



TOWN OF FAIRHAVEN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2019

Town of Fairhaven, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Fairhaven, Massachusetts

Additional Offices:
Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts, as of and for the year ended June 30, 2019, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2018) 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 Fairhaven, Massachusetts, as of June 30, 2019, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2018) 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 Information

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.

Melanson Heath

March 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets, liabilities, and deferred 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, human services, and culture and recreation. The business-type activities include sewer and water 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 Town'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 and internal service funds.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health and dental programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$93,782,574 (i.e., net position), a change of \$3,263,816 in comparison to the prior year.
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$27,711,720, a change of \$1,610,034 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,695,926, a change of \$(1,663,225) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 40,047	\$ 36,884	\$ 12,550	\$ 10,264	\$ 52,597	\$ 47,148
Capital assets	97,883	95,984	35,245	31,738	133,128	127,722
Total assets	137,930	132,868	47,795	42,002	185,725	174,870
Deferred outflows of resources	10,002	3,757	976	576	10,978	4,333
Current liabilities	7,295	4,827	1,790	2,796	9,085	7,623
Noncurrent liabilities	66,733	55,747	13,568	5,741	80,301	61,488
Total liabilities	74,028	60,574	15,358	8,537	89,386	69,111
Deferred inflows of resources	12,827	18,447	707	1,127	13,534	19,574
Net investment in capital assets	88,261	86,539	25,896	27,339	114,157	113,878
Restricted	9,074	8,682	-	-	9,074	8,682
Unrestricted	(36,258)	(37,617)	6,810	5,575	(29,448)	(32,042)
Total net position	\$ 61,077	\$ 57,604	\$ 32,706	\$ 32,914	\$ 93,783	\$ 90,518

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 \$93,782,574, a change of \$3,263,816 in comparison to the prior year.

The largest portion of net position \$114,157,254 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$9,073,823 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(29,448,503), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,553	\$ 5,976	\$ 6,620	\$ 8,528	\$ 12,173	\$ 14,504
Operating grants and contributions	16,455	17,037	-	-	16,455	17,037
Capital grants and contributions	990	460	53	-	1,043	460
General revenues:						
Property taxes	28,537	28,001	-	-	28,537	28,001
Excises	1,994	2,220	-	-	1,994	2,220
Penalties, interest and other taxes	425	466	-	-	425	466
Grants and contributions not restricted to specific programs	3,414	3,293	-	-	3,414	3,293
Investment income (loss)	801	17	28	(4)	829	13
Miscellaneous	539	436	115	-	654	436
Total revenues	<u>58,708</u>	<u>57,906</u>	<u>6,816</u>	<u>8,524</u>	<u>65,524</u>	<u>66,430</u>
Expenses						
General government	4,679	4,340	-	-	4,679	4,340
Public safety	9,267	9,507	-	-	9,267	9,507
Education	32,972	32,533	-	-	32,972	32,533
Public works	4,142	3,694	-	-	4,142	3,694
Human services	1,948	2,060	-	-	1,948	2,060
Culture and recreation	1,424	1,375	-	-	1,424	1,375
Interest on long-term debt	294	308	-	-	294	308
Intergovernmental	491	435	-	-	491	435
Sewer	-	-	4,874	4,169	4,874	4,169
Water	-	-	2,168	2,644	2,168	2,644
Total expenses	<u>55,217</u>	<u>54,252</u>	<u>7,042</u>	<u>6,813</u>	<u>62,259</u>	<u>61,065</u>

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Change in net position before transfers	3,491	3,654	(226)	1,711	3,265	5,365
Transfers in (out)	<u>(18)</u>	<u>(19)</u>	<u>18</u>	<u>19</u>	<u>-</u>	<u>-</u>
Change in net position	3,473	3,635	(208)	1,730	3,265	5,365
Net position - beginning of year	<u>57,604</u>	<u>53,969</u>	<u>32,914</u>	<u>31,184</u>	<u>90,518</u>	<u>85,153</u>
Net position - end of year	<u>\$ 61,077</u>	<u>\$ 57,604</u>	<u>\$ 32,706</u>	<u>\$ 32,914</u>	<u>\$ 93,783</u>	<u>\$ 90,518</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$3,472,632. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,498,217
Road improvements funded by current year revenue	2,192,168
Machinery and equipment purchases funded by current year revenue	3,089,577
Issuance of debt	(885,000)
Depreciation expense in excess of debt service principal paydown	(2,848,388)
Change in deferred revenue	(579,890)
Change in net pension liability and related deferred outflows and inflows of resources	(356,000)
Change in net OPEB liability related deferred outflows and inflows of resources	1,267,286
Other	<u>94,662</u>
Total	<u>\$ 3,472,632</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(208,816). Key elements of this change are as follows:

Sewer Fund:	
Budgetary results of operations	\$ 1,617,436
Change in net pension liability and related deferred outflows and inflows of resources	(26,000)
Change in net OPEB liability related deferred outflows and inflows of resources	(682,480)
Depreciation expense in excess of debt service principal paydown	(993,372)
Change in deferred revenue	(952,859)
Other	<u>105,077</u>
Subtotal	(932,198)
Water Fund:	
Budgetary results of operations	300,297
Change in net pension liability and related deferred outflows and inflows of resources	586,527
Change in net OPEB liability related deferred outflows and inflows of resources	(17,000)
Depreciation expense in excess of debt service principal paydown	(115,658)
Other	<u>(30,784)</u>
Subtotal	<u>723,382</u>
Grand total	<u>\$ (208,816)</u>

D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$27,711,720, a change of \$1,610,034 in comparison to the prior year. Key elements of this change are as follows:

General fund change in fund balance	\$ 1,498,217
Nonmajor governmental funds change in fund balance	<u>111,817</u>
Total	<u>\$ 1,610,034</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 \$8,695,926 while total fund balance was \$18,863,642. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ⁽¹⁾	\$ 8,695,926	\$ 10,359,151	\$ (1,663,225)	17.6%
Total fund balance	\$ 18,863,642	\$ 17,365,425	\$ 1,498,217	38.3%

⁽¹⁾ Includes general stabilization fund.

The total fund balance of the general fund changed by \$1,498,217 during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 1,448,472
Expenditures less than budget	1,000,214
Use of free cash	(2,796,734)
Use of restricted fund balance	199
Use of overlay surplus	(300,000)
Change in stabilization fund	1,598,905
Change in carryforwards	591,950
Other	<u>(64,179)</u>
Total	<u>\$ 1,478,827</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General stabilization	\$ 3,089,346	\$ 2,951,046	\$ 138,300
Ambulance stabilization	106,502	52,405	54,097
Capital stabilization	3,700,556	2,312,164	1,388,392
Special education reserve stabilization	<u>404,670</u>	<u>386,554</u>	<u>18,116</u>
Total	<u>\$ 7,301,074</u>	<u>\$ 5,702,169</u>	<u>\$ 1,598,905</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$6,809,546, a change \$1,233,977 in comparison to the prior year.

Unrestricted net position of the internal service fund at the end of the year amounted to \$1,454,229, a change of \$(318,191) in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$552,916. Major reasons for these amendments include:

- \$50,000 to fund Town Hall maintenance, funded by free cash.
- \$147,000 to fund repairs to the sewer pipe at the Fire and Police Station, funded by free cash.
- \$45,000 to fund repairs to the doorway at the Academy Building, funded by free cash.
- \$32,000 to fund engineering and architectural services for public safety facility, funded by free cash.
- \$15,906 to fund various department salaries and wages, funded by free cash.
- \$104,200 to fund various department operating and expenses, funded by free cash.
- \$96,023 to fund High School gym dehumidification project, funded by free cash.
- \$59,000 to fund purchase of Council on Aging HVAC system, funded by free cash.
- \$3,787 to fund the payment of various prior year bills, funded by free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$133,127,320 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included improvements to various Town buildings, road infrastructure improvements, water and wastewater infrastructure improvements, and the purchase of various public safety vehicles.

Credit rating. The Town of Fairhaven maintains an AA+/Stable credit rating from Standard and Poor's Global Ratings for general obligation debt.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$19,243,720, 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 Notes to Financial Statements.

