



TOWN OF LUDLOW, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2019

TOWN OF LUDLOW, MASSACHUSETTS

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OPEB

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Ludlow, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

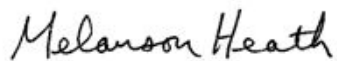
Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Melanson Heath".

March 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Ludlow's basic financial statements. The 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 our finances in a manner similar to a private-sector business.

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

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

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

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

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

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

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

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$(81,183,733) (i.e., net position), a change of \$2,269,172 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,607,962, a change of \$2,234,117 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,082,541, a change of \$870,438 in comparison with the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 19,996,412	\$ 18,491,036	\$ 1,473,113	\$ 1,776,384	\$ 21,469,525	\$ 20,267,420
Capital assets	<u>48,530,409</u>	<u>44,488,954</u>	<u>10,077,575</u>	<u>10,026,573</u>	<u>58,607,984</u>	<u>54,515,527</u>
Total Assets	68,526,821	62,979,990	11,550,688	11,802,957	80,077,509	74,782,947
Deferred outflows of resources	14,172,660	6,817,558	357,377	86,348	14,530,037	6,903,906
Current liabilities	7,541,955	8,410,589	552,721	304,187	8,094,676	8,714,776
Noncurrent liabilities	<u>143,347,573</u>	<u>125,333,700</u>	<u>7,249,490</u>	<u>7,315,613</u>	<u>150,597,063</u>	<u>132,649,313</u>
Total Liabilities	150,889,528	133,744,289	7,802,211	7,619,800	158,691,739	141,364,089
Deferred inflows of resources	16,412,689	22,865,380	686,851	910,289	17,099,540	23,775,669
Net investment in capital assets	39,394,323	35,023,490	6,599,641	6,273,896	45,993,964	41,297,386
Restricted	4,749,150	5,243,822	-	-	4,749,150	5,243,822
Unrestricted	<u>(128,746,209)</u>	<u>(127,079,433)</u>	<u>(3,180,638)</u>	<u>(2,914,680)</u>	<u>(131,926,847)</u>	<u>(129,994,113)</u>
Total Net Position	\$ <u>(84,602,736)</u>	\$ <u>(86,812,121)</u>	\$ <u>3,419,003</u>	\$ <u>3,359,216</u>	\$ <u>(81,183,733)</u>	\$ <u>(83,452,905)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(81,183,733), a change of \$2,269,172 in comparison to the prior year.

By far the largest portion of net position, \$45,993,964 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future

spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$4,749,150 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was a deficit of \$(128,746,209) in governmental activities and \$(3,180,638) in business-type activities caused primarily by unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,082,611	\$ 4,426,175	\$ 2,477,526	\$ 2,384,592	\$ 7,560,137	\$ 6,810,767
Operating grants and contributions	27,730,012	25,656,532	-	-	27,730,012	25,656,532
Capital grants and contributions	2,705,899	555,351	-	-	2,705,899	555,351
General revenues:						
Property taxes	41,026,983	38,540,218	-	-	41,026,983	38,540,218
Excises	2,794,890	2,718,044	-	-	2,794,890	2,718,044
Penalties, interest on taxes	2,060,471	1,983,720	-	-	2,060,471	1,983,720
Grants and contributions not restricted	3,626,512	3,423,408	-	-	3,626,512	3,423,408
Investment income	184,530	14,553	19,934	6,114	204,464	20,667
Other	54,455	212,807	-	-	54,455	212,807
Total Revenues	85,266,363	77,530,808	2,497,460	2,390,706	87,763,823	79,921,514
Expenses						
General government	4,409,336	4,233,137	-	-	4,409,336	4,233,137
Public safety	12,845,982	11,854,645	-	-	12,845,982	11,854,645
Education	55,605,049	55,203,355	-	-	55,605,049	55,203,355
Public works	5,734,625	5,830,177	-	-	5,734,625	5,830,177
Health and human services	1,565,559	1,433,379	-	-	1,565,559	1,433,379
Culture and recreation	1,432,201	1,341,457	-	-	1,432,201	1,341,457
Interest on long-term debt	446,220	265,901	-	-	446,220	265,901
Intergovernmental	912,622	784,318	-	-	912,622	784,318
Golf operations	-	-	757,508	746,568	757,508	746,568
Landfill operations	-	-	7,929	750	7,929	750
Sewer operations	-	-	1,777,620	1,814,946	1,777,620	1,814,946
Total Expenses	82,951,594	80,946,369	2,543,057	2,562,264	85,494,651	83,508,633
Change in Net Position Before Transfers	2,314,769	(3,415,561)	(45,597)	(171,558)	2,269,172	(3,587,119)
Transfer in (out)	(105,384)	(98,771)	105,384	98,771	-	-
Change in Net Position	2,209,385	(3,514,332)	59,787	(72,787)	2,269,172	(3,587,119)
Net Position - Beginning of Year	(86,812,121)	(83,297,789)	3,359,216	3,432,003	(83,452,905)	(79,865,786)
Net Position - End of Year	\$ (84,602,736)	\$ (86,812,121)	\$ 3,419,003	\$ 3,359,216	\$ (81,183,733)	\$ (83,452,905)

Governmental activities. Governmental activities for the year resulted in a change in net position of \$2,209,385. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 935,524
Non-major fund revenues and transfers in in excess of expenditures and transfers out	1,298,593
Depreciation expense in excess of principal debt service	(600,953)
Bond issuance	(4,000,000)
Capital assets purchases from grant and general resources, net of disposals	6,949,869
Capital lease payment	228,652
Change in net pension liability, net of deferrals	(2,717,906)
Change in net OPEB liability, net of deferrals	69,554
Other timing differences	<u>46,052</u>
Total	<u>\$ 2,209,385</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$59,787, primarily relating to the sewer fund. Key elements of this change are as follows:

Golf operations	\$ (76,867)
Landfill operations	(6,511)
Sewer operations	<u>143,165</u>
Total	<u>\$ 59,787</u>

D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$10,607,962, a change of \$2,234,117 in comparison with the prior year. This change was the result of:

General fund operations, as discussed below	\$ 935,524
Non-major fund revenues and transfers in in excess of expenditures and transfers out	<u>1,298,593</u>
Total	<u>\$ 2,234,117</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,082,541, while total fund balance was \$5,921,326. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2019</u>	<u>2018</u>	<u>Change</u>	% of Total 2019 General Fund Expenditures
Unassigned - general fund	\$ 1,445,557	\$ 1,094,088	\$ 351,469	2.1%
Unassigned - stabilization fund	<u>2,636,984</u>	<u>2,118,015</u>	<u>518,969</u>	<u>3.8%</u>
Total Unassigned Fund Balance	\$ 4,082,541	\$ 3,212,103	\$ 870,438	5.8%
Total Fund Balance	\$ 5,921,326	\$ 4,985,802	\$ 935,524	8.4%

The fund balance of the general fund changed by \$935,524 during the current fiscal year. Key factors in this change are as follows:

General Fund Operating Results:

State and local revenues over budget	\$ 446,927
Budgetary appropriations unspent by departments	506,001
Excess of tax collections compared to budget	67,497
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	130,140
Use of free cash and debt reserve as a funding source for nonrecurring expenses	(977,318)
Prior year expenses (snow and ice deficit) raised in the current year	145,089
Other GAAP accruals	8,059
Other sources in excess of budget	90,160
Change in Stabilization fund	<u>518,969</u>
	<u>\$ 935,524</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$(3,180,638), a change of \$(265,958) in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$269,174, which consists of:

Unpaid bills	\$ 18,764
Partially fund replacement vehicle	125,910
Council on aging first year lease payment	27,000
Police overtime	75,000
Police dispatch	<u>22,500</u>
	<u>\$ 269,174</u>

