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	1,068,988	
Depreciation expense	(1,143,344)	
Net effect of reporting capital activity		(74,356)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (296,193)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Issuance of capital lease obligations	(173,244)	
Repayments of long-term debt	199,147	
Repayments of capital lease obligations	93,324	
Net effect of reporting long-term debt activity		119,227

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenses in the governmental funds:

Net other postemployment benefits liability	(107,169)	
Net pension liability	(452,168)	
Compensated absences	(32,257)	
Accrued interest	79	
Net effect of reporting long-term liabilities		(591,515)

Change in Net Position — Governmental Activities \$ 224,107

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Business-Type Activities		
	Sewer	Water	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 389,841	\$ 1,579,811	\$ 1,969,652
User charges receivable	308,857	318,837	627,694
Total Current Assets	<u>698,698</u>	<u>1,898,648</u>	<u>2,597,346</u>
Noncurrent Assets:			
Land	-	152,506	152,506
Depreciable capital assets, net	7,469,545	8,510,361	15,979,906
Total Noncurrent Assets	<u>7,469,545</u>	<u>8,662,867</u>	<u>16,132,412</u>
Total Assets	<u>8,168,243</u>	<u>10,561,515</u>	<u>18,729,758</u>
Deferred Outflows of Resources:			
Other postemployment benefits	14,433	24,055	38,488
Pensions	53,515	89,191	142,706
Total Deferred Outflows of Resources	<u>67,948</u>	<u>113,246</u>	<u>181,194</u>
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	104,462	65,084	169,546
Accrued interest	61,275	43,475	104,750
Compensated absences	2,810	4,633	7,443
Current portion of long-term debt	515,113	309,888	825,001
Total Current Liabilities	<u>683,660</u>	<u>423,080</u>	<u>1,106,740</u>
Noncurrent liabilities:			
Compensated absences	11,243	18,532	29,775
Net other postemployment benefits liability	100,669	167,782	268,451
Net pension liability	358,433	597,388	955,821
Long-term debt	3,597,643	1,539,429	5,137,072
Total Noncurrent Liabilities	<u>4,067,988</u>	<u>2,323,131</u>	<u>6,391,119</u>
Total Liabilities	<u>4,751,648</u>	<u>2,746,211</u>	<u>7,497,859</u>
Deferred Inflows of Resources:			
Other postemployment benefits	15,891	26,484	42,375
Pensions	29,486	49,143	78,629
Total Deferred Inflows of Resources	<u>45,377</u>	<u>75,627</u>	<u>121,004</u>
Net Position:			
Net investment in capital assets	3,356,789	6,846,683	10,203,472
Unrestricted	82,377	1,006,240	1,088,617
Total Net Position	<u>\$ 3,439,166</u>	<u>\$ 7,852,923</u>	<u>\$ 11,292,089</u>

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		
	Sewer	Water	Total
Operating Revenues:			
Charges for services	\$ 849,455	\$ 1,156,785	\$ 2,006,240
Operating Expenses:			
Payroll and personnel costs	238,831	354,669	593,500
Operating costs	754,198	410,415	1,164,613
Depreciation	222,936	324,814	547,750
Total Operating Expenses	1,215,965	1,089,898	2,305,863
Operating Income (Loss)	(366,510)	66,887	(299,623)
Nonoperating Revenues (Expenses):			
Interest expenses	(166,640)	(77,421)	(244,061)
Total Nonoperating Revenues (Expenses)	(166,640)	(77,421)	(244,061)
Income (Loss) Before Transfers	(533,150)	(10,534)	(543,684)
Transfers:			
Transfers in	699,351	225,729	925,080
Transfers out	-	(9,450)	(9,450)
Total Transfers	699,351	216,279	915,630
Change in Net Position	166,201	205,745	371,946
Net Position:			
Beginning of the year	3,272,965	7,647,178	10,920,143
End of the year	\$ 3,439,166	\$ 7,852,923	\$ 11,292,089

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		
	Sewer	Water	Total
Cash Flows from Operating Activities:			
Receipts from user charges	\$ 796,546	\$ 1,105,277	\$ 1,901,823
Payments to employees	(220,680)	(323,704)	(544,384)
Payments to vendors	(781,413)	(376,541)	(1,157,954)
Net Cash (Used In) Provided By Operating Activities	(205,547)	405,032	199,485
Cash Flows from Noncapital Financial Activities:			
Transfers in	699,351	225,729	925,080
Transfers out	-	(9,450)	(9,450)
Net Cash Provided By Noncapital Financing Activities	699,351	216,279	915,630
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(131,379)	(131,379)
Principal repayments on long-term debt	(518,113)	(311,888)	(830,001)
Interest payments	(171,788)	(82,196)	(253,984)
Net Cash Used In Capital and Related Financing Activities	(689,901)	(525,463)	(1,215,364)
Net Change in Cash and Cash Equivalents	(196,097)	95,848	(100,249)
Cash and Cash Equivalents:			
Beginning of the year	585,938	1,483,963	2,069,901
End of the year	\$ 389,841	\$ 1,579,811	\$ 1,969,652
Reconciliation of Operating Income (Loss) to Net Cash (Used In) Provided By Operating Activities:			
Operating Income (Loss)	\$ (366,510)	\$ 66,887	\$ (299,623)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used In) Provided By Operating Activities:			
Depreciation expense	222,936	324,814	547,750
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	(52,909)	(51,508)	(104,417)
Warrants payable and other current liabilities	(27,215)	33,874	6,659
Accrued and deferred benefits payable	18,151	30,965	49,116
Net Cash (Used In) Provided By Operating Activities	\$ (205,547)	\$ 405,032	\$ 199,485