REQUESTS FOR INFORMATION

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

Finance Director/Treasurer/Collector

Town of Fairhaven

40 Center Street

Fairhaven, Massachusetts 02719

TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and short-term investments	\$ 22,858,579	\$ 9,112,719	\$ 31,971,298
Investments	10,112,178	627,066	10,739,244
Receivables, net of allowance for uncollectibles:			
Property taxes	462,106	-	462,106
Excises	137,616	-	137,616
User fees	18,183	538,686	556,869
Departmental and other	511,010	-	511,010
Special assessments	-	189,040	189,040
Intergovernmental	1,074,555	1,061,150	2,135,705
Notes receivable	926,737	-	926,737
Deposits held by others	938,800	-	938,800
Other assets	2,040	-	2,040
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	942,855	-	942,855
User fees	-	88,402	88,402
Special assessments	8,803	933,427	942,230
Intergovernmental	2,054,364	-	2,054,364
Capital assets:			
Land and construction in progress	22,183,541	9,073,964	31,257,505
Other capital assets, net of accumulated depreciation	75,699,057	26,170,758	101,869,815
Deferred Outflows of Resources			
Related to pensions	4,878,000	768,000	5,646,000
Related to OPEB	5,124,446	207,844	5,332,290
Total Assets and Deferred Outflows of Resources	147,932,870	48,771,056	196,703,926
Liabilities			
Current:			
Warrants and accounts payable	3,137,004	434,468	3,571,472
Accrued liabilities	1,389,306	62,466	1,451,772
Notes payable	638,000	700,000	1,338,000
Tax refunds payable	236,124	-	236,124
Other current liabilities	922,885	7,892	930,777
Current portion of long-term liabilities:			
Bonds and loans payable	797,000	560,168	1,357,168
Other	174,633	24,700	199,333
Noncurrent:			
Bonds and loans payable, net of current portion	8,677,000	9,209,552	17,886,552
Net pension liability	18,846,000	2,611,000	21,457,000
Net OPEB liability	37,613,670	1,525,580	39,139,250
Other, net of current portion	1,596,692	222,302	1,818,994
Deferred Inflows of Resources			
Related to pensions	1,129,000	233,000	1,362,000
Related to OPEB	11,698,431	474,479	12,172,910
Total Liabilities and Deferred Inflows of Resources	86,855,745	16,065,607	102,921,352
Net Position			
Net investment in capital assets	88,261,351	25,895,903	114,157,254
Restricted for:			
Grants and other statutory restrictions	6,031,944	-	6,031,944
Permanent funds:			
Nonexpendable	2,669,497	-	2,669,497
Expendable	372,382	-	372,382
Unrestricted	(36,258,049)	6,809,546	(29,448,503)
Total Net Position	\$ 61,077,125	\$ 32,705,449	\$ 93,782,574

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General government	\$ 4,679,004	\$ 1,060,371	\$ 176,685	\$ (3,080,350)	\$ -	\$ (3,080,350)
Public safety	9,267,441	157,368	-	(7,461,824)	-	(7,461,824)
Education	32,971,855	14,274,644	-	(15,512,321)	-	(15,512,321)
Public works	4,142,497	36,055	813,068	(3,194,254)	-	(3,194,254)
Human services	1,947,737	20,319	-	(1,011,234)	-	(1,011,234)
Culture and recreation	1,424,485	916,184	-	(1,175,549)	-	(1,175,549)
Interest on long-term debt	293,936	10,402	-	(293,936)	-	(293,936)
Intergovernmental	490,757	-	-	(490,757)	-	(490,757)
Total Governmental Activities	55,217,712	16,455,024	989,753	(32,220,225)	-	(32,220,225)
Business-Type Activities						
Sewer	4,873,908	-	53,498	-	(1,091,323)	(1,091,323)
Water	2,168,204	-	-	-	722,506	722,506
Total Business-Type Activities	7,042,112	-	53,498	-	(368,817)	(368,817)
Total	\$ 62,259,824	\$ 16,455,024	\$ 1,043,251	(32,220,225)	(368,817)	(32,589,042)
General Revenues and Transfers						
Property taxes				28,536,537	-	28,536,537
Excises				1,994,327	-	1,994,327
Penalties, interest and other taxes				424,958	-	424,958
Grants and contributions not restricted to specific programs				3,413,829	-	3,413,829
Investment income				801,456	27,514	828,970
Miscellaneous				539,329	114,908	654,237
Transfers, net				(17,579)	17,579	-
Total general revenues and transfers				35,692,857	160,001	35,852,858
Change in Net Position				3,472,632	(208,816)	3,263,816
Net Position						
Beginning of year				57,604,493	32,914,265	90,518,758
End of year				\$ 61,077,125	\$ 32,705,449	\$ 93,782,574

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 13,971,946	\$ 6,844,541	\$ 20,816,487
Investments	7,022,778	3,089,400	10,112,178
Receivables:			
Property taxes	1,549,064	14,905	1,563,969
Excises	251,070	-	251,070
User fees	-	21,057	21,057
Departmental and other	21,777	489,233	511,010
Special assessments	-	8,803	8,803
Intergovernmental	884,482	2,244,438	3,128,920
Notes receivable	-	926,737	926,737
Other assets	2,040	-	2,040
Total Assets	<u>\$ 23,703,157</u>	<u>\$ 13,639,114</u>	<u>\$ 37,342,271</u>
Liabilities			
Warrants payable	\$ 1,951,466	\$ 630,464	\$ 2,581,930
Accrued liabilities	360,449	10,843	371,292
Notes payable	-	638,000	638,000
Other liabilities	922,885	-	922,885
Total Liabilities	3,234,800	1,279,307	4,514,107
Deferred Inflows of Resources			
Unavailable revenues	1,604,715	3,511,729	5,116,444
Fund Balances			
Nonspendable	-	2,669,496	2,669,496
Restricted	-	6,615,475	6,615,475
Committed	5,418,759	-	5,418,759
Assigned	4,748,957	-	4,748,957
Unassigned	8,695,926	(436,893)	8,259,033
Total Fund Balances	<u>18,863,642</u>	<u>8,848,078</u>	<u>27,711,720</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 23,703,157</u>	<u>\$ 13,639,114</u>	<u>\$ 37,342,271</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

JUNE 30, 2019

Total governmental fund balances	\$ 27,711,720
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	97,882,598
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	4,841,108
Internal service funds are used by management to account for health and dental insurance activities. The assets and liabilities of the internal service funds are included with governmental activities in the Statement of Net Assets.	1,454,229
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(9,474,000)
Net pension liability and related deferred outflows and inflows of resources	(15,097,000)
Total OPEB liability and related deferred outflows and inflows of resources	(44,187,655)
Other	(1,771,325)
Other differences	<u>(282,550)</u>
Net position of governmental activities	<u>\$ 61,077,125</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues			
Property taxes	\$ 28,480,198	\$ 397,440	\$ 28,877,638
Excises	2,050,017	-	2,050,017
Penalties, interest and other taxes	423,125	1,833	424,958
Charges for services	3,292,572	2,056,495	5,349,067
Licenses and permits	418,771	-	418,771
Intergovernmental	14,061,727	4,147,058	18,208,785
Fines and forfeitures	1,400	-	1,400
Investment income	635,443	165,264	800,707
Contributions	-	444,740	444,740
Miscellaneous	624,406	161,533	785,939
	<u>49,987,659</u>	<u>7,374,363</u>	<u>57,362,022</u>
Expenditures			
General government	2,848,487	1,608,975	4,457,462
Public safety	7,210,431	1,128,497	8,338,928
Education	24,748,465	2,708,296	27,456,761
Public works	3,215,878	1,281,310	4,497,188
Human services	1,498,136	307,750	1,805,886
Culture and recreation	1,185,800	9,604	1,195,404
Employee benefits	6,923,263	304,007	7,227,270
Debt service	1,155,763	-	1,155,763
Intergovernmental	490,757	-	490,757
Capital outlay	3,787	30,402	34,189
	<u>49,280,767</u>	<u>7,378,841</u>	<u>56,659,608</u>
Excess of revenues over expenditures	706,892	(4,478)	702,414
Other Financing Sources (Uses)			
Issuance of bonds	-	885,000	885,000
Bond premiums	199	40,000	40,199
Transfers in	982,943	174,238	1,157,181
Transfers out	(191,817)	(982,943)	(1,174,760)
	<u>791,325</u>	<u>116,295</u>	<u>907,620</u>
Change in fund balance	1,498,217	111,817	1,610,034
Fund Balance, at Beginning of Year	<u>17,365,425</u>	<u>8,736,261</u>	<u>26,101,686</u>
Fund Balance, at End of Year	<u>\$ 18,863,642</u>	<u>\$ 8,848,078</u>	<u>\$ 27,711,720</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2019