Of this increase, \$143,264 was funded by free cash. The remaining balance of \$125,910 was transferred from an insurance damages revolving fund.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$58,607,984 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

Depreciation expense for governmental activities	\$ (2,908,414)
Depreciation expense for business-type activities	(305,642)
Various vehicles for fire and police department	109,774
Various protection equipment for fire department	20,000
Dog Park project, including well and shed	246,566
Center Street project - architecture and engineering	48,721
Center Street project - value contributed by MassDOT	2,180,688
Chapin Street School project	3,390,686
Land for new senior center	438,453
Senior Center project- construction	145,800
Infrastructure- various streets and sidewalks	355,561
Land acquired through tax foreclosure	23,513
Sewer infrastructure- various streets	356,644
Disposal of one parcel of land sold at auction	<u>(9,893)</u>
	<u>\$ 4,092,457</u>

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$12,423,941, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

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

Ms. Kimberly Collins
Town Accountant
Town of Ludlow
488 Chapin Street
Ludlow, MA 01056

TOWN OF LUDLOW, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 11,776,993	\$ 1,333,958	\$ 13,110,951
Investments	4,162,561	-	4,162,561
Receivables, net of allowance for uncollectibles:			
Property taxes	574,895	-	574,895
Excises	220,458	-	220,458
User fees	-	139,155	139,155
Departmental and other	569,246	-	569,246
Intergovernmental	2,230,828	-	2,230,828
Due from other funds	5,299	-	5,299
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	456,132	-	456,132
Land and construction in progress	8,885,897	1,107,900	9,993,797
Capital assets, net of accumulated depreciation	39,644,512	8,969,675	48,614,187
Deferred Outflows of Resources			
Related to pensions	7,950,497	92,146	8,042,643
Related to OPEB	6,182,163	265,231	6,447,394
Other	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total Assets and Deferred Outflows of Resources	82,699,481	11,908,065	94,607,546
Liabilities			
Current:			
Warrants payable	1,098,260	-	1,098,260
Accounts payable	721,268	241,412	962,680
Accrued payroll and withholdings	4,114,118	17,489	4,131,607
Accrued interest payable	75,744	25,967	101,711
Notes payable	1,515,000	-	1,515,000
Other current liabilities	17,565	-	17,565
Due to other funds	-	5,299	5,299
Current portion of long-term liabilities:			
Bonds payable	1,819,338	262,554	2,081,892
Other	127,569	-	127,569
Noncurrent:			
Bonds payable, net of current portion	7,126,665	3,215,384	10,342,049
Net pension liability	53,321,857	617,996	53,939,853
Net OPEB liability	79,624,599	3,416,110	83,040,709
Other, net of current portion	1,327,545	-	1,327,545
Deferred Inflows of Resources			
Related to pensions	552,410	6,403	558,813
Related to OPEB	<u>15,860,279</u>	<u>680,448</u>	<u>16,540,727</u>
Total Liabilities and Deferred Inflows of Resources	167,302,217	8,489,062	175,791,279
Net Position			
Net investment in capital assets	39,394,323	6,599,641	45,993,964
Restricted for:			
Grants and other statutory restrictions	3,157,985	-	3,157,985
Permanent funds:			
Nonexpendable	1,396,907	-	1,396,907
Expendable	194,258	-	194,258
Unrestricted	<u>(128,746,209)</u>	<u>(3,180,638)</u>	<u>(131,926,847)</u>
Total Net Position	\$ <u>(84,602,736)</u>	\$ <u>3,419,003</u>	\$ <u>(81,183,733)</u>

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

TOWN OF LUDLOW, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 4,409,336	\$ 639,411	\$ 14,031	\$ -	\$ (3,755,894)	\$ -	\$ (3,755,894)
Public safety	12,845,982	2,608,839	204,825	-	(10,032,318)	-	(10,032,318)
Education	55,605,049	979,590	27,211,388	-	(27,414,071)	-	(27,414,071)
Public works	5,734,625	413,257	172,985	2,705,899	(2,442,484)	-	(2,442,484)
Health and human services	1,565,559	314,110	73,394	-	(1,178,055)	-	(1,178,055)
Culture and recreation	1,432,201	127,404	53,389	-	(1,251,408)	-	(1,251,408)
Interest	446,220	-	-	-	(446,220)	-	(446,220)
Intergovernmental	912,622	-	-	-	(912,622)	-	(912,622)
Total Governmental Activities	82,951,594	5,082,611	27,730,012	2,705,899	(47,433,072)	-	(47,433,072)
Business-Type Activities							
Golf operations	757,508	677,184	-	-	-	(80,324)	(80,324)
Landfill operations	7,929	-	-	-	-	(7,929)	(7,929)
Sewer operations	1,777,620	1,800,342	-	-	-	22,722	22,722
Total Business-Type Activities	2,543,057	2,477,526	-	-	-	(65,531)	(65,531)
Total	\$ <u>85,494,651</u>	\$ <u>7,560,137</u>	\$ <u>27,730,012</u>	\$ <u>2,705,899</u>	(47,433,072)	(65,531)	(47,498,603)
General Revenues and Transfers							
Property taxes					41,026,983	-	41,026,983
Excises					2,794,890	-	2,794,890
Penalties, interest and other taxes					2,060,471	-	2,060,471
Grants and contributions not restricted to specific programs					3,626,512	-	3,626,512
Investment income					184,530	19,934	204,464
Miscellaneous					54,455	-	54,455
Transfers, net					(105,384)	105,384	-
Total General Revenues and Transfers					49,642,457	125,318	49,767,775
Change in Net Position					2,209,385	59,787	2,269,172
Net Position							
Beginning of Year					(86,812,121)	3,359,216	(83,452,905)
End of Year					\$ <u>(84,602,736)</u>	\$ <u>3,419,003</u>	\$ <u>(81,183,733)</u>

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

TOWN OF LUDLOW, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Capital Project Fund (School)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 7,006,947	\$ 285,166	\$ 4,484,880	\$ 11,776,993
Investments	2,653,420	-	1,509,141	4,162,561
Receivables:				
Property taxes	606,980	-	-	606,980
Tax liens and foreclosures	551,782	-	-	551,782
Excises	242,225	-	-	242,225
Departmental and other	698,529	-	103,216	801,745
Intergovernmental	1,555,012	-	675,816	2,230,828
Due from other funds	5,299	-	-	5,299
Total Assets	\$ <u>13,320,194</u>	\$ <u>285,166</u>	\$ <u>6,773,053</u>	\$ <u>20,378,413</u>
Liabilities				
Warrants payable	\$ 1,095,390	\$ -	\$ 2,870	\$ 1,098,260
Accounts payable	-	-	721,268	721,268
Accrued payroll and withholdings	4,094,389	-	19,729	4,114,118
Notes payable	-	1,515,000	-	1,515,000
Other liabilities	8,065	-	9,500	17,565
Total Liabilities	5,197,844	1,515,000	753,367	7,466,211
Deferred Inflows of Resources				
Unavailable revenues	2,201,024	-	103,216	2,304,240
Fund Balances				
Nonspendable	-	-	1,396,907	1,396,907
Restricted	-	-	4,515,521	4,515,521
Committed	523,507	-	459,457	982,964
Assigned	1,315,278	-	-	1,315,278
Unassigned	4,082,541	(1,229,834)	(455,415)	2,397,292
Total Fund Balances	<u>5,921,326</u>	<u>(1,229,834)</u>	<u>5,916,470</u>	<u>10,607,962</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>13,320,194</u>	\$ <u>285,166</u>	\$ <u>6,773,053</u>	\$ <u>20,378,413</u>