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	<u>OPEB Trust</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ -	\$ 965,876
Investments in PRIT	<u>1,209,652</u>	<u>-</u>
Total Assets	<u>1,209,652</u>	<u>\$ 965,876</u>
Liabilities:		
Warrants and accounts payable	-	\$ 10,879
Agency liabilities	<u>-</u>	<u>954,997</u>
Total Liabilities	<u>-</u>	<u>\$ 965,876</u>
Net Position:		
Restricted for other postemployment benefits	<u>1,209,652</u>	
Total Net Position	<u>\$ 1,209,652</u>	

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2019

	OPEB Trust
Additions:	
Employer contributions	\$ 315,050
Investment income:	
Interest and dividends	30,489
Net appreciation in fair value of investments	36,256
Less investment management fees	(6,166)
Total net investment income	60,579
Other income	299
Total Additions	375,928
Deductions:	
Benefits to retirees	65,050
Total Deductions	65,050
Net Change in Net Position	310,878
Net Position:	
Beginning of the year	898,774
End of the year	\$ 1,209,652

See accompanying notes to basic financial statements.

TOWN OF BLACKSTONE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Blackstone (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town.

A. Reporting Entity

The Town, which is located in Worcester County is approximately thirty-seven miles southwest of Boston and thirty miles southeast of Worcester. The Town was incorporated as a town in 1845. The governing structure utilizes an open town meeting format with an elected five-member Board of Selectmen and an appointed Town Administrator who performs and oversees the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education from kindergarten to grade twelve through a regional school district, library, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are self-funded and reported as business enterprises.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

B. Government-Wide and Fund Financial Statements

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

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 government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) 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% of the corresponding total for all funds of that category or type, and
- 2) 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% of the corresponding element for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal 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 given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt, which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The Town reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Capital Investment Fund – is used to pay debt service costs of the Town. The Town is required to contribute annually 90% of the payment in lieu of taxes, or PILOT, monies it receives under an agreement with ANP Blackstone Energy Company LLC, a power generator. The release of funds from the capital investment fund requires the affirmative vote of two-thirds by the local legislative body at either the Annual Town Meeting or at a Special Town Meeting. Furthermore, monies may be expended from the capital investment fund for emergency purposes by a vote of the Selectmen and approval by the Director of Accounts of the Department of Revenue of the Commonwealth of Massachusetts.

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

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *Capital Projects Funds* are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports its water and sewer enterprise fund operations as major proprietary funds.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs. The Town reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits, or OPEB, for retirees, such as health and life insurance.

Agency Funds – are used to account for funds received for and paid to other funds, individuals or organizations such as those held on deposit or escrow by the Town for various purposes including planning board deposits.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value in accordance with GAAP.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. The Town is permitted to take delinquent tax accounts into tax titles fourteen days subsequent to the mailing of demand of delinquent taxes.

User charges receivables represent amounts billed for water and sewer usage. Water and sewer charges are billed semi-annual and are subject to penalties and interest if not paid by the respective due date. The Town is authorized to take water and sewer fees into tax title fourteen days subsequent to the mailing of a demand for payment for the delinquent taxes.

Real estate taxes, water and user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts, which are comprised of those outstanding amounts greater than five years old, if material.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and governmental fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water and sewer mains and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

Capital assets (excluding land and construction in-process) are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	20 to 50 years
Infrastructure	20 to 50 years
Machinery and equipment	5 to 10 years
Vehicles	5 to 7 years

In the case of buildings, building improvements and infrastructure, all purchases and construction costs exceeding \$25,000 are capitalized at the date of acquisition or construction, if their expected lives are greater than two years. In the case of machinery, equipment and vehicles, all purchases exceeding \$5,000 are capitalized at the date of acquisition, if their expected lives are greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

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 in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained by the respective funds.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and sick-pay benefits. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured.

Long-Term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial 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 reports items related to its net pension and OPEB liabilities as deferred outflows of resources in both its government-wide and business-type activities, which it expects to amortize into pension expense within the next six years.

In addition to liabilities, the statement of financial 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 reports items related to its net pension and OPEB liabilities as deferred inflows of resources in both its government-wide and business-type activities, which it expects to amortize into these personnel benefit expenses over the next six years, which will result in reductions in reported pension expense. In its governmental fund financial statements, the Town reports *unavailable revenues* as deferred inflows of resources within the governmental funds balance sheet. Unavailable revenues are derived from two sources – property taxes and other, which includes motor vehicle excise taxes and departmental revenues. The Town expects to recognize these items into revenue in the period(s) that these amounts become available.

Net Position – In the government-wide financial statements, net position reported as *net investment in capital assets* includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been restricted for (1) state and federal grants, (2) gift and donation funds, (3) revolving funds and (4) other purposes.

Fund Equity – The Town presents fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the Town’s governmental funds, primarily its general fund.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town’s policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

The following table reflects the Town’s fund equity categorizations:

	General	Capital Investment Fund	Nonmajor Governmental Funds	Total
Restricted:				
General government	\$ -	\$ -	\$ 523,951	\$ 523,951
Public safety	-	-	783,460	783,460
Other purposes	-	-	172,129	172,129
Committed:				
General government	718,561	-	-	718,561
Education	237,648	-	-	237,648
Public works	520,411	-	-	520,411
Other purposes	115,227	-	-	115,227
Subsequent year's articles	566,731	-	-	566,731
Capital investments	-	4,555,584	-	4,555,584
Assigned:				
Public works	390,580	-	-	390,580
Other purposes	86,735	-	-	86,735
Subsequent year's budget	423,663	-	-	423,663
Unassigned:				
General stabilization	3,169,279	-	-	3,169,279
Unrestricted	2,124,464	-	(451,900)	1,672,564
	<u>\$ 8,353,299</u>	<u>\$ 4,555,584</u>	<u>\$ 1,027,640</u>	<u>\$ 13,936,523</u>

Stabilization Funds – The Town maintains a general stabilization fund, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund is reported as unassigned fund balance in the general fund. The Town also maintains a capital investment fund, which is used for debt service purposes upon a two-thirds vote of the Town Meeting. The balance of the capital investment fund is reported as a committed fund balance in a separately reported major governmental fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal, approved purchasing activity as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended June 30, 2019, there were no instances where expenditures exceeded appropriations.

