



TOWN OF DOVER, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2019

Town of Dover, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Dover, 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 major fund, and the aggregate remaining fund information of the Town of Dover, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 major fund, and the aggregate remaining fund information of the Town of Dover, Massachusetts, as of June 30, 2019, and the respective changes in financial position 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 the 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.

Melanson Heath

March 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Dover, Massachusetts, (the Town) we offer readers this narrative overview and analysis of the financial activities of the Town 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).

The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, interest, and inter-governmental expense.

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 two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at

the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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.

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 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 \$42,966,260 (i.e., net position), a change of \$1,899,359 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$19,713,262, a change of \$2,610,204 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,979,705, a change of \$683,088 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>	
	Governmental <u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 21,653	\$ 20,231
Capital assets	<u>41,950</u>	<u>43,329</u>
Total assets	63,603	63,560
Deferred outflows of resources	4,022	3,035
Current liabilities	2,198	2,139
Noncurrent liabilities	<u>22,074</u>	<u>20,674</u>
Total liabilities	24,272	22,813
Deferred inflows of resources	387	2,715
Net investment in capital assets	36,085	36,095
Restricted	3,556	3,656
Unrestricted	<u>3,325</u>	<u>1,316</u>
Total net position	<u>\$ 42,966</u>	<u>\$ 41,067</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$42,966,260, a change of \$1,899,359 in comparison to the prior year.

The largest portion of net position \$36,085,397 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 \$3,555,944 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$3,324,919 may be used to meet the government's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,981	\$ 2,054
Operating grants and contributions	4,198	4,270
Capital grants and contributions	-	297
General revenues:		
Property taxes	34,301	32,008
Excises	1,446	1,491
Penalties, interest and other taxes	87	115
Grants and contributions not restricted to specific programs	252	266
Investment income	357	101
Other	55	305
Total revenues	<u>42,677</u>	<u>40,907</u>
Expenses:		
General government	2,987	3,082
Public safety	4,681	4,502
Education	27,482	27,009
Public works	2,797	2,841
Health and human services	490	355
Culture and recreation	1,790	1,741
Interest on long-term debt	279	258
Intergovernmental	304	311
Total expenses	<u>40,810</u>	<u>40,099</u>
Change in net assets before permanent fund contributions	1,867	808
Permanent fund contributions	<u>32</u>	<u>74</u>
Change in net position	1,899	882
Net position - beginning of year	<u>41,067</u>	<u>40,185</u>
Net position - end of year	<u>\$ 42,966</u>	<u>\$ 41,067</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,899,359. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 2,213,905
Nonmajor funds change in fund balance (accrual basis)	396,299
Depreciation expense in excess of principal debt service	(458,272)
Change in net pension liability including related deferred outflows and inflows of resources	(217,471)
Change in net OPEB liability including related deferred outflows and inflows of resources	(495,197)
Capital asset additions	266,649
Other	<u>193,446</u>
Total	<u>\$ 1,899,359</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 \$19,713,262, a change of \$2,610,204 in comparison to the prior year. Key factors in this change are as follows:

General fund change in fund balance, (explained in more detail below)	\$ 2,213,905
Nonmajor funds change in fund balance	<u>396,299</u>
Total	<u>\$ 2,610,204</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 \$11,979,705, while total fund balance was \$15,406,129. 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	\$ 11,979,705	\$ 11,296,617	\$ 683,088	33.4%
Total fund balance	\$ 15,406,129	\$ 13,192,224	\$ 2,213,905	43.0%

The total fund balance of the general fund changed by \$2,213,905 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 569,459
Expenditures less than budget	3,150,044
Use of free cash and overlay surplus as a funding source	(1,507,370)
Property tax collections exceeding the current year tax levy	(32,333)
Change in encumbrances	(112,831)
Change in stabilization fund balance	32,685
Other	<u>114,251</u>
Total	<u>\$ 2,213,905</u>

Included in the total general fund unassigned fund balance is the Town's stabilization fund with the following balance:

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General stabilization	\$ 924,365	\$ 891,680	\$ 32,685

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$9,432. This increase in appropriations for unanticipated expenses including unpaid bills of prior years was funded by free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$41,950,397 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, and infrastructure.

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

- \$211,712 for various equipment and vehicle purchases.
- \$50,000 for purchase of Blake Property
- \$4,937 of construction in progress for the Caryl Community Center
- Depreciation expense of \$(1,644,672).

Additional information on capital assets can be found in the Notes to Financial Statements.

Credit rating. As of June 30, 2019, the Town's Standard & Poor's credit rating is AAA.

Long-term debt. At the end of the current fiscal year, total bonds and loans payable outstanding was \$5,885,600, all of which was backed by the full faith and credit of the Town.