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

TOWN OF LUDLOW, MASSACHUSETTS

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

JUNE 30, 2019

Total Governmental Fund Balances	\$	10,607,962
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		48,530,409
Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection.		1,922,239
Long-term liabilities, including bonds payable, net pension liability and net OPEB liability (net of deferrals) are not due and payable in the current period and, therefore are not reported in the governmental funds.		(144,172,488)
Other.		<u>(1,490,858)</u>
Net Position of Governmental Activities	\$	<u><u>(84,602,736)</u></u>

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

TOWN OF LUDLOW, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Capital Project Fund (School)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 40,954,571	\$ -	\$ -	\$ 40,954,571
Excises	2,798,424	-	-	2,798,424
Penalties, interest and other taxes	2,060,471	-	-	2,060,471
Charges for services	2,097,712	-	2,294,311	4,392,023
Intergovernmental	22,412,774	-	6,365,788	28,778,562
Licenses and permits	514,571	-	-	514,571
Fines and forfeitures	37,260	-	-	37,260
Investment income	131,967	-	52,563	184,530
Miscellaneous	<u>10,020</u>	<u>-</u>	<u>54,328</u>	<u>64,348</u>
Total Revenues	71,017,770	-	8,766,990	79,784,760
Expenditures				
General government	3,309,381	-	289,016	3,598,397
Public safety	8,395,812	-	855,896	9,251,708
Education	34,729,730	-	8,103,749	42,833,479
Public works	3,848,189	-	837,435	4,685,624
Health and human services	1,018,891	-	804,935	1,823,826
Culture and recreation	819,863	-	266,296	1,086,159
Employee benefits	14,563,992	-	-	14,563,992
Debt service	2,689,452	-	-	2,689,452
Intergovernmental	<u>912,622</u>	<u>-</u>	<u>-</u>	<u>912,622</u>
Total Expenditures	<u>70,287,932</u>	<u>-</u>	<u>11,157,327</u>	<u>81,445,259</u>
Excess (Deficiency) of Revenues Over Expenditures	729,838	-	(2,390,337)	(1,660,499)
Other Financing Sources (Uses)				
Issuance of bonds	-	-	4,000,000	4,000,000
Transfers in	314,070	-	3,000	317,070
Transfers (out)	<u>(108,384)</u>	<u>-</u>	<u>(314,070)</u>	<u>(422,454)</u>
Total Other Financing Sources (Uses)	<u>205,686</u>	<u>-</u>	<u>3,688,930</u>	<u>3,894,616</u>
Change in Fund Balance	935,524	-	1,298,593	2,234,117
Fund Balance, at Beginning of Year	<u>4,985,802</u>	<u>(1,229,834)</u>	<u>4,617,877</u>	<u>8,373,845</u>
Fund Balance, at End of Year	\$ <u>5,921,326</u>	\$ <u>(1,229,834)</u>	\$ <u>5,916,470</u>	\$ <u>10,607,962</u>

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

TOWN OF LUDLOW, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change In Fund Balances - Total Governmental Funds	\$ 2,234,117
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay, net of dispositions	6,949,869
Depreciation	(2,908,414)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and changes in other long-term liabilities consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Repayments of bonds	2,307,461
Repayments of capital lease	228,652
Bond proceeds	(4,000,000)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue, (net of allowance).	
	184,122
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Net pension liability and related deferred outflows and inflows of resources	(2,717,906)
Net OPEB liability and related deferred outflows and inflows of resources	69,554
Other	<u>(138,070)</u>
Change In Net Position of Governmental Activities	\$ <u>2,209,385</u>

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

TOWN OF LUDLOW, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 40,887,074	\$ 40,887,074	\$ 40,887,074	\$ -
Excise	2,853,000	2,853,000	2,798,424	(54,576)
Penalties, interest and other taxes	2,110,000	2,110,000	2,060,471	(49,529)
Charges for services	1,900,051	1,900,051	2,097,712	197,661
Intergovernmental	18,542,298	18,542,298	18,662,820	120,522
Licenses and permits	300,000	300,000	514,571	214,571
Fines and forfeits	42,000	42,000	37,260	(4,740)
Investment income	15,000	15,000	27,998	12,998
Miscellaneous	<u>-</u>	<u>-</u>	<u>10,020</u>	<u>10,020</u>
Total Revenues	66,649,423	66,649,423	67,096,350	446,927
Expenditures				
General government	3,470,342	3,409,131	3,250,734	158,397
Public safety	8,285,876	8,525,208	8,408,337	116,871
Education	31,142,055	31,142,057	31,069,281	72,776
Public works	3,687,211	3,813,123	3,890,053	(76,930)
Health and human services	1,105,537	1,086,537	1,022,964	63,573
Culture and recreation	878,653	905,653	867,397	38,256
Employee benefits	14,779,090	14,779,090	14,565,337	213,753
Debt service	2,737,496	2,734,996	2,689,452	45,544
Intergovernmental	<u>786,383</u>	<u>786,383</u>	<u>912,622</u>	<u>(126,239)</u>
Total Expenditures	<u>66,872,643</u>	<u>67,182,178</u>	<u>66,676,177</u>	<u>506,001</u>
Excess (Deficiency) of Revenues Over Expenditures	(223,220)	(532,755)	420,173	952,928
Other Financing Sources/Uses				
Transfers in	98,000	223,910	314,070	90,160
Transfers out	(563,745)	(523,384)	(523,384)	-
Use of free cash:				
Operating budget	175,000	318,264	318,264	-
Capital budget	158,000	158,000	158,000	-
Transfer to Stabilization fund	415,000	415,000	415,000	-
Other sources - debt reserve	86,054	86,054	86,054	-
Other use - snow and ice deficit	<u>(145,089)</u>	<u>(145,089)</u>	<u>(145,089)</u>	<u>-</u>
Total Other Financing Sources/Uses	<u>223,220</u>	<u>532,755</u>	<u>622,915</u>	<u>90,160</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,043,088</u>	\$ <u>1,043,088</u>

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

TOWN OF LUDLOW, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities Enterprise Funds			
	<u>Golf Fund</u>	<u>Landfill Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets				
Current:				
Cash and short-term investments	\$ -	\$ 49,483	\$ 1,284,475	\$ 1,333,958
User fee receivable	<u>-</u>	<u>-</u>	<u>139,155</u>	<u>139,155</u>
Total Current Assets	-	49,483	1,423,630	1,473,113
Noncurrent:				
Land	1,107,900	-	-	1,107,900
Capital assets, net of accumulated depreciation	477,582	-	8,492,093	8,969,675
Deferred Outflows of Resources				
Related to pensions	73,757	-	18,389	92,146
Related to OPEB	<u>26,909</u>	<u>-</u>	<u>238,322</u>	<u>265,231</u>
Total Assets and Deferred Outflows of Resources	1,686,148	49,483	10,172,434	11,908,065
Liabilities				
Current:				
Accounts payable	-	-	241,412	241,412
Accrued payroll	14,932	-	2,557	17,489
Accrued interest payable	-	-	25,967	25,967
Due to other funds	5,299	-	-	5,299
Bonds payable	-	-	262,554	262,554
Noncurrent:				
Bonds payable, net of current portion	-	-	3,215,384	3,215,384
Net pension liability	494,666	-	123,330	617,996
Net OPEB liability	346,584	-	3,069,526	3,416,110
Deferred Inflows of Resources				
Related to pensions	5,125	-	1,278	6,403
Related to OPEB	<u>69,035</u>	<u>-</u>	<u>611,413</u>	<u>680,448</u>
Total Liabilities and Deferred Inflows of Resources	935,641	-	7,553,421	8,489,062
Net Position				
Net investment in capital assets	1,585,486	-	5,014,155	6,599,641
Unrestricted	<u>(834,979)</u>	<u>49,483</u>	<u>(2,395,142)</u>	<u>(3,180,638)</u>
Total Net Position	\$ <u><u>750,507</u></u>	\$ <u><u>49,483</u></u>	\$ <u><u>2,619,013</u></u>	\$ <u><u>3,419,003</u></u>