The Town incurred deficits of \$451,900 for town hall roof construction, which is reported in the nonmajor governmental funds. This deficit will be funded through available revenues, grant funds or bond proceeds in future fiscal years.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits 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 trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer’s investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy as shown as being valued at either amortized cost or at net asset value (“NAV”). These are investments in non-governmental entities for which readily determinable fair value is not available, such as member units or an ownership interest in partners’ capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2019:

Investments by Fair Value Level	June 30, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasuries notes	\$ 1,308,523	\$ 1,308,523	\$ -	\$ -
U.S. Government agency obligations	2,365,725	-	2,365,725	-
Corporate fixed income	1,898,677	-	1,898,677	-
Total debt securities	<u>5,572,925</u>	<u>1,308,523</u>	<u>4,264,402</u>	<u>-</u>
Equity securities	835,785	835,785	-	-
Mutual funds	225,722	-	225,722	-
Total investments by fair value level	<u>6,634,432</u>	<u>\$ 2,144,308</u>	<u>\$ 4,490,124</u>	<u>\$ -</u>
Investments measured at NAV:				
SRBT	<u>1,209,652</u>			
Total investments at fair value	<u>\$ 7,844,084</u>			

The State Retirees Benefit Trust Fund (“SRBT”) investment is administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the SRBT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The Town may liquidate its investments in the SRBT funds at any time with less than thirty days’ notice.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2019, \$4,104,784 in Town deposits were uninsured by the Federal Deposit Insurance Corporation or other depository insurance and was therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. According to the Town’s investment policy, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository.

All of the Town’s investments, while held by a counterparty, are registered in the Town’s name and are therefore not exposed to custodial credit risk. Furthermore, the Town’s investments are held in accounts insured by the Securities Investor Protection Corporation, or SIPC, and excess SIPC.

Interest Rate Risk – In the case of investments, this is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the more sensitive it is to changes in market interest rates. According to the Town’s investment policy, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository. The Town further mitigates this risk by keeping investment maturities within ten years.

Investment Maturities – The Town had the following investments at June 30, 2019:

Investments	Fair Value	Maturity in Years	
		Less than Year	1 to 5 Years
Debt securities:			
U.S. Treasuries and other government obligations	\$ 3,674,248	\$ 670,106	\$ 3,004,142
Corporate fixed income	1,898,677	758,376	1,140,301
Total debt securities	5,572,925	\$ 1,428,482	\$ 4,144,443
Other investments:			
SRBT	1,209,652		
Equity securities	835,785		
Mutual funds	225,722		
Total Investments	\$ 7,844,084		

Certificates of deposit and money market accounts have been classified as cash equivalents in these financial statements due to the liquid nature of these types of short-term investments.

Concentration of Credit Risk – The Town maintains a number of individual investments whose individual balances exceed 5% of the Town’s reported investment value, as illustrated in the following table:

<u>Security Name</u>	<u>Amount</u>	<u>Concentration</u>
		<u>Percentage</u>
U.S Treasury notes	\$ 1,308,523	16.7%
HCST OPEB Master Trust	1,209,652	15.4%

Credit Risk – Statutes require the Town Treasurer to invest Town funds in bonds or notes which are legal investments for savings banks, including U.S. obligations, certificates of deposit, money market accounts, bank deposits, repurchase agreements and the State Treasurer’s investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days and the underlying security must be a U.S. obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The following table summarizes the credit ratings issued by Standard and Poor’s Financial Services LLC, or S&P, for the Town’s debt securities at June 30, 2019. Credit ratings are not available for the Town’s investments in the mutual funds and equity securities.

<u>S&P Rating</u>	<u>U.S. Government</u>	<u>Corporate</u>
	<u>Obligations</u>	<u>Fixed Income</u>
AA+	\$ 3,674,248	\$ -
AA	-	84,796
AA-	-	339,266
A+	-	136,042
A	-	171,190
A-	-	882,442
BBB+	-	218,955
BBB	-	65,986
	<u>\$ 3,674,248</u>	<u>\$ 1,898,677</u>

B. Receivables

Receivables as of year-end for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross</u> <u>Amount</u>	<u>Allowance for</u> <u>Uncollectibles</u>	<u>Net</u> <u>Amount</u>
Real estate and personal property taxes	\$ 339,031	\$ -	\$ 339,031
Tax liens	718,555	-	718,555
Excise	333,350	(134,900)	198,450
Ambulance	446,458	(191,650)	254,808
Intergovernmental	130,850	-	130,850
Title V	<u>2,692</u>	<u>-</u>	<u>2,692</u>
	<u>\$ 1,970,936</u>	<u>\$ (326,550)</u>	<u>\$ 1,644,386</u>

Receivables as of year-end of the Town’s business-type funds consisted entirely of user charges. No allowances for uncollectible accounts were reported at June 30, 2019 relative to utility user charges receivable.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	<u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Real estate and personal property taxes	\$ 269,129	\$ -	\$ 269,129
Tax liens	718,555	-	718,555
Excise	198,450	-	198,450
Ambulance	<u>-</u>	<u>254,808</u>	<u>254,808</u>
	<u>\$ 1,186,134</u>	<u>\$ 254,808</u>	<u>\$ 1,440,942</u>