Net changes in fund balances - total governmental funds	\$ 1,610,034
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	5,603,124
Depreciation	(3,704,102)
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>	
Issuance of debt	(885,000)
Repayments of debt	855,714
<p>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.</p>	
	(731,727)
<p>Internal service funds are used by management to account for health and dental insurance activities. The net activity of internal service funds is reported with governmental activities in the Statement of Net Position.</p>	
	(381,191)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>	
Net pension liability and related deferred outflows and inflows of resources	(356,000)
Net OPEB liability and related deferred outflows and inflows of resources	1,267,286
Other	6,113
Other differences	<u>188,381</u>
Change in net position of governmental activities	\$ <u><u>3,472,632</u></u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 28,204,539	\$ 28,204,539	\$ 28,204,539	\$ -
Excises	1,700,000	1,700,000	2,050,017	350,017
Penalties, interest and other taxes	495,000	495,000	423,125	(71,875)
Charges for services	3,800,000	3,800,000	4,338,816	538,816
Licenses and permits	500,000	500,000	418,771	(81,229)
Intergovernmental	11,486,892	11,486,892	11,667,577	180,685
Fines and forfeitures	4,000	4,000	1,400	(2,600)
Investment income	30,000	30,000	327,755	297,755
Miscellaneous	40,000	40,000	276,903	236,903
Total Revenues	46,260,431	46,260,431	47,708,903	1,448,472
Expenditures				
General government	5,133,459	5,247,659	4,983,706	263,953
Public safety	7,112,316	7,385,516	7,310,573	74,943
Education	22,379,839	22,477,568	22,432,543	45,025
Public works	3,187,814	3,192,814	3,104,915	87,899
Human services	1,853,885	1,853,885	1,578,486	275,399
Culture and recreation	1,277,767	1,336,767	1,312,345	24,422
Employee benefits	8,429,362	8,433,149	8,258,586	174,563
Debt service	1,289,143	1,289,143	1,173,341	115,802
Intergovernmental	428,965	428,965	490,757	(61,792)
Total Expenditures	51,092,550	51,645,466	50,645,252	1,000,214
Excess (deficiency) of revenues over expenditures	(4,832,119)	(5,385,035)	(2,936,349)	2,448,686
Other Financing Sources (Uses)				
Transfers in	2,288,301	2,288,301	2,288,336	35
Use of free cash	2,243,818	2,796,734	2,796,734	-
Use of overlay surplus	300,000	300,000	300,000	-
Other source(s)	-	-	199	199
Total Other Financing Sources (Uses)	4,832,119	5,385,035	5,385,269	234
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,448,920	\$ 2,448,920

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Assets				
Current:				
Cash and short-term investments	\$ 6,712,387	\$ 2,400,332	\$ 9,112,719	\$ 2,042,092
Investments	627,066	-	627,066	-
Deposits held by others	-	-	-	938,800
Receivables, net of allowance for uncollectibles:				
User fees	306,223	232,463	538,686	-
Special assessments	189,040	-	189,040	-
Intergovernmental	<u>1,061,150</u>	<u>-</u>	<u>1,061,150</u>	<u>-</u>
Total current assets	8,895,866	2,632,795	11,528,661	2,980,892
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
User fees	55,620	32,782	88,402	-
Special assessments	933,427	-	933,427	-
Capital assets:				
Land and construction in progress	8,148,020	925,944	9,073,964	-
Other capital assets, net of accumulated depreciation	<u>22,775,114</u>	<u>3,395,644</u>	<u>26,170,758</u>	<u>-</u>
Total noncurrent assets	31,912,181	4,354,370	36,266,551	-
Deferred Outflows of Resources				
Related to pensions	418,000	350,000	768,000	-
Related to OPEB	<u>151,980</u>	<u>55,864</u>	<u>207,844</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	41,378,027	7,393,029	48,771,056	2,980,892
Liabilities				
Current:				
Accounts payable	361,419	73,049	434,468	1,142,939
Accrued liabilities	36,686	25,780	62,466	383,724
Notes payable	700,000	-	700,000	-
Other current liabilities	7,892	-	7,892	-
Current portion of long-term liabilities:				
Bonds and loans payable	512,587	47,581	560,168	-
Other	<u>16,684</u>	<u>8,016</u>	<u>24,700</u>	<u>-</u>
Total current liabilities	1,635,268	154,426	1,789,694	1,526,663
Noncurrent:				
Bonds and loans payable, net of current portion	8,581,609	627,943	9,209,552	-
Net pension liability	1,610,000	1,001,000	2,611,000	-
Net OPEB liability	1,115,537	410,043	1,525,580	-
Other, net of current portion	<u>150,158</u>	<u>72,144</u>	<u>222,302</u>	<u>-</u>
Total noncurrent liabilities	11,457,304	2,111,130	13,568,434	-
Deferred Inflows of Resources				
Related to pensions	180,000	53,000	233,000	-
Related to OPEB	<u>346,949</u>	<u>127,530</u>	<u>474,479</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	13,619,521	2,446,086	16,065,607	1,526,663
Net Position				
Net investment in capital assets	22,248,945	3,646,958	25,895,903	-
Unrestricted	<u>5,509,561</u>	<u>1,299,985</u>	<u>6,809,546</u>	<u>1,454,229</u>
Total Net Position	\$ <u>27,758,506</u>	\$ <u>4,946,943</u>	\$ <u>32,705,449</u>	\$ <u>1,454,229</u>

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

TOWN OF FAIRHAVEN, 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			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Operating Revenues				
Charges for services	\$ 3,729,087	\$ 2,886,549	\$ 6,615,636	\$ -
Employee and employer contributions	-	-	-	7,580,679
Other	-	4,161	4,161	-
Total Operating Revenues	3,729,087	2,890,710	6,619,797	7,580,679
Operating Expenses				
Salaries and benefits	2,286,145	430,012	2,716,157	7,962,655
Other operating expenses	1,122,602	351,449	1,474,051	-
Depreciation	1,282,145	162,546	1,444,691	-
Intergovernmental assessments	-	1,209,796	1,209,796	-
Total Operating Expenses	4,690,892	2,153,803	6,844,695	7,962,655
Operating Income (Loss)	(961,805)	736,907	(224,898)	(381,976)
Nonoperating Revenues (Expenses)				
Investment income	26,638	876	27,514	785
Miscellaneous	114,908	-	114,908	-
Interest expense	(183,016)	(14,401)	(197,417)	-
Total Nonoperating Revenues (Expenses), Net	(41,470)	(13,525)	(54,995)	785
Income (Loss) Before Transfers and Capital Contributions	(1,003,275)	723,382	(279,893)	(381,191)
Transfers in	17,579	-	17,579	-
Capital contributions	53,498	-	53,498	-
Change in Net Position	(932,198)	723,382	(208,816)	(381,191)
Net Position at Beginning of Year	28,690,704	4,223,561	32,914,265	1,835,420
Net Position at End of Year	\$ 27,758,506	\$ 4,946,943	\$ 32,705,449	\$ 1,454,229