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

TOWN OF LUDLOW, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Funds			
	Golf Fund	Landfill Fund	Sewer Fund	Total
Operating Revenues				
Charges for services	\$ 677,184	\$ -	\$ 1,800,342	\$ 2,477,526
Total Operating Revenues	677,184	-	1,800,342	2,477,526
Operating Expenses				
Salaries and wages	347,810	-	148,739	496,549
Operating expenses	296,418	-	1,162,203	1,458,621
Depreciation	37,187	-	268,455	305,642
Administration	76,093	-	121,614	197,707
Other	-	7,929	1,783	9,712
Total Operating Expenses	757,508	7,929	1,702,794	2,468,231
Operating Income (Loss)	(80,324)	(7,929)	97,548	9,295
Nonoperating Revenues (Expenses)				
Investment income	3,457	1,418	15,059	19,934
Interest expense	-	-	(74,826)	(74,826)
Total Nonoperating Revenues (Expenses), Net	3,457	1,418	(59,767)	(54,892)
Income (Loss) Before Transfers	(76,867)	(6,511)	37,781	(45,597)
Transfer in	-	-	105,384	105,384
Change in Net Position	(76,867)	(6,511)	143,165	59,787
Net Position, at Beginning of Year	827,374	55,994	2,475,848	3,359,216
Net Position, at End of Year	\$ 750,507	\$ 49,483	\$ 2,619,013	\$ 3,419,003

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

TOWN OF LUDLOW, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Funds			
	<u>Golf Fund</u>	<u>Landfill Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 677,184	\$ -	\$ 1,769,711	\$ 2,446,895
Payments to vendors and employees	(729,809)	(7,929)	(1,465,351)	(2,203,089)
Receipts from interfund services provided	<u>5,299</u>	<u>-</u>	<u>-</u>	<u>5,299</u>
Net Cash Provided by (Used for) Operating Activities	(47,326)	(7,929)	304,360	249,105
Cash Flows From Noncapital Financing Activities				
Transfers in	<u>-</u>	<u>-</u>	<u>105,384</u>	<u>105,384</u>
Net Cash Provided by Noncapital Financing Activities	-	-	105,384	105,384
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	-	-	(356,644)	(356,644)
Payment of long term debt principal	-	-	(274,743)	(274,743)
Interest paid	<u>-</u>	<u>-</u>	<u>(76,938)</u>	<u>(76,938)</u>
Net Cash (Used for) Capital and Related Financing Activities	-	-	(708,325)	(708,325)
Cash Flows From Investing Activities				
Investment income	<u>3,457</u>	<u>1,418</u>	<u>15,059</u>	<u>19,934</u>
Net Cash Provided by Investing Activities	<u>3,457</u>	<u>1,418</u>	<u>15,059</u>	<u>19,934</u>
Net Change in Cash and Short-Term Investments	(43,869)	(6,511)	(283,522)	(333,902)
Cash and Short Term Investments, Beginning of Year	<u>43,869</u>	<u>55,994</u>	<u>1,567,997</u>	<u>1,667,860</u>
Cash and Short Term Investments, End of Year	\$ <u>-</u>	\$ <u>49,483</u>	\$ <u>1,284,475</u>	\$ <u>1,333,958</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities				
Operating income (loss)	\$ (80,324)	\$ (7,929)	\$ 97,548	\$ 9,295
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	37,187	-	268,455	305,642
Changes in assets, liabilities and deferred outflows/inflows:				
Deferred outflows - related to pensions	(26,894)	-	(1,257)	(28,151)
Deferred outflows - related to OPEB	(4,684)	-	(238,194)	(242,878)
Accounts receivable	-	-	(30,631)	(30,631)
Accounts payable and accrued liabilities	7,419	-	(24,626)	(17,207)
Due to other funds	5,299	-	-	5,299
Net pension liability	7,821	-	2,582	10,403
Net OPEB liability	46,227	-	414,544	460,771
Deferred inflows - related to pensions	(18,951)	-	(4,693)	(23,644)
Deferred inflows - related to OPEB	<u>(20,426)</u>	<u>-</u>	<u>(179,368)</u>	<u>(199,794)</u>
Net Cash Provided by / (Used for) Operating Activities	\$ <u>(47,326)</u>	\$ <u>(7,929)</u>	\$ <u>304,360</u>	\$ <u>249,105</u>

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

TOWN OF LUDLOW, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	<u>Agency Funds</u>	Other Post Employment Benefits <u>Trust Fund</u>
Assets		
Cash and short-term investments	\$ 168,047	\$ 439
Investments:		
Bond mutual funds (fixed income)	-	96,735
Corporate equities	<u>-</u>	<u>213,979</u>
Total Investments	<u>-</u>	<u>310,714</u>
Total Assets	168,047	311,153
Liabilities		
Deposits held in custody	59,036	-
Student activity funds	86,724	-
Other liabilities	<u>22,287</u>	<u>-</u>
Total Liabilities	<u>168,047</u>	<u>-</u>
Net Position		
Restricted for OPEB purposes	<u>-</u>	<u>311,153</u>
Total Net Position	\$ <u><u>-</u></u>	\$ <u><u>311,153</u></u>

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

TOWN OF LUDLOW MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Other Post Employment Benefits <u>Trust Fund</u>
Additions	
Contributions:	
Employers	\$ 50,000
Other systems	<u>2,562,819</u>
Total Contributions	2,612,819
Investment Income	<u>15,233</u>
Total Additions	2,628,052
 Deductions	
Benefit payments to plan members, beneficiaries and other systems	<u>2,562,819</u>
Total Deductions	<u>2,562,819</u>
Net Increase	65,233
 Net position restricted for other purposes	
Beginning of Year	<u>245,920</u>
End of Year	\$ <u><u>311,153</u></u>

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

Town of Ludlow, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and

major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital project fund – School* is used to account for various school related construction projects funded through bonding.

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

Proprietary funds distinguish operating revenues and expenses from 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 of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *golf fund* is used to account for operations of the Town's municipal golf course.
- The *landfill fund* represents the residual balance of bond proceeds and other revenues which were used to close the Town's landfill in prior years. The fund accumulates interest which is used to fund monitoring costs. Any remaining balance is anticipated to be used for future projects related to the Town's transfer station.
- The *sewer fund* is used to account for activity related to the Town's sewer operations.

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

The Town reports the following fiduciary funds:

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

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special

revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$775,657.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in

the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	10 - 20
Vehicles	3 - 5 - 10
Office equipment	3 - 5 - 10
Computer equipment	3 - 5
Infrastructure	50

I. Compensated Absences

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

J. Long-Term Obligations

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

K. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Financing Uses</u>
GAAP basis	\$ 71,017,770	\$ 70,287,932	\$ 205,686
Reverse the effect of adding Stabilization fund to General fund per GASB 54	(103,969)	-	(415,000)
Adjust tax revenue to accrual basis	(67,497)	-	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(767,537)	-
Add end of year appropriation carryforwards to expenditures	-	897,677	-
To reverse the effect of GAAP accruals	-	8,059	-
Recognize use of fund balance as funding source	-	-	891,264
Recognize prior year snow and ice deficit funded in the current year	-	-	(145,089)
Recognize use of debt reserve funds	-	-	86,054
Reverse the effect on non-budgeted State contributions for teachers retirement	(3,749,954)	(3,749,954)	-
Budgetary Basis	\$ <u>67,096,350</u>	\$ <u>66,676,177</u>	\$ <u>622,915</u>

D. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Snow and ice	(\$152,185)
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This deficit is being funded through taxation in fiscal year 2020.