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,031,792	\$ 20,800	\$ -	\$ 4,052,592
Capital assets being depreciated:				
Buildings and improvements	14,185,855	25,432	-	14,211,287
Infrastructure	16,806,329	361,907	-	17,168,236
Machinery and equipment	3,480,771	405,101	(77,389)	3,808,483
Vehicles	1,667,731	255,748	(50,118)	1,873,361
Total capital assets being depreciated	<u>36,140,686</u>	<u>1,048,188</u>	<u>(127,507)</u>	<u>37,061,367</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,815,705)	(324,772)	-	(7,140,477)
Infrastructure	(11,137,474)	(443,375)	-	(11,580,849)
Machinery and equipment	(2,447,588)	(233,017)	77,389	(2,603,216)
Vehicles	(1,349,105)	(142,180)	50,118	(1,441,167)
Total accumulated depreciation	<u>(21,749,872)</u>	<u>(1,143,344)</u>	<u>127,507</u>	<u>(22,765,709)</u>
Total capital assets being depreciated, net	<u>14,390,814</u>	<u>(95,156)</u>	<u>-</u>	<u>14,295,658</u>
Governmental activities capital assets, net	<u>\$ 18,422,606</u>	<u>\$ (74,356)</u>	<u>\$ -</u>	<u>\$ 18,348,250</u>
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 152,506	\$ -	\$ -	\$ 152,506
Capital assets being depreciated:				
Buildings and improvements	2,344,780	-	-	2,344,780
Infrastructure	22,208,756	131,379	-	22,340,135
Machinery and equipment	961,018	-	-	961,018
Vehicles	102,522	-	-	102,522
Total capital assets being depreciated	<u>25,617,076</u>	<u>131,379</u>	<u>-</u>	<u>25,748,455</u>
Less accumulated depreciation for:				
Buildings and improvements	(881,747)	(48,743)	-	(930,490)
Infrastructure	(7,538,954)	(452,259)	-	(7,991,213)
Machinery and equipment	(697,576)	(46,748)	-	(744,324)
Vehicles	(102,522)	-	-	(102,522)
Total accumulated depreciation	<u>(9,220,799)</u>	<u>(547,750)</u>	<u>-</u>	<u>(9,768,549)</u>
Total capital assets being depreciated, net	<u>16,396,277</u>	<u>(416,371)</u>	<u>-</u>	<u>15,979,906</u>
Business-type activities capital assets, net	<u>\$ 16,548,783</u>	<u>\$ (416,371)</u>	<u>\$ -</u>	<u>\$ 16,132,412</u>

	Beginning Balances	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Sewer</u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,169,780	\$ -	\$ -	\$ 1,169,780
Infrastructure	9,549,796	-	-	9,549,796
Machinery and equipment	142,145	-	-	142,145
Vehicles	27,522	-	-	27,522
Total capital assets being depreciated	<u>10,889,243</u>	<u>-</u>	<u>-</u>	<u>10,889,243</u>
Less accumulated depreciation for:				
Buildings and improvements	(451,997)	(25,243)	-	(477,240)
Infrastructure	(2,587,734)	(194,223)	-	(2,781,957)
Machinery and equipment	(129,509)	(3,470)	-	(132,979)
Vehicles	(27,522)	-	-	(27,522)
Total accumulated depreciation	<u>(3,196,762)</u>	<u>(222,936)</u>	<u>-</u>	<u>(3,419,698)</u>
Total capital assets being depreciated, net	<u>7,692,481</u>	<u>(222,936)</u>	<u>-</u>	<u>7,469,545</u>
Total Net Business-Type Activities: Sewer	<u>\$ 7,692,481</u>	<u>\$ (222,936)</u>	<u>\$ -</u>	<u>\$ 7,469,545</u>
<u>Business-Type Activities: Water</u>				
Capital assets not being depreciated:				
Land	\$ 152,506	\$ -	\$ -	\$ 152,506
Capital assets being depreciated:				
Buildings and improvements	1,175,000	-	-	1,175,000
Infrastructure	12,658,960	131,379	-	12,790,339
Machinery and equipment	818,873	-	-	818,873
Vehicles	75,000	-	-	75,000
Total capital assets being depreciated	<u>14,727,833</u>	<u>131,379</u>	<u>-</u>	<u>14,859,212</u>
Less accumulated depreciation for:				
Buildings and improvements	(429,750)	(23,500)	-	(453,250)
Infrastructure	(4,951,220)	(258,036)	-	(5,209,256)
Machinery and equipment	(568,067)	(43,278)	-	(611,345)
Vehicles	(75,000)	-	-	(75,000)
Total accumulated depreciation	<u>(6,024,037)</u>	<u>(324,814)</u>	<u>-</u>	<u>(6,348,851)</u>
Total capital assets being depreciated, net	<u>8,703,796</u>	<u>(193,435)</u>	<u>-</u>	<u>8,510,361</u>
Total Net Business-Type Activities: Water	<u>\$ 8,856,302</u>	<u>\$ (193,435)</u>	<u>\$ -</u>	<u>\$ 8,662,867</u>

Depreciation expense in the governmental activities was charged to functions/programs as follows:

General government	\$ 123,517
Public safety	202,458
Education	99,158
Public works	575,090
Health and human services	6,441
Culture and recreation	<u>136,680</u>
	<u>\$ 1,143,344</u>

D. Interfund Receivables, Payables and Transfers

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

Transfers Out	Transfers In				Total	
	General Fund	Capital Investment Fund	Sewer Fund	Water Fund		
General Fund	\$ -	\$ 1,977,590	\$ 689,901	\$ 215,034	\$ 2,882,525	(1)
Capital Investment Fund	1,613,734	-	-	-	1,613,734	(2)
Nonmajor Governmental Funds	674,122	-	-	10,695	684,817	(3)
Water	-	-	9,450	-	9,450	(4)
	<u>\$ 2,287,856</u>	<u>\$ 1,977,590</u>	<u>\$ 699,351</u>	<u>\$ 225,729</u>	<u>\$ 5,190,526</u>	