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 4,050,594	\$ 2,953,853	\$ 7,004,447	\$ 7,580,679
Payments to vendors and employees	(2,944,237)	(2,517,304)	(5,461,541)	(7,223,518)
Net Cash Provided By (Used For) Operating Activities	1,106,357	436,549	1,542,906	357,161
Cash Flows From Noncapital Financing Activities				
Transfers in	17,579	-	17,579	-
Net Cash Provided By Noncapital Financing Activities	17,579	-	17,579	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(4,632,580)	(318,650)	(4,951,230)	-
Proceeds from issuance of bonds	7,405,000	-	7,405,000	-
Proceeds from issuance of notes	700,000	-	700,000	-
Principal payments on bonds	(288,773)	(46,888)	(335,661)	-
Payments on notes	(1,700,000)	-	(1,700,000)	-
Interest expense	(185,187)	(14,786)	(199,973)	-
Capital contribution	671,880	-	671,880	-
Other	114,908	-	114,908	-
Net Cash (Used For) Capital and Related Financing Activities	2,085,248	(380,324)	1,704,924	-
Cash Flows From Investing Activities				
Investments	(293,151)	-	(293,151)	-
Investment income	26,638	876	27,514	785
Net Cash Provided By (Used For) Investing Activities	(266,513)	876	(265,637)	785
Net Change in Cash and Short-Term Investments	2,942,671	57,101	2,999,772	357,946
Cash and Short-Term Investments, Beginning of Year	3,769,716	2,343,231	6,112,947	1,684,146
Cash and Short-Term Investments, End of Year	\$ 6,712,387	\$ 2,400,332	\$ 9,112,719	\$ 2,042,092
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities				
Operating income (loss)	\$ (961,805)	\$ 736,907	\$ (224,898)	\$ (381,976)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,282,145	162,546	1,444,691	-
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	68,726	63,626	132,352	-
Special assessments	254,832	-	254,832	-
Deposits held by others	-	-	-	(34,200)
Deferred outflows - related to pensions	(83,000)	(109,000)	(192,000)	-
Deferred outflows - related to OPEB	(151,851)	(55,645)	(207,496)	-
Accounts payable	(259,764)	22,938	(236,826)	683,222
Accrued liabilities	2,661	5,254	7,915	90,115
Other liabilities	11,082	14,805	25,887	-
Net pension liability	314,000	260,000	574,000	-
Net OPEB liability	692,883	(308,867)	384,016	-
Deferred inflows - related to pensions	(205,000)	(134,000)	(339,000)	-
Deferred inflows - related to OPEB	141,448	(222,015)	(80,567)	-
Net Cash Provided By Operating Activities	\$ 1,106,357	\$ 436,549	\$ 1,542,906	\$ 357,161

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Fund</u>	Agency <u>Fund</u>
Assets			
Cash and short-term investments	\$ 426,268	\$ 497,782	\$ 1,401,066
Investments:			-
Certificates of deposits	-	31,408	-
Federal agency securities	-	64,614	-
Corporate bonds	-	58,938	-
Corporate equities	516,889	391,128	-
Mutual funds	232,723	-	-
External investment pool	<u>61,055,589</u>	<u>-</u>	<u>-</u>
Total Investments	61,805,201	546,088	-
Accounts receivable	<u>104,660</u>	<u>-</u>	<u>-</u>
Total Assets	62,336,129	1,043,870	1,401,066
Liabilities			
Warrants payable	-	-	22,781
Accrued liabilities	-	-	11,678
Other liabilities	<u>-</u>	<u>-</u>	<u>1,366,607</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 1,401,066</u>
Net Position			
Restricted for pension purposes	61,584,689	-	
Restricted for OPEB purposes	751,440	-	
Restricted for other purposes	<u>-</u>	<u>1,043,870</u>	
Total Net Position	<u>\$ 62,336,129</u>	<u>\$ 1,043,870</u>	

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust Fund</u>
Additions		
Contributions:		
Employers	\$ 5,157,592	\$ -
Plan members	1,459,474	-
Other systems and Commonwealth of Massachusetts	130,750	-
Other	<u>38,353</u>	<u>363,731</u>
Total contributions	6,786,169	363,731
Investment Income (Loss):		
Investment income	28,611	12,425
Increase (decrease) in fair value of investments	(1,141,519)	9,032
Less: management fees	<u>(333,922)</u>	<u>-</u>
Net investment income (loss)	<u>(1,446,830)</u>	<u>21,457</u>
Total additions	5,339,339	385,188
Deductions		
Benefit payments to plan members, beneficiaries, and other systems	6,505,073	-
Member refunds and transfers to other systems	290,242	-
Administrative expenses	100,629	-
Other	<u>-</u>	<u>23,020</u>
Total deductions	<u>6,895,944</u>	<u>23,020</u>
Net increase (decrease)	(1,556,605)	362,168
Net position restricted for pensions and other purposes		
Beginning of year	<u>63,892,734</u>	<u>681,702</u>
End of year	<u>\$ 62,336,129</u>	<u>\$ 1,043,870</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Fairhaven, Massachusetts (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.

The Fairhaven Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information for the System can be obtained by contacting the System's retirement administrator, located at Town of Fairhaven, 40 Center Street, Fairhaven, MA 02719.

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 fund:

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Sewer Fund* is used to account for the Town's sewer enterprise fund operations.
- The *Water Fund* is used to account for the Town's water enterprise fund operations.

The self-insured medical and dental claims trust is reported as an *Internal Service Fund* in the accompanying financial statements.

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 *Post-employment Benefits and OPEB Trust Funds* are used to accumulate resources for retiree post-employment benefits.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency Fund* accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

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

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

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

E. Investments

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

Investments for the Town's trust funds consist of marketable securities, bonds, equities, mutual funds, and certificates of deposit. Investments for the Contributory Retirement System (Pension Trust) consist of pooled investments in the State Pension Reserves Investment Trust (PRIT). Investments are carried at fair value except certificates of deposit which are reported at cost.

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$35,420.

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) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

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

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 Town as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Improvements	20 - 40
Infrastructure	30 - 60
Machinery and equipment	5 - 10

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 funds 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/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance 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.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Total</u>
Revenues/expenditures/other financing sources/uses (GAAP Basis)	\$ 49,987,659	\$ 49,280,767	\$ 791,325	\$ 1,498,217
Adjust tax revenue to accrual basis	(275,660)	-	-	(275,660)
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,240,840)	-	1,240,840
Add end-of-year appropriation carryforwards from expenditures	-	1,832,790	-	(1,832,790)
Record use of free cash	-	-	2,796,734	2,796,734
Record use of overlay surplus	-	-	300,000	300,000
Reverse MTRS on behalf payment	(2,394,150)	(2,394,150)	-	-
Reclassification of indirect costs	21,415	1,326,808	1,305,393	-
Reclassification of sewer bond payments	-	17,579	17,579	-
Reclassification of budgeted transfers to stabilization funds	-	1,232,627	1,232,627	-
Reclassification of wind turbine expenditures	677,327	677,327	-	-
Reverse effect of combining stabilization funds with general fund per GASB 54	(307,688)	-	(1,291,217)	(1,598,905)
Other	-	(87,656)	232,828	320,484
Budgetary Basis	<u>\$ 47,708,903</u>	<u>\$ 50,645,252</u>	<u>\$ 5,385,269</u>	<u>\$ 2,448,920</u>

D. Deficit Fund Equity

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

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

3. Cash and Short-term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Neither the Town nor the Contributory Retirement System (System) has deposit policies for custodial credit risk.

As of June 30, 2019, \$5,356,089 of the Town's bank balance of \$44,614,531 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. **Investments**

Town (Excluding the Pension Trust Fund)

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

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 1,446
Corporate bonds	2,713
Corporate equities	4,288
Equity mutual funds	381
Federal agency securities	2,974
Fixed income mutual funds	<u>233</u>
Total investments	\$ <u>12,035</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 purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town does not have formal investment policies related to credit risk.