E. Deficit Fund Equity

Certain individual funds were in deficit as of June 30, 2019:

Capital project fund - School	\$ 1,229,834
<u>Non-major Funds</u>	
School Athletic Fund	\$ 38,373
Chapter 90	74,195
Chapin St School Construction	<u>342,847</u>
Total non-major funds	<u>\$ 455,415</u>

It is anticipated that the deficits in these funds will be eliminated through future bond issues, intergovernmental revenues and/or transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Laws (MGL) Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's investment policy manages custodial credit risk by limiting deposits in accordance with MGL.

As of June 30, 2019, none of the Town's bank balance of \$13,658,618 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the Town's name.

4. Investments – Town (excluding OPEB Trust)

The following is a summary of the Town's investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Asset backed securities	\$ 10,522
Certificate of deposits	1,199,089
Corporate bonds	597,711
Corporate equities	285,316
Federal agency securities	1,324,048
U.S. Treasury notes	<u>745,875</u>
Total Investments	\$ <u>4,162,561</u>

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town's investment policy, adopted in fiscal year 2009, limits investments (other than U.S. Treasury/Agency obligations and State pool – MMDT) as follows:

Certificates of deposit – No limit if fully collateralized through a third-party agreement; otherwise limited to each institution's insurance coverage (FDIC, DIFM, etc.)

Other unsecured bank deposits – deposits that do not fit in another category are limited to 5% of the institution's assets and no more than 10% of the government's cash. The credit worthiness of the institution is evaluated by monitoring established bank credit reporting systems.

Trust fund investments – Not more than 15% may be invested in bank stock and insurance company stock and no more than 1.5% of these funds may be invested in any one bank or insurance company.

Presented below is the actual rating as of year-end for each ratable investment type of the Town. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>A1</u>	<u>A2</u>	<u>A3</u>	<u>Baa1</u>	<u>Baa2</u>
Corporate bonds	\$ <u>597,711</u>	\$ <u>187,505</u>	\$ <u>183,788</u>	\$ <u>75,050</u>	\$ <u>90,992</u>	\$ <u>60,376</u>
Total	\$ <u>597,711</u>	\$ <u>187,505</u>	\$ <u>183,788</u>	\$ <u>75,050</u>	\$ <u>90,992</u>	\$ <u>60,376</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy is to only make deposits at Massachusetts chartered banks. The Town manages custodial credit risk exposure with SIPC and excess SIPC insurance.

As of June 30, 2019, none of the of the Town's investments were exposed to custodial credit risk.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town's policies related to concentration of credit risk exposure are to diversify investments among multiple issuers and institutions.

As of June 30, 2019, the Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy on interest rate risk is to negotiate competitive interest rates that are locked in for long terms.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>Thereafter</u>
Asset backed securities	\$ 10,522	\$ -	\$ 8,108	\$ 2,414
Certificates of deposit	1,199,089	464,071	735,018	-
Corporate bonds	597,711	180,475	417,236	-
Federal agency securities	1,324,048	304,814	1,019,234	-
U.S. Treasury notes	<u>745,875</u>	<u>265,108</u>	<u>380,974</u>	<u>99,793</u>
Total	\$ <u>3,877,245</u>	\$ <u>1,214,468</u>	\$ <u>2,560,570</u>	\$ <u>102,207</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy for foreign currency risk is to not invest in any instruments with foreign currency exposures.

F. Fair Value

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

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

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

The Town has the following fair value measurements as of June 30, 2019:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Asset backed securities	\$ 10,522	\$ -	\$ 10,522	\$ -
Corporate bonds	597,711	-	597,711	-
Corporate equities	285,316	285,316	-	-
Federal agency securities	1,324,048	-	1,324,048	-
U.S. Treasury notes	<u>745,875</u>	-	745,875	-
Total	<u>\$ 2,963,472</u>			

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

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

5. Investments – OPEB Trust Fund

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Fixed income mutual funds	\$ 96,735
Corporate equities	<u>213,979</u>
Total Investments	<u>\$ 310,714</u>

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The OPEB Trust Fund does not have formal investment policies related to credit risk.

Presented below is the actual rating as of year-end for each ratable investment type of the OPEB Trust Fund:

Investment Type	Amount	Rating as of Year End						
		AAA	AA2	A2	Baa2	Ba2	B2	Unrated
Fixed income mutual funds	\$ 96,735	\$ 47,250	\$ 7,184	\$ 9,840	\$ 10,935	\$ 5,623	\$ 8,226	\$ 7,677
Total	\$ 96,735	\$ 47,250	\$ 7,184	\$ 9,840	\$ 10,935	\$ 5,623	\$ 8,226	\$ 7,677

B. Custodial Credit Risk

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

As of June 30, 2019, none of the of the OPEB Trust Fund's investments were exposed to custodial credit risk.

C. Concentration of Credit Risk

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

As of June 30, 2019, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The OPEB Trust Fund does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the OPEB Trust Fund's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Fixed income mutual funds	\$ <u>96,735</u>	\$ <u>23,864</u>	\$ <u>47,285</u>	\$ <u>25,586</u>
Total	\$ <u>96,735</u>	\$ <u>23,864</u>	\$ <u>47,285</u>	\$ <u>25,586</u>

E. Foreign Currency Risk

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

F. Fair Value

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

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

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The OPEB Trust Fund has the following fair value measurements as of June 30, 2019:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Fixed income mutual funds	\$ 96,735	\$ -	\$ 96,735	\$ -
Corporate equities	<u>213,979</u>	213,979	-	-
Total	<u>\$ 310,714</u>			

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

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

6. Property Taxes and Excises Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

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

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

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

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 522,198	\$ (5,739)	\$ 516,459	\$ -
Personal property taxes	84,782	(26,346)	58,436	-
Tax liens	<u>551,782</u>	<u>(95,650)</u>	<u>-</u>	<u>456,132</u>
Total Property Taxes	<u>\$ 1,158,762</u>	<u>\$ (127,735)</u>	<u>\$ 574,895</u>	<u>\$ 456,132</u>
Motor vehicle excise	\$ 242,003	\$ (21,767)	\$ 220,236	\$ -
Boat excise	<u>222</u>	<u>-</u>	<u>222</u>	<u>-</u>
Total Excises	<u>\$ 242,225</u>	<u>\$ (21,767)</u>	<u>\$ 220,458</u>	<u>\$ -</u>
Departmental - ambulance	\$ 658,576	\$ (230,502)	\$ 428,074	\$ -
Departmental - police outside detail	103,216	-	103,216	-
Departmental - other	<u>39,953</u>	<u>(1,997)</u>	<u>37,956</u>	<u>-</u>
Total Departmental	<u>\$ 801,745</u>	<u>\$ (232,499)</u>	<u>\$ 569,246</u>	<u>\$ -</u>

7. Intergovernmental Receivables

The balance reported in the general fund primarily represents late State aid, which was received in early July 2019. The balance reported in nonmajor governmental funds primarily represents reimbursement requested from Federal and State agencies for expenditures incurred in fiscal 2019.

8. Interfund Receivables/Payables Fund Accounts

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized.

9. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Land improvements	\$ 3,543,725	\$ -	\$ -	\$ 3,543,725
Buildings and improvements	54,233,446	-	-	54,233,446
Machinery, equipment, and furnishings	9,264,571	20,000	-	9,284,571
Vehicles	3,761,767	109,774	(329,341)	3,542,200
Infrastructure	<u>30,917,825</u>	<u>355,561</u>	<u>-</u>	<u>31,273,386</u>
Total Capital Assets, Being Depreciated	101,721,334	485,335	(329,341)	101,877,328
Less accumulated depreciation for:				
Land improvements	(2,222,997)	(173,416)	-	(2,396,413)
Buildings and improvements	(22,893,635)	(1,451,153)	-	(24,344,788)
Machinery, equipment, and furnishings	(8,437,721)	(187,259)	-	(8,624,980)
Vehicles	(2,953,114)	(361,913)	329,341	(2,985,686)
Infrastructure	<u>(23,146,276)</u>	<u>(734,673)</u>	<u>-</u>	<u>(23,880,949)</u>
Total Accumulated Depreciation	<u>(59,653,743)</u>	<u>(2,908,414)</u>	<u>329,341</u>	<u>(62,232,816)</u>
Total Capital Assets, Being Depreciated, Net	42,067,591	(2,423,079)	-	39,644,512
Capital assets, not being depreciated:				
Land	1,876,456	461,966	(9,893)	2,328,529
Construction in progress (CIP)	<u>544,907</u>	<u>6,012,461</u>	<u>-</u>	<u>6,557,368</u>
Total Capital Assets, Not Being Depreciated	<u>2,421,363</u>	<u>6,474,427</u>	<u>(9,893)</u>	<u>8,885,897</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,488,954</u>	<u>\$ 4,051,348</u>	<u>\$ (9,893)</u>	<u>\$ 48,530,409</u>
Business-Type Activities				
Capital assets, being depreciated:				
Land improvements	\$ 174,565	\$ -	\$ -	\$ 174,565
Buildings and improvements	481,602	-	-	481,602
Machinery, equipment, and furnishings	1,090,908	-	-	1,090,908
Vehicles	579,325	-	-	579,325
Infrastructure	<u>11,309,742</u>	<u>356,644</u>	<u>-</u>	<u>11,666,386</u>
Total Capital Assets, Being Depreciated	13,636,142	356,644	-	13,992,786
Less accumulated depreciation for:				
Land improvements	(152,951)	(2,918)	-	(155,869)
Buildings and improvements	(401,562)	(5,847)	-	(407,409)
Machinery, equipment, and furnishings	(974,918)	(19,468)	-	(994,386)
Vehicles	(530,275)	(12,263)	-	(542,538)
Infrastructure	<u>(2,657,763)</u>	<u>(265,146)</u>	<u>-</u>	<u>(2,922,909)</u>
Total Accumulated Depreciation	<u>(4,717,469)</u>	<u>(305,642)</u>	<u>-</u>	<u>(5,023,111)</u>
Total Capital Assets, Being Depreciated, Net	8,918,673	51,002	-	8,969,675
Capital assets, not being depreciated:				
Land	<u>1,107,900</u>	<u>-</u>	<u>-</u>	<u>1,107,900</u>
Total Capital Assets, Not Being Depreciated	<u>1,107,900</u>	<u>-</u>	<u>-</u>	<u>1,107,900</u>
Business-Type Activities Capital Assets, Net	<u>\$ 10,026,573</u>	<u>\$ 51,002</u>	<u>\$ -</u>	<u>\$ 10,077,575</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities

General government	\$ 88,173
Public safety	295,175
Education	1,222,810
Public works	1,010,008
Human services	32,754
Culture and recreation	<u>259,494</u>
Total - Governmental Activities	\$ <u>2,908,414</u>

Business-Type Activities

Golf	\$ 37,187
Sewer	<u>268,455</u>
Total - Business-Type Activities	\$ <u>305,642</u>

10. Deferred Outflow of Resources

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

Other deferred outflows of resources consist of the unamortized portion of a deferred loss on debt refunding.

11. Warrants and Accounts Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019 as permitted by law. Accounts payable represent additional 2019 expenditures paid after July 15, 2019.

12. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2019</u>
Bond anticipation	2.33%	9/27/2018	9/27/2019	\$ <u>1,515,000</u>

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

<u>Purpose</u>	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ 2,620,000	\$ -	\$ (2,620,000)	\$ -
Bond anticipation	<u>-</u>	<u>1,515,000</u>	<u></u>	<u>1,515,000</u>
Total	<u>\$ 2,620,000</u>	<u>\$ 1,515,000</u>	<u>\$ (2,620,000)</u>	<u>\$ 1,515,000</u>

13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2020. Future minimum lease payments under the capital lease consisted of the following as of June 30, 2019:

<u>Fiscal Year</u>	Capital Lease
2020	\$ <u>131,874</u>
Total Payments	131,874
Less amounts representing interest	<u>(4,305)</u>
Present Value of Minimum Lease Payments	\$ <u>127,569</u>

14. Long-Term Debt

A. General Obligation Bonds

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

	Serial Maturities	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2019</u>
<u>Governmental Activities:</u>			
2018 refunding of 2002 multi purpose bonds	08/15/20	2.00 - 5.00	\$ 667,003
School renovations (refunding bond)	06/15/21	4.08	2,260,000
Center St Design	08/15/21	2.00 - 5.00	255,000
2018 refunding of 2007 multi purpose bonds	08/15/22	2.00 - 5.00	304,000
2018 refunding of 2004 multi purpose bonds	08/15/24	2.00 - 5.00	195,000
Center St Land	08/15/27	2.00 - 5.00	475,000
Roofs	08/15/30	2.00 - 5.00	1,240,000
2019 multi-purpose	02/01/43	3.00 - 4.00	<u>3,550,000</u>
Total Governmental Activities			\$ <u>8,946,003</u>
<u>Business-Type Activities:</u>			
2018 refunding of 2002 multi purpose bonds	08/15/20	2.00 - 5.00	22,997
2018 refunding of 2007 multi purpose bonds	08/15/22	2.00 - 5.00	76,000
Sewer construction (MWPAT 08-05)	07/15/30	2.00	2,252,740 *
Sewer construction (MWPAT 08-05)	07/15/32	2.00	684,985
Sewer construction (MWPAT 08-05-A)	07/15/36	2.00	<u>441,216</u>
Total Business-Type Activities			\$ <u>3,477,938</u>

* 13% of this debt is being paid by the general fund to reflect the portion of project costs that benefited the Town's general infrastructure.

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,819,338	\$ 352,670	\$ 2,172,008
2021	1,839,665	272,820	2,112,485
2022	516,000	171,294	687,294
2023	541,000	177,619	718,619
2024	320,000	151,269	471,269
2025 - 2029	1,295,000	582,342	1,877,342
2030 - 2034	925,000	403,700	1,328,700
thereafter	<u>1,690,000</u>	<u>349,388</u>	<u>2,039,388</u>
Total Governmental	\$ <u>8,946,003</u>	\$ <u>2,461,102</u>	\$ <u>11,407,105</u>
<u>Business-Type</u>			
2020	\$ 262,554	\$ 70,655	\$ 333,209
2021	267,009	64,386	331,395
2022	260,556	58,310	318,866
2023	265,539	52,416	317,955
2024	251,622	46,896	298,518
2025 - 2029	1,338,146	155,083	1,493,229
2030 - 2034	771,854	32,414	804,268
thereafter	<u>60,658</u>	<u>1,826</u>	<u>62,484</u>
Total Business-Type	\$ <u>3,477,938</u>	\$ <u>481,986</u>	\$ <u>3,959,924</u>

C. Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable	\$ 7,254	\$ 4,000	\$ (2,308)	\$ 8,946	\$ (1,819)	\$ 7,127
Net pension liability	47,606	5,716	-	53,322	-	53,322
Net OPEB liability	68,865	10,760	-	79,625	-	79,625
Other:						
Compensated absences	1,254	74	-	1,328	-	1,328
Capital lease	<u>356</u>	<u>-</u>	<u>(229)</u>	<u>127</u>	<u>(127)</u>	<u>-</u>
Subtotal Other	<u>1,610</u>	<u>74</u>	<u>(229)</u>	<u>1,455</u>	<u>(127)</u>	<u>1,328</u>
Total Governmental	\$ <u>125,335</u>	\$ <u>20,550</u>	\$ <u>(2,537)</u>	\$ <u>143,348</u>	\$ <u>(1,946)</u>	\$ <u>141,402</u>
Business-Type Activities						
Bonds payable	\$ 3,753	\$ -	\$ (275)	\$ 3,478	\$ (263)	\$ 3,215
Net pension liability	608	10	-	618	-	618
Net OPEB liability	<u>2,955</u>	<u>461</u>	<u>-</u>	<u>3,416</u>	<u>-</u>	<u>3,416</u>
Total Business-Type	\$ <u>7,316</u>	\$ <u>471</u>	\$ <u>(275)</u>	\$ <u>7,512</u>	\$ <u>(263)</u>	\$ <u>7,249</u>

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

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

15. Deferred Inflows of Resources

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

16. Transfers

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

Governmental Funds	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 314,070	\$ 108,384
Nonmajor funds:		
Special revenue funds	<u>3,000</u>	<u>314,070</u>
Subtotal Nonmajor Funds	3,000	314,070
Business-Type Funds		
Sewer fund	<u>105,384</u>	<u>-</u>
Total	<u>\$ 422,454</u>	<u>\$ 422,454</u>

17. Governmental Funds – Balances

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

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

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

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds, capital projects funded by borrowing, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes the unexpended balance of Town Meeting articles funded by appropriation, funds reserved under State guidelines to be used to offset future debt service and residual balances of capital appropriations funded by general fund appropriation.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and fund balance (surplus) set aside to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods, stabilization funds set aside by Town Meeting vote and deficit funds.

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

	General Fund	Capital Project Fund (School)	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 1,396,907	\$ 1,396,907
Total Nonexpendable	-	-	1,396,907	1,396,907
Restricted				
Special revenue funds	-	-	3,270,553	3,270,553
Bonded projects	-	-	1,050,710	1,050,710
Expendable permanent funds	-	-	194,258	194,258
Total Restricted	-	-	4,515,521	4,515,521
Committed				
Special articles	351,399	-	-	351,399
Debt reserve	172,108	-	-	172,108
Capital projects funded by general fund appropriation	-	-	459,457	459,457
Total Committed	523,507	-	459,457	982,964
Assigned				
Encumbrances	546,278	-	-	546,278
Reserved for expenditures	769,000	-	-	769,000
Total Assigned	1,315,278	-	-	1,315,278
Unassigned				
General fund	1,445,557	-	-	1,445,557
Stabilization fund	2,636,984	-	-	2,636,984
Deficit funds	-	(1,229,834)	(455,415)	(1,685,249)
Total Unassigned	4,082,541	(1,229,834)	(455,415)	2,397,292
Total Fund Balance	\$ 5,921,326	\$ (1,229,834)	\$ 5,916,470	\$ 10,607,962

18. Hampden County Retirement System

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

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Hampden County Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and

disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 67 Hunt Street, Suite 106, Agawam, MA 01001.

Participants Contributions

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

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

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

Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

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

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the

spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town’s contribution to the System for the year ended June 30, 2019 was \$3,938,588, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

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

At June 30, 2019, the Town reported a liability of \$53,939,853 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Town’s

proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportion was 13.55%.

For the year ended June 30, 2019, the Town recognized pension expense of \$6,588,615. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 2,330,327	\$ -
Differences between expected and actual experience	556,512	(558,813)
Changes of assumptions	4,280,649	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>875,155</u>	<u>-</u>
Total	\$ <u>8,042,643</u>	\$ <u>(558,813)</u>

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

Year ended June 30:

2020	\$ 2,163,797
2021	1,940,511
2022	1,881,241
2023	1,459,446
2024	<u>38,835</u>
Total	\$ <u>7,483,830</u>

D. Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/18
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0 – 4.5%
Inflation rate	3.25%
Post-retirement cost-of-living adjustment	3% of first \$18,000

Mortality rates were based on the assumptions that reflect the RP-2014 Blue Collar Employee Mortality Table projected generational with scale MP-2017. Healthy and disabled retiree mortality rates were based on TP-2014 Blue Collar Healthy Annuitant Mortality Table project generational with scale MP-2017.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period December 31, 2017.

E. Target Allocation

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	21.00%	6.16%
International Developed Markets Equity	13.00%	6.69%
International Emerging Markets Equity	5.00%	9.47%
Core Fixed Income	15.00%	1.89%
High Yield Fixed Income	8.00%	4.00%
Real Estate (Core)	10.00%	4.58%
Commodities	4.00%	4.77%
Hedge Fund, GTAA, Risk Parity	11.00%	3.68%
Private Equity	<u>13.00%</u>	10.00%
Total	<u>100.00%</u>	

F. Discount Rate

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

return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
\$65,466,086	\$53,939,853	\$44,212,772

H. Pension Plan Fiduciary Net Position

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

19. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

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

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

B. Benefits Provided

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

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

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

C. Contributions

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

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

D. Actuarial Assumptions

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

- (a) 7.35% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employee table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.0%	5.0%
Portfolio completion strategies	13.0%	3.7%
Core fixed income	12.0%	0.9%
Private equity	12.0%	6.6%
Real estate	10.0%	3.8%
Value added fixed income	10.0%	3.8%
Timber/natural resources	4.0%	3.4%
Total	<u>100.0%</u>	

E. Discount Rate

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

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate (amounts in thousands):

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

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$67.6 million based on a proportionate share of .2852%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$3.7 million as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$6.8 million as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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

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

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Massachusetts Interlocal Insurance Association (MIIA) Health Benefits Trust. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	495
Active employees	<u>541</u>
Total	<u><u>1,036</u></u>

B. Investments

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

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions

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

Inflation	2.5%
Salary increases	3.0%, average, including inflation
Investment rate of return	6.72%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	3.0%
Healthcare cost trend rate	5.0%
Retirees' share of benefit-related costs	50%

Pre-Retirement Mortality rates were based on RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females for teachers and non-teachers.

Post-Retirement Mortality rates were based on RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females for teachers and non-teachers.

Disability Mortality rates were based on RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females for teachers and non-teachers.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study published in 2014.

D. Target Allocation

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity- Large Cap	20.00%	4.80%
Domestic Equity- Small/Mid Cap	10.00%	5.29%
International Equity - Developed Market	10.00%	5.45%
International Equity - Emerging Market	5.00%	6.42%
Domestic Fixed Income	25.00%	2.05%
International Fixed Income	10.00%	3.00%
Alternatives	20.00%	6.50%
Real Estate	0.00%	6.25%
Cash & Cash Equivalents	0.00%	0.00%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the net OPEB liability was 3.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.72% and municipal bond rate of 2.79% (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2019).

F. Net OPEB Liability

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

Total OPEB liability	\$ 83,351,862
Plan fiduciary net position	<u>(311,153)</u>
Net OPEB Liability	\$ <u>83,040,709</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.37%

G. Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, Beginning of Year	\$ 72,065,717	\$ 245,920	\$ 71,819,797
Changes for the year:			
Service cost	3,171,861	-	3,171,861
Interest	2,773,799	-	2,773,799
Contributions - employer	-	2,612,819	(2,612,819)
Net investment income	-	15,233	(15,233)
Changes in assumptions or other inputs	7,903,304	-	7,903,304
Benefit payments	<u>(2,562,819)</u>	<u>(2,562,819)</u>	<u>-</u>
Net Changes	<u>11,286,145</u>	<u>65,233</u>	<u>11,220,912</u>
Balances, End of Year	\$ <u>83,351,862</u>	\$ <u>311,153</u>	\$ <u>83,040,709</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.75% in 2018 to 3.0% in 2019.