- (1) The Town's local governing body approved the funding of \$1,977,590 to the capital investment fund. Additionally, the general fund paid debt service for the sewer and water funds of \$689,901 and \$215,034, respectively.
- (2) Transfers to general fund to fund capital articles.
- (3) Budgeted transfers from receipts reserved funds of \$312,595. Additionally, the Town closed a number of special revenue funds to the general fund and water enterprise fund.
- (4) The water enterprise paid the OPEB costs of the sewer enterprise.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or state aid anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Temporary notes activity for fiscal year 2019 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
Bond anticipation note	0.90%	matured	\$ 500,000	\$ -	\$ (500,000)	\$ -
Bond anticipation note	2.45%	9/13/2019	-	500,000	-	500,000
			<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ (500,000)</u>	<u>\$ 500,000</u>

The BAN was issued to finance municipal building complex repairs.

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations relative to post-retirement personnel costs.

The following reflects the activity in the long-term liability accounts during the fiscal year ended June 30, 2019:

Description of Issue	Beginning Balances	Additions	Deletions	Ending Balances	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds (a)	\$ 800,000	\$ -	\$ (195,000)	\$ 605,000	\$ 155,000
Notes from direct borrowings and placements (a)	8,294	-	(4,147)	4,147	4,147
Capital lease obligations	171,735	173,244	(93,324)	251,655	87,233
Compensated absences	439,017	35,248	(2,991)	471,274	94,255
Net OPEB liability	3,005,585	858,764	(777,160)	3,087,189	-
Net pension liability	9,876,979	4,318,683	(3,203,727)	10,991,935	-
Total Governmental Activities	<u>\$ 14,301,610</u>	<u>\$ 5,385,939</u>	<u>\$ (4,276,349)</u>	<u>\$ 15,411,200</u>	<u>\$ 340,635</u>
<i>Business-Type Activities:</i>					
<i>Sewer</i>					
General obligation bonds (a)	\$ 2,352,000	\$ -	\$ (401,000)	\$ 1,951,000	\$ 398,000
Notes from direct borrowings and placements (a)	2,278,869	-	(117,113)	2,161,756	117,113
Compensated absences	14,142	-	(89)	14,053	2,810
Net OPEB liability	98,008	28,004	(25,343)	100,669	-
Net pension liability	322,075	140,828	(104,470)	358,433	-
Total Business-Type Activities: Sewer	<u>5,065,094</u>	<u>168,832</u>	<u>(648,015)</u>	<u>4,585,911</u>	<u>517,923</u>
<i>Water</i>					
General obligation bonds (a)	1,088,000	-	(239,000)	849,000	237,000
Notes from direct borrowings and placements (a)	1,073,205	-	(72,888)	1,000,317	72,888
Compensated absences	22,599	566	-	23,165	4,633
Net OPEB liability	163,347	46,672	(42,237)	167,782	-
Net pension liability	536,792	234,711	(174,115)	597,388	-
Total Business-Type Activities: Water	<u>2,883,943</u>	<u>281,949</u>	<u>(528,240)</u>	<u>2,637,652</u>	<u>314,521</u>
Total Business-Type Activities	<u>\$ 7,949,037</u>	<u>\$ 450,781</u>	<u>\$ (1,176,255)</u>	<u>\$ 7,223,563</u>	<u>\$ 832,444</u>

(a) Reclassifications were made to beginning balances for the adoption of GASB Statement No. 88.

Long-term general obligation bonds and notes outstanding at June 30, 2019 are as follows:

Description	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 5.00%	\$ 800,000	\$ -	\$ (195,000)	\$ 605,000
MCWT note	0.00%	<u>8,294</u>	<u>-</u>	<u>(4,147)</u>	<u>4,147</u>
Total Governmental Activities, net		<u>\$ 808,294</u>	<u>\$ -</u>	<u>\$ (199,147)</u>	<u>\$ 609,147</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	3.25 - 5.0%	\$ 2,352,000	\$ -	\$ (401,000)	\$ 1,951,000
USDA notes	4.15 - 4.25%	<u>2,278,869</u>	<u>-</u>	<u>(117,113)</u>	<u>2,161,756</u>
Total Business-Type Activities: Sewer		<u>4,630,869</u>	<u>-</u>	<u>(518,113)</u>	<u>4,112,756</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.00 - 5.50%	\$ 1,088,000	\$ -	\$ (239,000)	\$ 849,000
USDA notes	4.75 - 5.00%	<u>1,073,205</u>	<u>-</u>	<u>(72,888)</u>	<u>1,000,317</u>
Total Business-Type Activities: Water		<u>2,161,205</u>	<u>-</u>	<u>(311,888)</u>	<u>1,849,317</u>
Total Business-Type Activities		<u>\$ 6,792,074</u>	<u>\$ -</u>	<u>\$ (830,001)</u>	<u>\$ 5,962,073</u>

Debt service requirements on long-term debt at June 30, 2019 are as follows:

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2020	\$ 155,000	\$ 23,045	\$ 4,147	\$ 114
2021	155,000	16,458	-	-
2022	150,000	9,825	-	-
2023	<u>145,000</u>	<u>3,262</u>	<u>-</u>	<u>-</u>
	<u>\$ 605,000</u>	<u>\$ 52,590</u>	<u>\$ 4,147</u>	<u>\$ 114</u>
Year Ended June 30,	Business-Type Activities: Combined			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2020	\$ 635,000	\$ 85,995	\$ 190,001	\$ 139,664
2021	625,000	66,344	190,001	131,149
2022	475,000	47,640	190,001	122,637
2023	475,000	30,101	190,001	114,125
2024	405,000	14,450	190,001	105,615
2025-2029	185,000	3,700	950,005	400,391
2030-2034	-	-	544,357	213,164
2035-2039	-	-	371,405	120,861
2040-2044	-	-	291,930	45,878
2045	<u>-</u>	<u>-</u>	<u>54,371</u>	<u>2,243</u>
	<u>\$ 2,800,000</u>	<u>\$ 248,230</u>	<u>\$ 3,162,073</u>	<u>\$ 1,395,727</u>

Business-Type Activities: Sewer				
Year Ended June 30,	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2020	\$ 398,000	\$ 64,500	\$ 117,113	\$ 90,107
2021	398,000	52,247	117,113	85,197
2022	335,000	39,520	117,113	80,287
2023	335,000	26,163	117,113	75,378
2024	300,000	13,400	117,113	70,469
2025-2029	185,000	3,700	585,565	278,703
2030-2034	-	-	392,045	165,879
2035-2039	-	-	272,105	101,010
2040-2044	-	-	272,105	44,886
2045	-	-	54,371	2,243
	<u>\$ 1,951,000</u>	<u>\$ 199,530</u>	<u>\$ 2,161,756</u>	<u>\$ 994,159</u>

Business-Type Activities: Water				
Year Ended June 30,	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2020	\$ 237,000	\$ 21,495	\$ 72,888	\$ 49,557
2021	227,000	14,097	72,888	45,952
2022	140,000	8,120	72,888	42,350
2023	140,000	3,938	72,888	38,747
2024	105,000	1,050	72,888	35,146
2025-2029	-	-	364,440	121,688
2030-2034	-	-	152,312	47,285
2035-2039	-	-	99,300	19,851
2040	-	-	19,825	992
	<u>\$ 849,000</u>	<u>\$ 48,700</u>	<u>\$ 1,000,317</u>	<u>\$ 401,568</u>

Authorized and Unissued Debt – At June 30, 2019, the Town had \$1,516,852 as authorized and unissued debt for water and sewer projects.

G. Capital Lease Obligations

The Town is party to non-cancellable leases for the purchase of three police cars and HVAC systems. For financial reporting purposes, these leases are accounted for as capital leases. The future minimum lease payments on these capital lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 99,661
2021	99,661
2022	38,241
2023	<u>38,241</u>
Total minimum lease payments	275,804
Less amount representing interest	<u>(24,149)</u>
Present value of minimum lease payments	<u>\$ 251,655</u>

Assets acquired with capital leases were as follows at June 30, 2019:

<u>Asset Description</u>	<u>Amount</u>
Police cars	\$ 173,244
HVAC system	601,276
Less accumulated depreciation	<u>(137,098)</u>
Net carrying value	<u>\$ 637,422</u>

G. PILOT Program

ANP Blackstone Energy Company LLC (“ANP”) is a power generation company located in the Town. PILOT agreements between municipalities and power providers are permitted under the provisions of the electric deregulation legislation enacted by the Commonwealth of Massachusetts in 1997. ANP and the Town entered into a PILOT agreement effective July 1, 2006. Under the terms of the PILOT agreement, ANP is required to make quarterly payments to the Town in lieu of property taxes for a period of fourteen consecutive years. This PILOT agreement is set to expire on June 30, 2020.

The PILOT payments cannot be reduced on account of depreciation, however the PILOT payments are increased for inflation. Furthermore, the annual PILOT payment may be adjusted if ANP makes any capital improvements to its facilities or retires any property from its facilities subsequent to July 1, 2006. The adjustment to the PILOT will be determined in accordance with the provisions of the agreement at a rate of \$15.47 per \$1,000.

In fiscal year 2019, the Town received \$2,196,687 from ANP in PILOT payments, which is reported as property taxes in these basic financial statements.

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2018 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Current membership in the Retirement System for all ninety-nine employers as of December 31, 2018 was as follows:

Active members	7,815
Inactive members entitled to, but not receiving benefits	1,839
Inactive members (or beneficiaries) currently receiving benefits	<u>3,837</u>
	<u>13,491</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in calendar year 2018 (fiscal year 2019).

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of MGL, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$733,583 to the Retirement System in fiscal year 2019, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 18% in fiscal year 2019.

Net Pension Liability – At June 30, 2019, the Town reported a liability of \$11,947,755 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2018. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no material changes to the actuarial assumptions made in this update.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 1.32% at December 31, 2018 and 2017.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2018, which can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment.

Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$1,225,070 in pension expense in the statement of activities in fiscal year 2019.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,958	\$ 88,570
Changes of assumptions	742,386	-
Net difference between projected and actual earnings on pension plan investments	449,510	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>538,977</u>	<u>894,298</u>
	<u>\$ 1,783,831</u>	<u>\$ 982,868</u>

The net deferred outflows of resources and deferred inflows of resources are expected to be recognized as a benefit in the Town’s pension expense (benefit) as follows:

<u>Year Ended June 30,</u>	
2020	\$ 310,044
2021	228,747
2022	153,667
2023	119,156
2024	<u>(10,651)</u>
	<u>\$ 800,963</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2018. The significant actuarial assumptions used in the actuarial valuation included:

Inflation:	3.0% per year
Amortization method:	Payment increases 4.0% per year
Remaining amortization period:	17 years, except for 2002 and 2003 ERI (10 years) and 2010 ERI (4 years)
Asset valuation method:	Market value
Salary increases:	Group 1: 4.25%-6.00%, based on service Group 4: 4.75%-7.00%, based on service
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

Disabled life mortality: 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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global equity	39%	4.75%
Fixed income	23%	2.28%
Private equity	13%	8.15%
Real estate	10%	3.43%
Timber/natural resources	4%	4.00%
Hedge funds	11%	3.76%

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 were made at the current contribution rate and that employer contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of MGL. Based on those assumptions, the Retirement System’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 Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Town’s proportionate share of the net pension liability	\$ 14,391,824	\$ 11,947,755	\$ 9,883,031

B. Risk Financing

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker’s compensation, and unemployment compensation. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town’s experience history. All insurance except is carried through conventional, commercial carriers.

C. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2019:

Inactive employees or beneficiaries receiving benefits	6
Active employees	<u>68</u>
	<u>74</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated health insurance contribution and 100% of the cost of life insurance. The remainder of the cost is funded by the Town. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2019, the Town’s average contribution rate was approximately 7% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2018. The components of the net OPEB Liability of the Town at June 30, 2019 were as follows:

Total OPEB liability	\$ 4,565,292
Plan fiduciary net position	<u>(1,209,652)</u>
Net OPEB liability	<u>\$ 3,355,640</u>
Plan fiduciary net position as a percentage of the total OPEB liability	26.5%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual entry age normal
Contributions	Annual Town contributions of \$250,000
Inflation	2.6%
Investment rate of return	7.5%, compounded annually, net of fees
Healthcare cost trend rates	8.0% for 2018, decreasing 0.5% per year to an ultimate rate of 3.9% in 2075
Pre-Retirement Mortality	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.
Post-Retirement Mortality	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rates of Return</u>
Global equity	40%	4.75%
Core fixed income	13%	1.05%
Value-added fixed income	10%	4.58%
Private equity	12%	8.15%
Real estate	10%	3.43%
Timber	4%	4.00%
Hedge funds and other	11%	3.76%

Discount Rate – The discount rate used to measure the total OPEB liability was 7.5%, which represents the long-term expected rate of return on OPEB Plan investments to the extent that the OPEB Plan’s assets are sufficient to pay benefits; and a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2019:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 4,165,714	\$ 898,774	\$ 3,266,940
Changes for the year:			
Service cost	195,449	-	195,449
Interest	324,648	-	324,648
Differences between expected and actual experience	(580,232)	-	(580,232)
Changes in assumptions	524,763	-	524,763
Employer contributions	-	315,050	(315,050)
Net investment income	-	60,878	(60,878)
Benefit payments	(65,050)	(65,050)	-
Net changes	<u>399,578</u>	<u>310,878</u>	<u>88,700</u>
Balances at June 30, 2019	<u>\$ 4,565,292</u>	<u>\$ 1,209,652</u>	<u>\$ 3,355,640</u>

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower and higher than the current discount rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Net OPEB liability	\$ 4,205,409	\$ 3,355,640	\$ 2,685,919

The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower and higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease (7.0% decreasing to 4.0%)	Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9% decreasing to 6.0%)
Net OPEB liability	\$ 2,566,256	\$ 3,355,640	\$ 4,394,016

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Town recognized OPEB expense of \$431,538. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 529,689
Changes of assumptions	479,052	-
Net difference between projected and actual earnings on OPEB Plan investments	2,047	-
	<u>\$ 481,099</u>	<u>\$ 529,689</u>

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

<u>Year Ended June 30,</u>	
2020	\$ (5,621)
2021	(5,620)
2022	(5,620)
2023	(420)
2024	(4,832)
Thereafter	<u>(26,477)</u>
	<u>\$ (48,590)</u>

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan does not have a formal investment policy at this time. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was approximately 5.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2019, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2019.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these tax payers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no such loss provision has been made in the Town’s basic financial statements.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement was to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town’s financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement was to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities governments should include when disclosing information related to debt. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town’s financial statements.

B. Future Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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TOWN OF BLACKSTONE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN**

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	1.318%	1.320%	1.200%	1.200%	1.660%
Town's proportionate share of the net pension liability	\$ 11,948	\$ 10,736	\$ 10,083	\$ 8,521	\$ 9,865
Town's covered payroll	\$ 4,022	\$ 3,862	\$ 3,730	\$ 3,312	\$ 3,185
Town's proportionate share of the net pension liability as a percentage of its covered payroll	297.1%	278.0%	270.3%	257.3%	309.7%
Plan fiduciary net position as a percentage of the total net pension liability	43.1%	46.4%	42.0%	44.5%	48.0%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 734	\$ 666	\$ 584	\$ 540	\$ 655
Contributions in relation to the actuarially determined contribution	734	666	584	540	655
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 4,022	\$ 3,862	\$ 3,730	\$ 3,312	\$ 3,185
Contributions as a percentage of covered payroll	18.2%	17.2%	15.7%	16.3%	20.6%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF BLACKSTONE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended June 30,		
	2019	2018	2017
Total OPEB Liability:			
Service cost	\$ 195,449	\$ 187,932	\$ 180,704
Interest	324,648	292,512	261,970
Differences between actual and expected experience	(580,232)	-	-
Changes in assumptions	524,763	-	-
Benefit payments	(65,050)	(53,912)	(31,436)
Net Change in Total OPEB Liability	399,578	426,532	411,238
Total OPEB Liability:			
Beginning of year	4,165,714	3,739,182	3,327,944
End of year (a)	\$ 4,565,292	\$ 4,165,714	\$ 3,739,182
Plan Fiduciary Net Position:			
Contributions	\$ 315,050	\$ 303,912	\$ 281,436
Net investment income	60,878	78,173	58,003
Benefit payments	(65,050)	(53,912)	(31,436)
Net Change in Plan Fiduciary Net Position	310,878	328,173	308,003
Plan Fiduciary Net Position:			
Beginning of year	898,774	570,601	262,598
End of year (b)	\$ 1,209,652	\$ 898,774	\$ 570,601
Net OPEB Liability — End of Year	\$ 3,355,640	\$ 3,266,940	\$ 3,168,581
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	26.50%	21.58%	15.26%
Covered payroll	\$ 4,554,444	\$ 3,979,614	\$ 3,700,975
Net OPEB Liability as a Percentage of Covered Payroll	73.68%	82.09%	85.61%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF BLACKSTONE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30,		
	2019	2018	2017
Actuarially determined contribution	\$ 402,438	\$ 378,151	\$ 434,893
Contributions in relation to the actuarially determined contribution	(315,050)	(303,912)	(281,436)
Contribution deficiency (excess)	<u>\$ 87,388</u>	<u>\$ 74,239</u>	<u>\$ 153,457</u>
Covered payroll	\$ 4,554,444	\$ 3,979,614	\$ 3,700,975
Contribution as a percentage of covered payroll	6.92%	7.64%	7.60%