Presented below (in thousands) is the actual rating as of year-end for each 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>AAA</u>	<u>AA3</u>	<u>A3</u>	<u>A2</u>	<u>A1</u>	<u>BAA1</u>
Corporate bonds	\$ 2,713	\$ 188	\$ 175	\$ 873	\$ 188	\$ 435	\$ 854
Federal agency securities	<u>2,974</u>	<u>2,974</u>	-	-	-	-	-
Total	\$ <u>5,687</u>	\$ <u>3,162</u>	\$ <u>175</u>	\$ <u>873</u>	\$ <u>188</u>	\$ <u>435</u>	\$ <u>854</u>

B. **Custodial Credit Risk**

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

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

<u>Investment Type</u>	<u>Amount</u>	Held by Counterparty's <u>Trust or Agent</u>
Certificates of deposits	\$ 1,446	\$ 1,446
Corporate bonds	2,713	2,713
Corporate equities	4,288	4,288
Equity mutual funds	381	381
Federal agency securities	2,974	2,974
Fixed income mutual funds	233	233
Total	\$ <u>12,035</u>	\$ <u>12,035</u>

C. Concentration of Credit Risk

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

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure. Town investments in any one issuer that represents 5% or more of total investments are as follows (in thousands):

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Citibank Vanguard corporate equity	\$ <u>1,072</u>	9%
Total	\$ <u>1,072</u>	

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Certificates of deposits	\$ 1,446	\$ 578	\$ 868
Corporate bonds	2,713	1,238	1,475
Federal agency securities	<u>2,974</u>	<u>832</u>	<u>2,142</u>
Total	<u>\$ 7,133</u>	<u>\$ 2,648</u>	<u>\$ 4,485</u>

E. Foreign Currency Risk

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

F. Fair Value

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

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

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's 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 Town has the following fair value measurements as of June 30, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 2,713	\$ -	\$ 2,713	\$ -
Corporate equities	4,288	4,288	-	-
Equity mutual funds	381	381	-	-
Federal agency securities	2,974	-	2,974	-
Fixed income mutual funds	<u>233</u>	233	-	-
Total	<u>\$ 10,589</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.

Pension Trust Fund (The System)

The following is a summary of the System's investments as of December 31, 2018:

<u>Investment Type</u>	<u>Amount</u>
External investment pool	\$ <u>61,055,589</u>
Total investments	\$ <u>61,055,589</u>

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts general law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment*

Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, chapter 30B.

G. 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. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

All of the System's investments are reported at fair value* and comprise shares in the PRIT fund, which is exempt from credit risk disclosure.

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22 in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

H. 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 System's investment policy manages custodial credit risk through diversification and the "prudent person" principles outlined in PERAC guidelines.

The System's investments of \$61,055,589 comprise of pooled investment funds, which are exempt from custodial credit risk.

I. Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund

All of the System's investments are in the PRIT fund.

J. 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 System does not have a formal investment policy that limits investment maturities

as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

K. 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 System does not have policies for foreign currency risk.

L. Fair Value

The System 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. 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.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The System has the following fair value measurements as of December 31, 2018:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments measured at the net asset value (NAV):				
State Investment Pool (PRIT)	\$ <u>61,055,589</u>	-	-	-
Total	\$ <u><u>61,055,589</u></u>			

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
State Investment Pool (PRIT)	\$ 61,055,589	\$ -	Monthly	30 Days

5. 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 Assessors for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

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

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

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

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 474,177	\$ (48,308)	\$ 425,869	\$ -
Personal property taxes	15,844	(3,476)	12,368	-
Community preservation act	14,905	(1,497)	13,408	-
Tax liens	1,049,045	(104,727)	10,303	934,015
Deferred taxes	9,998	(1,000)	158	8,840
Total property taxes	<u>\$ 1,563,969</u>	<u>\$ (159,008)</u>	<u>\$ 462,106</u>	<u>\$ 942,855</u>
Motor vehicle excise	\$ 237,891	\$ (111,080)	\$ 126,811	
Boat excise	13,179	(2,374)	10,805	
Total excises	<u>\$ 251,070</u>	<u>\$ (113,454)</u>	<u>\$ 137,616</u>	

6. User Fee Receivables

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

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer	\$ 383,416	\$ (21,573)	\$ 361,843
Water	281,156	(15,911)	265,245
Waterways	21,057	(2,874)	18,183
Total	<u>\$ 685,629</u>	<u>\$ (40,358)</u>	<u>\$ 645,271</u>

7. Departmental and Other Receivables

This balance consists primarily of ambulance charges and stop-loss adjustments due from the Town's health insurance carrier for medical claims in excess of stop-loss limits in the Town's self-insured internal service fund.

8. Special Assessments Receivable

This balance represents Title V and sewer special assessment receivables.

9. Intergovernmental Receivables

This represents reimbursements requested from federal, state, and local agencies for expenditures incurred in fiscal year 2019.

10. Interfund 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 major interfund transfers.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 982,943	\$ 191,817
Nonmajor Funds:		
Special revenue funds:		
Ambulance	-	817,408
Waterways	19,214	89,500
Other	-	76,035
Capital projects funds	<u>155,024</u>	<u>-</u>
Subtotal - Nonmajor Funds	174,238	982,943
Business-Type Funds		
Sewer Fund	<u>17,579</u>	<u>-</u>
Subtotal - Business-Type Funds	<u>17,579</u>	<u>-</u>
Total	<u>\$ 1,174,760</u>	<u>\$ 1,174,760</u>

Transfers from the ambulance receipts reserve for appropriation fund were for the annual reimbursement of the general fund for EMT-related expenses. Of the transfers out of the general fund, \$17,579 was transferred to sewer enterprise to reclassify debt service payments. Additionally, \$59,000 was transferred to the capital projects funds for the purchase of a HVAC system for the Council of Aging. \$96,024 was also transferred to the capital project funds for the dehumidification project for the High School gymnasium.

11. Deposits Held by Others

This balance represents the total working deposit held by the Town's self-insured health administrator for ongoing medical and dental claims.

12. Notes Receivable

This balance represents the outstanding balance of home rehabilitation loans funded by Community Development Block Grants.

13. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings	\$ 67,047	\$ 399	\$ -	\$ 67,446
Improvements	15,481	-	-	15,481
Machinery and equipment	5,519	3,089	-	8,608
Infrastructure	<u>33,446</u>	<u>2,473</u>	<u>-</u>	<u>35,919</u>
Total capital assets, being depreciated	121,493	5,961	-	127,454
Less accumulated depreciation for:				
Buildings	(23,626)	(1,628)	-	(25,254)
Improvements	(5,894)	(624)	-	(6,518)
Machinery and equipment	(3,942)	(435)	-	(4,377)
Infrastructure	<u>(14,590)</u>	<u>(1,016)</u>	<u>-</u>	<u>(15,606)</u>
Total accumulated depreciation	<u>(48,052)</u>	<u>(3,703)</u>	<u>-</u>	<u>(51,755)</u>
Total capital assets, being depreciated, net	73,441	2,258	-	75,699
Capital assets, not being depreciated:				
Land	22,184	-	-	22,184
Construction in progress	<u>359</u>	<u>-</u>	<u>(359)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>22,543</u>	<u>-</u>	<u>(359)</u>	<u>22,184</u>
Governmental activities capital assets, net	<u>\$ 95,984</u>	<u>\$ 2,258</u>	<u>\$ (359)</u>	<u>\$ 97,883</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and system	\$ 35,707	\$ 821	\$ -	\$ 36,528
Improvements other than buildings	23,344	-	-	23,344
Machinery and equipment	<u>3,758</u>	<u>189</u>	<u>-</u>	<u>3,947</u>
Total capital assets, being depreciated	62,809	1,010	-	63,819
Less accumulated depreciation for:				
Buildings and system	(22,755)	(580)	-	(23,335)
Improvements other than buildings	(10,370)	(775)	-	(11,145)
Machinery and equipment	<u>(3,078)</u>	<u>(90)</u>	<u>-</u>	<u>(3,168)</u>
Total accumulated depreciation	<u>(36,203)</u>	<u>(1,445)</u>	<u>-</u>	<u>(37,648)</u>
Total capital assets, being depreciated, net	26,606	(435)	-	26,171
Capital assets, not being depreciated:				
Land	989	-	-	989
Construction in progress	<u>4,143</u>	<u>4,656</u>	<u>(714)</u>	<u>8,085</u>
Total capital assets, not being depreciated	<u>5,132</u>	<u>4,656</u>	<u>(714)</u>	<u>9,074</u>
Business-type activities capital assets, net	<u>\$ 31,738</u>	<u>\$ 4,221</u>	<u>\$ (714)</u>	<u>\$ 35,245</u>

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

Governmental Activities	
General government	\$ 317
Public safety	220
Education	1,802
Public works	1,238
Culture and recreation	<u>126</u>
Total governmental activities	<u>\$ 3,703</u>
Business-Type Activities	
Sewer fund	\$ 1,282
Water fund	<u>163</u>
Total business-type activities	<u>\$ 1,445</u>

14. Deferred Outflows of Resources

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

15. Warrants and Accounts Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019. Accounts payable represent additional 2019 expenses paid after the close of the fiscal year.