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
\$97,396,117	\$83,040,709	\$71,616,312

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates	
1% Decrease <u>(4.0%)</u>		1% Increase <u>(6.0%)</u>
\$66,699,189	\$83,040,709	\$104,226,625

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

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$2,539,155. At June 30, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (13,208,947)
Change in assumptions	6,442,435	(3,331,780)
Net difference between projected and actual OPEB investment earnings	<u>4,959</u>	<u>-</u>
Total	\$ <u>6,447,394</u>	\$ <u>(16,540,727)</u>

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

Year ended June 30:

2020	\$ (3,388,326)
2021	(3,388,326)
2022	(3,388,325)
2023	(527,316)
2024	<u>598,960</u>
Total	\$ <u>(10,093,333)</u>

21. Subsequent Events

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

	<u>Amount</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>
Short Term Debt				
Bond anticipation note	\$ 3,000,000	2.25%	9/26/2019	9/25/2020
Long Term Debt				
General Obligation multi-purpose bond	30,350,000	5 - 3%	9/26/2019	2/1/2049
Capital Leases				
Ford F-350- COA Van	75,673	6.90%	10/14/2019	10/14/2021
Pumper Truck	622,189	3.82%	7/1/2019	7/1/2023
Ambulance	221,420	3.82%	7/1/2019	7/1/2021

22. Commitments and Contingencies

Outstanding Legal Issues – There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

Encumbrances – At year-end the Town's general fund has \$546,278 in encumbrances that will be honored in the next fiscal year.

23. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

24. Subsequent Events

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

On March 10, 2020, Governor Baker declared a state of emergency in the Commonwealth to provide more flexibility to respond to the evolving outbreak in Massachusetts of COVID-19, a strain of coronavirus, which has spread globally, including in the United States. The Town followed that announcement with its own declaration of a local state of emergency on March 17, 2020. The continued spread of COVID-19 may adversely impact the economy of the Commonwealth, western Massachusetts, and the Town, as well as the nation. The Town cannot predict at this time the extent or duration of any such impact, but the Town does not anticipate any material adverse effects in its finances from the COVID-19 outbreak at this time. However, should the outbreak be of long duration, the Town cannot guarantee that material adverse financial effects will not occur. The Town continues to monitor the situation and will coordinate when appropriate with the Commonwealth, other public health officials and community health care resources. In addition, the Town is developing contingency plans which include the Treasurer monitoring collections closely to determine the need to utilize short-term emergency borrowing under G.L. c. 44, § 8(9), if deemed necessary to cope with the potential downturn in the local economy and expects to maintain continuity in the provision of public services.

TOWN OF LUDLOW, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2019

(Unaudited)

(Amounts expressed in thousands)

Hampden County Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	December 31, 2018	13.55%	\$53,940	\$15,489	348.25%	47.33%
June 30, 2018	December 31, 2017	13.48%	\$48,213	\$14,785	326.10%	50.82%
June 30, 2017	December 31, 2016	13.24%	\$48,224	\$14,377	335.44%	46.82%
June 30, 2016	December 31, 2015	12.88%	\$40,239	\$13,407	300.14%	49.22%
June 30, 2015	December 31, 2014	13.47%	\$38,666	\$13,483	286.78%	51.38%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	June 30, 2018	0.2852%	\$ -	\$67,628	\$67,628	\$20,030	-	54.84%
June 30, 2018	June 30, 2017	0.2951%	\$ -	\$67,543	\$67,543	\$20,041	-	54.25%
June 30, 2017	June 30, 2016	0.2834%	\$ -	\$63,355	\$63,355	\$18,639	-	52.73%
June 30, 2016	June 30, 2015	0.2827%	\$ -	\$57,914	\$57,914	\$17,917	-	55.38%
June 30, 2015	June 30, 2014	0.2746%	\$ -	\$43,655	\$43,655	\$16,838	-	61.64%

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

See Independent Auditors' Report.

TOWN OF LUDLOW, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
JUNE 30, 2019
(Unaudited)
(Amounts expressed in thousands)

Hampden County Regional Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 31, 2018	\$3,939	\$3,939	-	\$15,489	25.43%
June 30, 2018	December 31, 2017	\$3,583	\$3,583	-	\$14,785	24.24%
June 30, 2017	December 31, 2016	\$3,300	\$3,300	-	\$14,377	22.96%
June 30, 2016	December 31, 2015	\$2,936	\$2,936	-	\$13,407	21.90%
June 30, 2015	December 31, 2014	\$2,880	\$2,880	-	\$13,483	21.36%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$3,750	\$3,750	-	\$20,030	18.72%
June 30, 2018	June 30, 2017	\$3,646	\$3,646	-	\$20,041	18.19%
June 30, 2017	June 30, 2016	\$3,187	\$3,187	-	\$18,639	17.10%
June 30, 2016	June 30, 2015	\$2,889	\$2,889	-	\$17,917	16.12%
June 30, 2015	June 30, 2014	\$2,574	\$2,574	-	\$16,838	15.29%

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

See Independent Auditors' Report.

TOWN OF LUDLOW, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (GASB 74 AND 75)
(Unaudited)
(Amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 3,172	\$ 2,504	\$ 3,407
Interest on unfunded liability - time value of \$	2,774	3,599	3,020
Differences between expected and actual experience	-	(20,956)	-
Changes of assumptions	7,903	(5,286)	-
Benefit payments, including refunds of member contributions	<u>(2,563)</u>	<u>(2,520)</u>	<u>(2,684)</u>
Net Change in Total OPEB Liability	11,286	(22,659)	3,743
Total OPEB liability - Beginning	<u>72,066</u>	<u>94,725</u>	<u>90,982</u>
Total OPEB Liability - Ending (a)	<u>\$ 83,352</u>	<u>\$ 72,066</u>	<u>\$ 94,725</u>
Plan fiduciary net position*			
Contributions - employer	\$ 2,613	\$ 2,570	\$ 2,734
Net investment income	15	10	13
Benefit payments, including refunds of member contributions	<u>(2,563)</u>	<u>(2,520)</u>	<u>(2,684)</u>
Net Change in Plan Fiduciary Net Position	65	60	63
Plan fiduciary net position - Beginning	<u>246</u>	<u>186</u>	<u>123</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 311</u>	<u>\$ 246</u>	<u>\$ 186</u>
Net OPEB Liability (Asset) - Ending (a-b)	<u>\$ 83,041</u>	<u>\$ 71,820</u>	<u>\$ 94,539</u>

* May reflect certain rounding and immaterial classification differences from page 22.

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

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

See Independent Auditors' Report.

TOWN OF LUDLOW, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS,
AND INVESTMENT RETURNS (GASB 74 AND 75)
(Unaudited)
(Amounts expressed in thousands)

Schedule of Net OPEB Liability	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 83,352	\$ 72,066	\$ 94,725
Plan fiduciary net position	<u>(311)</u>	<u>(246)</u>	<u>(186)</u>
Net OPEB Liability (Asset)	<u>\$ 83,041</u>	<u>\$ 71,820</u>	<u>\$ 94,539</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.37%	0.34%	0.20%
 Schedule of Contributions	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Actuarially determined contribution	\$ 7,285	\$ 6,387	\$ 8,043
Contributions in relation to the actuarially determined contribution	<u>(2,613)</u>	<u>(2,570)</u>	<u>(2,734)</u>
Contribution Deficiency (Excess)	<u>\$ 4,672</u>	<u>\$ 3,817</u>	<u>\$ 5,309</u>
 Schedule of Investment Returns	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Annual money weighted rate of return, net of investment expense	5.30%	4.85%	8.85%

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

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

See Independent Auditors' Report.