Notes to Schedule:

Valuation date	July 1, 2018
Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Inflation	2.60% per annum
Investment rate of return	7.50% compounded annually, net of fees
Single equivalent discount rate	7.50% compounded annually, net of fees
Healthcare cost trend rates	8.0% for 2018, decreasing 0.5% per year to 5.5%; grading down to an ultimate trend rate of 3.9% in 2075
Pre-retirement mortality	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009
Post-retirement mortality	RP-2000 Health Annuitant Mortality Table projected generationally with Scale BB and a base year 2009

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,		
	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	5.50%	9.79%	12.37%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF BLACKSTONE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Positive (Negative) Variance
	Original Budget	Final Budget				
Revenues :						
Property taxes, net of tax refunds	\$ 18,423,158	\$ 18,423,158	\$ 18,545,111		\$ 18,545,111	\$ 121,953
Intergovernmental	1,676,803	1,676,803	1,714,594		1,714,594	37,791
Motor vehicle and other excise taxes	1,005,000	1,005,000	1,331,615		1,331,615	326,615
Licenses and permits	125,000	125,000	201,782		201,782	76,782
Penalties and interest on taxes	100,000	100,000	154,893		154,893	54,893
Fines and forfeitures	35,000	35,000	47,922		47,922	12,922
Departmental and other revenues	252,000	252,000	394,743		394,743	142,743
Investment income	8,000	8,000	18,643		18,643	10,643
Total Revenues	21,624,961	21,624,961	22,409,303		22,409,303	784,342
Expenditures:						
General government	2,988,443	2,920,941	2,012,897	\$ 780,948	2,793,845	127,096
Public safety	3,501,698	3,566,897	3,410,833	69,829	3,480,662	86,235
Education	10,636,197	10,704,669	10,461,796	241,564	10,703,360	1,309
Public works	3,232,796	3,364,687	2,394,294	910,991	3,305,285	59,402
Health and human services	452,431	452,112	439,157	500	439,657	12,455
Culture and recreation	760,657	759,993	675,443	62,778	738,221	21,772
Pension and fringe benefits	1,609,067	1,520,379	1,507,204	2,552	1,509,756	10,623
State and county charges	45,387	45,387	43,844	-	43,844	1,543
Debt service	1,140,659	1,140,659	1,140,641	-	1,140,641	18
Total Expenditures	24,367,335	24,475,724	22,086,109	\$ 2,069,162	24,155,271	320,453
Other Financing Sources (Uses):						
Transfers in	2,190,887	2,190,887	2,552,414		2,552,414	361,527
Transfers out	(2,308,363)	(2,308,363)	(2,262,261)		(2,262,261)	46,102
Total Other Financing Sources (Uses)	(117,476)	(117,476)	290,153		290,153	407,629
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures/Use of Prior Year Budgetary Fund Balance						
	(2,859,850)	(2,968,239)	\$ 613,347		\$ (1,455,815)	\$ 1,512,424
Other Budgetary Items:						
Prior year encumbrances	1,471,833	1,471,833				
Free cash	988,017	1,096,406				
Overlay release	400,000	400,000				
Total Other Budgetary Items	2,859,850	2,968,239				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF BLACKSTONE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2019

An annual budget is legally adopted for the general fund and enterprise funds. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved at the Annual Town Meeting each spring. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget and within the categories of personnel and non-personnel. Town Meeting must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2019, supplemental budgetary appropriations were not significant. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town's accounting system.

The Town's general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2019, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — Budgetary Basis			\$ 22,409,303
Revenue recognition	\$ 18,715	\$ -	18,715
Stabilization revenue	-	148,062	148,062
Revenues — GAAP Basis	<u>\$ 18,715</u>	<u>\$ 148,062</u>	<u>\$ 22,576,080</u>
Expenditures — Budgetary Basis			\$ 22,086,109
OPEB transfer recognition	\$ -	\$ 229,975	229,975
Debt service transfers	-	(904,935)	(904,935)
Enterprise funds indirect costs	(66,058)	-	(66,058)
Expenditures — GAAP Basis	<u>\$ (66,058)</u>	<u>\$ (674,960)</u>	<u>\$ 21,345,091</u>
Net Transfers and Other Sources — Budgetary Basis			\$ 290,153
OPEB transfer recognition	\$ -	\$ 229,975	229,975
Stabilization transfers	-	(143,804)	(143,804)
Debt service transfers	-	(904,935)	(904,935)
Enterprise funds indirect costs	(66,058)	-	(66,058)
Net Transfers and Other Sources — GAAP Basis	<u>\$ (66,058)</u>	<u>\$ (818,764)</u>	<u>\$ (594,669)</u>



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

The Honorable Members of the Board of Selectmen
Town of Blackstone, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blackstone, Massachusetts (the "Town"), 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 and have issued our report thereon dated December 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 27, 2019