16. Accrued Liabilities

Accrued liabilities consist primarily of year-end payroll and withholdings, self-insured health and dental claims incurred but not yet recorded, and accrued interest on long-term debt.

17. Tax Refunds Payable

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

18. Notes Payable

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

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/19
<u>Governmental Activities</u>				
Fiber Optic Connectivity	1.90%	06/27/19	06/26/20	\$ 155,000
High School Gym Dehumidification	1.90%	06/27/19	06/26/20	283,000
Senior Center HVAC	1.90%	06/27/19	06/26/20	200,000
Total				\$ <u>638,000</u>
<u>Business-Type Activities</u>				
West Island Sewer	1.90%	06/27/19	06/26/20	\$ <u>700,000</u>
Total				\$ <u>700,000</u>

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

	Balance Beginning of Year	New Issues	Bonded	Balance End of Year
<u>Governmental Activities</u>				
Fiber Optic Connectivity	\$ -	\$ 155,000	\$ -	\$ 155,000
High School Gym Dehumidification	-	283,000	-	283,000
Senior Center HVAC	-	200,000	-	200,000
Total	\$ -	\$ <u>638,000</u>	\$ -	\$ <u>638,000</u>
<u>Business-Type Activities</u>				
Sewer	\$ 1,700,000	\$ -	\$ (1,700,000)	\$ -
West Island Sewer	-	700,000	-	700,000
Total	\$ <u>1,700,000</u>	\$ <u>700,000</u>	\$ <u>(1,700,000)</u>	\$ <u>700,000</u>

19. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds and direct borrowings 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. Direct borrowings have been issued for only business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/19
<u>Governmental Activities</u>			
Elementary school	11/01/33	3.0 - 4.0%	\$ 6,785,000
High school - refunding	12/15/24	2.0 - 5.0%	279,000
Elementary and high school - refunding	03/15/27	2.0 - 3.0%	1,525,000
General obligation - ladder truck	06/30/29	3.0 - 5.0%	885,000
Total Governmental Activities			\$ <u>9,474,000</u>

<u>Business-Type Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/19</u>
Sewer - Nancy Street refunding	12/15/19	2.0 - 5.0%	\$ 4,000
Sewer - UV Disinfection refunding	12/15/24	2.0 - 5.0%	417,000
Sewer - Sconticut Neck refunding	12/15/24	2.0 - 5.0%	621,892
Sewer - General obligation	06/30/39	3.0 - 5.0%	7,405,000
Water - Boston Hill Water Tank	11/01/22	3.0 - 4.0%	<u>60,000</u>
Subtotal bonds			8,507,892
Sewer - Title V MWPAT	02/01/21	0.0%	13,558
Sewer - USDA Rural Development	02/02/26	4.5%	100,244
Sewer Digester	01/15/33	2.0%	532,502
Water - MCWT Boston Hill Water Tank	07/15/35	2.0%	<u>615,524</u>
Subtotal loans payable (direct borrowings)			<u>1,261,828</u>
Total Business-Type Activities			<u>\$ 9,769,720</u>

B. Future Debt Service

The annual payments to retire all general obligation and direct borrowings 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	\$	797,000	\$ 293,938	\$ 1,090,938
2021		792,000	273,412	1,065,412
2022		787,000	252,320	1,039,320
2023		782,000	228,860	1,010,860
2024		781,000	207,315	988,315
2025 - 2029		3,285,000	687,350	3,972,350
2030 - 2034		<u>2,250,000</u>	<u>215,438</u>	<u>2,465,438</u>
Total	\$	<u>9,474,000</u>	<u>\$ 2,158,633</u>	<u>\$ 11,632,633</u>

<u>Business-Type</u>	<u>Bonds</u>		<u>Loans Payable (Direct Borrowings)</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 473,000	\$ 289,138	\$ 87,168	\$ 27,736	\$ 877,042
2021	473,000	271,313	89,401	25,756	859,470
2022	479,892	255,355	84,710	23,714	843,671
2023	473,000	235,640	86,931	21,612	817,183
2024	459,000	221,810	89,216	20,549	790,575
2025 - 2029	1,840,000	878,950	399,643	71,434	3,190,027
2030 - 2034	1,980,000	596,575	335,753	25,869	2,938,197
Thereafter	<u>2,330,000</u>	<u>249,163</u>	<u>89,006</u>	<u>900</u>	<u>2,669,069</u>
Total	<u>\$ 8,507,892</u>	<u>\$ 2,997,944</u>	<u>\$ 1,261,828</u>	<u>\$ 217,570</u>	<u>\$ 12,985,234</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):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable	\$ 9,445	\$ 885	\$ (856)	\$ 9,474	\$ (797)	\$ 8,677
Net pension liability	14,916	3,930	-	18,846	-	18,846
Net OPEB liability	30,591	7,023	-	37,614	-	37,614
Other:						
Landfill liability	300	-	(25)	275	(25)	250
Compensated absences	1,530	143	(176)	1,497	(150)	1,347
Special termination benefits	75	-	(75)	-	-	-
Subtotal - other	<u>1,905</u>	<u>143</u>	<u>(276)</u>	<u>1,772</u>	<u>(175)</u>	<u>1,597</u>
Totals	<u>\$ 56,857</u>	<u>\$ 11,981</u>	<u>\$ (1,132)</u>	<u>\$ 67,706</u>	<u>\$ (972)</u>	<u>\$ 66,734</u>
Business-Type Activities						
Bonds payable	\$ 1,321	\$ 7,405	\$ (218)	\$ 8,508	\$ (473)	\$ 8,035
Loans payable (direct borrowings)	<u>1,379</u>	<u>-</u>	<u>(117)</u>	<u>1,262</u>	<u>(87)</u>	<u>1,175</u>
Subtotal	2,700	7,405	(335)	9,770	(560)	9,210
Net pension liability	2,037	574	-	2,611	-	2,611
Net OPEB liability	1,142	384	-	1,526	-	1,526
Other:						
Compensated absences	<u>219</u>	<u>28</u>	<u>-</u>	<u>247</u>	<u>(25)</u>	<u>222</u>
Totals	<u>\$ 6,098</u>	<u>\$ 8,391</u>	<u>\$ (335)</u>	<u>\$ 14,154</u>	<u>\$ (585)</u>	<u>\$ 13,569</u>

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

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

20. Landfill Post-Closure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$275,000 reported as landfill postclosure care liability at June 30, 2019 represents the estimated future monitoring costs of the Town's former landfill, which was closed and capped in 1999. These costs will be captured annually as part of the Town's budget. Actual cost may be higher than estimated due to inflation, changes in technology, or changes in regulations.

21. 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.

22. 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 has 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 funds 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 the unspent balance of capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose as established by management. 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, fund balance voted to be used for the subsequent year's budget, and funds reserved by Town management for future debt service payments.

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

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 2,669,496	\$ 2,669,496
Total Nonspendable	-	2,669,496	2,669,496
Restricted			
Bonded projects	-	211,148	211,148
Special revenue funds:			
Community preservation act	-	977,837	977,837
School lunch	-	295,938	295,938
Chapter 90 highway	-	154,846	154,846
Social day	-	141,934	141,934
Ambulance	-	1,365,087	1,365,087
Stormwater maintenance fees	-	102,033	102,033
School Telecomm Cable	-	411,502	411,502
Circuit breaker	-	353,714	353,714
PEG access	-	702,112	702,112
Selectmen Telecomm	-	180,558	180,558
Waterway	-	378,100	378,100
Other	-	968,284	968,284
Expendable permanent funds	-	372,382	372,382
Total Restricted	-	6,615,475	6,615,475
Committed			
Carryover articles	1,207,031	-	1,207,031
Ambulance stabilization	106,502	-	106,502
Capital stabilization	3,700,556	-	3,700,556
Special education reserve stabilization	404,670	-	404,670
Total Committed	5,418,759	-	5,418,759
Assigned			
Encumbrances:			
General government	90,411	-	90,411
Public safety	24,031	-	24,031
Education	173,190	-	173,190
Public works	216,871	-	216,871
Health and human services	111,787	-	111,787
Culture and recreation	1,527	-	1,527
Employee benefits	7,942	-	7,942
Reserve for expenditure	4,026,800	-	4,026,800
Future debt service	96,398	-	96,398
Total Assigned	4,748,957	-	4,748,957
Unassigned			
General fund	5,606,580	-	5,606,580
General stabilization funds	3,089,346	-	3,089,346
Capital project fund deficits	-	(147,247)	(147,247)
Special revenue fund deficits	-	(289,646)	(289,646)
Total Unassigned	8,695,926	(436,893)	8,259,033
Total Fund Balance	\$ 18,863,642	\$ 8,848,078	\$ 27,711,720

23. 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 Fairhaven Contributory 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, which are publicly available at the System's administrative offices at 40 Centre Street, Fairhaven, Massachusetts 02719.

Participant Contributions

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

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

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

Participant Retirement Benefits

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

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

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

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

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

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

Methods of Payment

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

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

Participant Refunds

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

Employer Contributions

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

The Town’s contribution to the System for the year ended June 30, 2019 was \$3,079,385, which was equal to its 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 the System’s fiduciary net position have been determined on the same basis as they are reported by the 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 \$21,457,000 for its proportionate share of the System’s total 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 an actuarially determined projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2018, the Town’s proportion was 96.49%.

For the year ended June 30, 2019, the Town recognized total pension expense of \$3,458,000. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (1,139,000)
Changes of assumptions	3,011,000	-
Net difference between projected and actual earnings on pension plan investments	2,471,000	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>164,000</u>	<u>(223,000)</u>
Total	<u>\$ 5,646,000</u>	<u>\$ (1,362,000)</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	\$ 1,636,000
2021	931,000
2022	550,000
2023	1,169,000
2024	<u>(2,000)</u>
Tota	\$ <u>4,284,000</u>

D. Actuarial Assumptions

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

Valuation date	January 1, 2018
Actuarial cost methods	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.25% for Group 1 and 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$14,000

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 (gender distinct).
- Post-Retirement Mortality: RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 (gender distinct).
- Disabled Mortality: RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 (gender distinct).

E. Target Allocations

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

included in the System's target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	17.50%	7.62%
Int'l Equities	15.50%	7.80%
Emerging Int'l Equities	6.00%	9.31%
Core Bonds	5.00%	4.37%
20+ Yr. Treasury STRIPS	2.00%	3.50%
TIPS	5.00%	4.00%
Value-Added Fixed Income	10.00%	7.58%
Private Equity	12.00%	11.15%
Real Estate	10.00%	6.59%
Timberland	4.00%	7.00%
Portfolio Completions (PCS)	<u>13.00%</u>	6.83%
Total	100.00%	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions 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 and Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>6.25%</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
\$ 30,669,347	\$ 21,457,000	\$ 13,650,440

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.

24. **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) establish 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) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees 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 RP-2014 Healthy Annuitant table projected generationally with scale BB and a base year of 2014 set forward 4 years.

E. Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined

to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

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

F. Discount Rate

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

G. Sensitivity Analysis

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

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

H. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth is a nonemployer contributing

entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

I. Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$43,176,990 based on a proportionate share of 0.182095%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$2,394,150 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$4,375,363 as both a revenue and expense in the governmental activities.

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

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

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

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

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross/Blue Shield of Massachusetts. 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 July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	366
Active employees	<u>409</u>
Total	<u><u>775</u></u>

B. Investments

The OPEB trust fund assets consist of mutual funds and 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 5.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3%, average, including inflation
Investment rate of return	6.73%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	6.25%
Healthcare cost trend rates	4.50% for 2019
Retirees' share of benefit-related costs	40% of medical premiums, 50% of dental premiums, and 45% of life insurance premiums
Participation rate	80% of employees eligible to receive retirement benefits for both medical and life insurance

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2014 Mortality Table for Blue Collar employees projected generationally with scale MP-2016 for males and females
- Post-Retirement Mortality: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
- Disabled Mortality: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	17.25%	4.80%
Domestic Equity - Small/Mid Cap	18.25%	5.29%
International Equity - Developed Market	12.25%	5.45%
International Equity - Emerging Market	3.75%	6.42%
Domestic Fixed Income	25.50%	2.05%
International Fixed Income	6.50%	3.00%
Alternatives	16.25%	6.50%
Real estate	0.00%	6.25%
Cash & Cash Equivalents	<u>0.25%</u>	0.00%
Total	<u>100.00%</u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 6.25%. 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 projected to be available to make all projected future benefit payments of current plan members.

E. Net OPEB Liability

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

Total OPEB liability	\$ 39,890,690
Plan fiduciary net position	<u>751,440</u>
Net OPEB liability	<u>\$ 39,139,250</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.88%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

F. 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	\$ 32,246,053	\$ 513,851	\$ 31,732,202
Changes for the year:			
Service cost	780,352	-	780,352
Interest	2,250,986	-	2,250,986
Contributions - employer	-	1,968,831	(1,968,831)
Net investment income	-	37,589	(37,589)
Differences between expected and actual experience	(120,091)	-	(120,091)
Changes in assumptions or other inputs	6,502,221	-	6,502,221
Benefit payments	<u>(1,768,831)</u>	<u>(1,768,831)</u>	<u>-</u>
Net Changes	<u>7,644,637</u>	<u>237,589</u>	<u>7,407,048</u>
Balances, end of year	<u>\$ 39,890,690</u>	<u>\$ 751,440</u>	<u>\$ 39,139,250</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 7.00% in 2018 to 6.25% in 2019.

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

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

1% <u>Decrease</u>	Current Discount Rate	1% <u>Increase</u>
\$ 44,294,169	\$ 39,139,250	\$ 34,718,678

H. 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 one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1%</u> <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	<u>1%</u> <u>Increase</u>
\$ 34,405,715	\$ 39,139,250	\$ 44,944,982

I. 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 \$797,498. At June 30, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ -	\$ (98,296)
Change in assumptions	5,322,145	(12,074,614)
Net difference between projected and actual OPEB investment earnings	<u>10,145</u>	<u>-</u>
Total	<u>\$ 5,332,290</u>	<u>\$ (12,172,910)</u>

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

<u>Year Ended June 30:</u>	
2020	\$ (2,192,637)
2021	(2,192,637)
2022	(2,192,637)
2023	(853,434)
2024	<u>590,725</u>
Total	<u>\$ (6,840,620)</u>

26. Consolidation of Pension and OPEB Trust Funds

The Fairhaven Contributory Retirement System and the OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2018)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 424,440	\$ 1,828	\$ 426,268
Investments:			
Corporate equities	-	516,889	516,889
Mutual funds	-	232,723	232,723
External investment pool	<u>61,055,589</u>	<u>-</u>	<u>61,055,589</u>
Total investments	61,055,589	749,612	61,805,201
Accounts receivable	<u>104,660</u>	<u>-</u>	<u>104,660</u>
Total Assets	<u>\$ 61,584,689</u>	<u>\$ 751,440</u>	<u>\$ 62,336,129</u>
Net Position			
Restricted for pension purposes	\$ 61,584,689	\$ -	\$ 61,584,689
Restricted for OPEB purposes	<u>-</u>	<u>751,440</u>	<u>751,440</u>
Total Net Position	<u>\$ 61,584,689</u>	<u>\$ 751,440</u>	<u>\$ 62,336,129</u>
Changes in Net Position			
	Pension Trust Fund (year ended December 31, 2018)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 3,188,761	\$ 1,968,831	\$ 5,157,592
Plan members	1,459,474	-	1,459,474
Other systems and Commonwealth of Massachusetts	130,750	-	130,750
Other	<u>38,353</u>	<u>-</u>	<u>38,353</u>
Total contributions	4,817,338	1,968,831	6,786,169
Investment Income (Loss):			
Investment income	-	28,611	28,611
Increase (decrease) in fair value of investments	(1,150,497)	8,978	(1,141,519)
Less: management fees	<u>(333,922)</u>	<u>-</u>	<u>(333,922)</u>
Net investment income (loss)	<u>(1,484,419)</u>	<u>37,589</u>	<u>(1,446,830)</u>
Total additions	3,332,919	2,006,420	5,339,339
Deductions			
Benefit payments to plan members, beneficiaries, and other systems	4,736,242	1,768,831	6,505,073
Member refunds and transfers to other systems	290,242	-	290,242
Administrative expenses	<u>100,629</u>	<u>-</u>	<u>100,629</u>
Total deductions	<u>5,127,113</u>	<u>1,768,831</u>	<u>6,895,944</u>
Net increase (decrease)	(1,794,194)	237,589	(1,556,605)
Net position restricted for pensions and OPEB purposes:			
Beginning of year	<u>63,378,883</u>	<u>513,851</u>	<u>63,892,734</u>
End of year	<u>\$ 61,584,689</u>	<u>\$ 751,440</u>	<u>\$ 62,336,129</u>

27. Self-Insurance

The Town self-insures against claims for employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$110,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2019 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 293,609
Claims incurred/recognized in fiscal year 2019	7,962,655
Claims paid in fiscal year 2019	<u>(7,872,540)</u>
Claims liability, end of year	<u>\$ 383,724</u>

28. Commitments and Contingencies

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

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

Commitments - The Town built a sewer treatment plant several years ago that met the environmental pollutant discharge regulations at the time, however, pollutant discharge regulations have since changed. When the Town applied for a license renewal, the Environmental Protection Agency (EPA) and the Department of Environmental Protection (DEP) agreed to renew the license if improvements were made to reduce the amount of nitrogen discharged. The Town, EPA, and DEP have agreed upon a plan to reduce the amount nitrogen discharged from the Plant. The plan will involve planning, design

and capital improvements that will commence in FY2019 and be completed by 2026 at an estimated total cost of \$25 million to be funded by future debt borrowings.

Encumbrances – At year-end, the Town’s general fund has \$625,759 in encumbrances that will be honored in the next fiscal year.

29. Leases

The Town is the lessor in an agreement with Southeastern Massachusetts Educational Collaborative to lease the Tripp School building. The lease agreement is for a term of five years beginning November 1, 2016 and terminating on October 31, 2021. Following is the future minimum rental income to be received by the Town under the terms of this lease for the year ending June 30:

<u>Fiscal Year</u>	
2020	\$ 37,954
2021	38,712
2022	<u>12,989</u>
Total	\$ <u>89,655</u>

30. 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 Town, 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.

31. New Pronouncements

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

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

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

JUNE 30, 2019
(Unaudited)

Fairhaven Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	December 31, 2018	96.49%	\$21,457,000	\$ 11,357,838	188.92%	73.50%
June 30, 2018	December 31, 2017	96.96%	\$16,953,000	\$ 11,413,162	148.54%	78.40%
June 30, 2017	December 31, 2016	96.71%	\$21,500,000	\$ 10,759,955	199.81%	71.00%
June 30, 2016	December 31, 2015	96.56%	\$18,463,000	\$ 10,200,598	181.00%	72.70%
June 30, 2015	December 31, 2014	96.46%	\$16,607,000	\$ 10,190,034	162.97%	75.49%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	June 30, 2018	0.182095%	-	\$ 43,176,990	\$43,176,990	-	54.84%
June 30, 2018	June 30, 2017	0.179119%	-	\$ 40,992,054	\$40,992,054	-	54.25%
June 30, 2017	June 30, 2016	0.176155%	-	\$ 39,384,609	\$39,384,609	-	52.73%
June 30, 2016	June 30, 2015	0.180847%	-	\$ 37,054,975	\$37,054,975	-	55.38%
June 30, 2015	June 30, 2014	0.184015%	-	\$ 29,251,667	\$29,251,667	-	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 FAIRHAVEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019
(Unaudited)

Fairhaven Contributory Retirement System									
Fiscal Year	Measurement Date	Contractually Required Contribution	Contractually Required Contribution	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	
				Contractually Required Contribution	Contractually Required Contribution				
June 30, 2019	December 31, 2018	\$ 3,079,385	\$ 3,079,385	\$ -	\$ -	\$ 11,526,006	26.72%		
June 30, 2018	December 31, 2017	\$ 2,946,801	\$ 2,946,801	\$ -	\$ -	\$ 10,590,589	27.82%		
June 30, 2017	December 31, 2016	\$ 2,799,586	\$ 2,859,586	\$ (60,000)	\$ (60,000)	\$ 10,059,131	28.43%		
June 30, 2016	December 31, 2015	\$ 2,662,396	\$ 2,679,322	\$ (16,926)	\$ (16,926)	\$ 9,247,527	28.97%		
June 30, 2015	December 31, 2014	\$ 2,533,204	\$ 2,533,204	\$ -	\$ -	\$ 9,518,418	26.61%		

Massachusetts Teachers' Retirement System									
Fiscal Year	Measurement Date	Contractually Required Contribution	Contractually Provided by Commonwealth	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	
				Contractually Required Contribution	Contractually Provided by Commonwealth				
June 30, 2019	June 30, 2018	\$ 2,394,150	\$ 2,394,150	\$ -	\$ -	\$ 13,475,265	17.77%		
June 30, 2018	June 30, 2017	\$ 2,213,041	\$ 2,213,041	\$ -	\$ -	\$ 12,808,086	17.28%		
June 30, 2017	June 30, 2016	\$ 1,981,009	\$ 1,981,009	\$ -	\$ -	\$ 12,197,384	16.24%		
June 30, 2016	June 30, 2015	\$ 1,848,133	\$ 1,848,133	\$ -	\$ -	\$ 11,619,221	15.91%		
June 30, 2015	June 30, 2014	\$ 1,724,918	\$ 1,724,918	\$ -	\$ -	\$ 11,486,110	15.02%		

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

See Independent Auditors' Report.

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

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 780,352	\$ 724,378	\$ 1,596,309
Interest on unfunded liability - time value of \$	2,250,986	3,380,596	1,763,894
Differences between expected and actual experience	(120,091)	-	-
Changes of assumptions	6,502,221	(18,782,732)	-
Benefit payments, including refunds of member contributions	<u>(1,768,831)</u>	<u>(1,270,582)</u>	<u>(1,202,254)</u>
Net change in total OPEB liability	7,644,637	(15,948,340)	2,157,949
Total OPEB liability - beginning	<u>32,246,053</u>	<u>48,194,393</u>	<u>46,036,444</u>
Total OPEB liability - ending (a)	39,890,690	32,246,053	48,194,393
Plan Fiduciary Net Position*			
Contributions - employer	1,968,831	1,420,582	1,302,254
Net investment income	37,589	16,779	24,778
Benefit payments, including refunds of member contributions	<u>(1,768,831)</u>	<u>(1,270,582)</u>	<u>(1,202,254)</u>
Net change in plan fiduciary net position	237,589	166,779	124,778
Plan fiduciary net position - beginning	<u>513,851</u>	<u>347,072</u>	<u>222,294</u>
Plan fiduciary net position - ending (b)	<u>751,440</u>	<u>513,851</u>	<u>347,072</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 39,139,250</u>	<u>\$ 31,732,202</u>	<u>\$ 47,847,321</u>

*May reflect certain rounding and immaterial classification differences from page 23.

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 FAIRHAVEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 39,890,690	\$ 32,246,053	\$ 48,194,393
Plan fiduciary net position	<u>751,440</u>	<u>513,851</u>	<u>347,072</u>
Net OPEB liability (asset)	<u>\$ 39,139,250</u>	<u>\$ 31,732,202</u>	<u>\$ 47,847,321</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.88%	1.59%	0.72%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions			
Actuarially determined contribution*	\$ 3,528,492	\$ 4,327,970	\$ 4,143,844
Contributions in relation to the actuarially determined contribution	<u>1,968,831</u>	<u>1,420,582</u>	<u>1,302,254</u>
Contribution deficiency (excess)	<u>\$ 1,559,661</u>	<u>\$ 2,907,388</u>	<u>\$ 2,841,590</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	5.82%	3.98%	9.14%

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

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