Additional information on 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 of Dover'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:

Office of Town Accountant
Town of Dover, Massachusetts
5 Springdale Avenue
Dover, Massachusetts 02030

TOWN OF DOVER, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 11,336,528
Investments	9,406,120
Receivables, net of allowance for uncollectibles:	
Property taxes	432,921
Excises	89,888
User fees	52,795
Intergovernmental	72,378
Betterments	3,750
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	256,551
Betterments	1,250
Capital assets:	
Land and construction in progress	15,857,273
Other capital assets, net of accumulated depreciation	26,093,124
Deferred Outflows for Resources	
Related to pensions	2,548,632
Related to OPEB	<u>1,473,838</u>
Total Assets and Deferred Outflows of Resources	67,625,048
Liabilities	
Current:	
Warrants payable	482,132
Accrued liabilities	590,765
Tax refunds payable	86,075
Deferred revenues	5,000
Current portion of long-term liabilities:	
Bonds and loans payable	1,005,400
Compensated absences	29,216
Noncurrent:	
Bonds payable and loans payable, net of current portion	4,880,200
Net pension liability	12,335,320
Net OPEB liability	4,806,821
Compensated absences	51,203
Deferred Inflows of Resources	
Related to pensions	<u>386,656</u>
Total Liabilities and Deferred Inflows of Resources	24,658,788
Net Position	
Net investment in capital assets	36,085,397
Restricted for:	
Grants and other statutory restrictions	2,505,257
Permanent funds:	
Nonexpendable	868,062
Expendable	182,625
Unrestricted	<u>3,324,919</u>
Total Net Position	<u>\$ 42,966,260</u>

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

TOWN OF DOVER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 2,987,108	\$ 472,029	\$ 43,554	\$ -	\$ (2,471,525)
Public safety	4,680,732	680,469	59,380	-	(3,940,883)
Education	27,481,823	185,253	3,941,279	-	(23,355,291)
Public works	2,797,056	53,350	13,960	-	(2,729,746)
Health and human services	489,589	100,630	94,249	-	(294,710)
Culture and recreation	1,789,524	489,332	46,064	-	(1,254,128)
Interest	279,483	-	-	-	(279,483)
Intergovernmental	304,362	-	-	-	(304,362)
Total Governmental Activities	\$ 40,809,677	\$ 1,981,063	\$ 4,198,486	\$ -	(34,630,128)
General Revenues and Permanent Fund Contributions					
					34,300,798
					1,446,050
					86,921
					252,107
					356,920
					55,191
					31,500
					36,529,487
					1,899,359
Net Position					
					41,066,901
					\$ 42,966,260

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

TOWN OF DOVER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 8,913,884	\$ 2,422,644	\$ 11,336,528
Investments	7,462,134	1,943,986	9,406,120
Receivables:			
Property taxes	772,072	-	772,072
Excises	165,530	-	165,530
User fees	36,745	29,007	65,752
Intergovernmental	72,378	-	72,378
Total Assets	<u>\$ 17,422,743</u>	<u>\$ 4,395,637</u>	<u>\$ 21,818,380</u>
Liabilities			
Warrants payable	\$ 422,634	\$ 59,498	\$ 482,132
Accrued liabilities	523,855	-	523,855
Tax refunds payable	86,075	-	86,075
Total Liabilities	1,032,564	59,498	1,092,062
Deferred Inflows of Resources			
Unavailable revenues	984,050	29,006	1,013,056
Fund Balances			
Nonspendable	-	868,062	868,062
Restricted	-	3,037,214	3,037,214
Committed	-	751,237	751,237
Assigned	3,426,424	-	3,426,424
Unassigned	11,979,705	(349,380)	11,630,325
Total Fund Balances	<u>15,406,129</u>	<u>4,307,133</u>	<u>19,713,262</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,422,743</u>	<u>\$ 4,395,637</u>	<u>\$ 21,818,380</u>

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

TOWN OF DOVER, 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	\$ 19,713,262
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	41,950,397
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	841,857
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability, and accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds:<ul style="list-style-type: none">Bonds and loans payableNet pension liability and related deferred outflows and inflows of resourcesNet OPEB liability and related deferred outflows and inflows of resourcesCompensated absences	(5,885,600) (10,173,344) (3,332,983) (80,419)
<ul style="list-style-type: none">• Other	<u>(66,910)</u>
Net position of governmental activities	<u>\$ 42,966,260</u>

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

TOWN OF DOVER, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Property taxes	\$ 34,105,259	\$ -	\$ 34,105,259
Excises	1,456,327	-	1,456,327
Penalties, interest and other taxes	122,566	-	122,566
Charges for services	97,256	1,107,620	1,204,876
Departmental	492,254	-	492,254
Licenses, permits and fees	278,980	-	278,980
Intergovernmental	2,368,059	1,230,995	3,599,054
Fines and forfeitures	3,093	-	3,093
Investment income	253,923	67,352	321,275
Miscellaneous	50,971	117,019	167,990
	<u>39,228,688</u>	<u>2,522,986</u>	<u>41,751,674</u>
Expenditures			
Current			
General government	1,993,576	257,362	2,250,938
Public safety	3,010,238	494,607	3,504,845
Education	22,106,553	1,876,642	23,983,195
Public works	2,073,279	37,197	2,110,476
Health and human services	224,276	207,452	431,728
Culture and recreation	1,018,538	397,817	1,416,355
Employee benefits	3,692,558	18,621	3,711,179
Debt service	1,428,392	-	1,428,392
Intergovernmental	304,362	-	304,362
	<u>35,851,772</u>	<u>3,289,698</u>	<u>39,141,470</u>
Excess (deficiency) of revenues over expenditures	3,376,916	(766,712)	2,610,204
Other Financing Sources (Uses)			
Transfers in	10,400	1,173,411	1,183,811
Transfers out	<u>(1,173,411)</u>	<u>(10,400)</u>	<u>(1,183,811)</u>
Total Other Financing Sources (Uses)	<u>(1,163,011)</u>	<u>1,163,011</u>	<u>-</u>
Change in fund balance	2,213,905	396,299	2,610,204
Fund Balance, at Beginning of Year	<u>13,192,224</u>	<u>3,910,834</u>	<u>17,103,058</u>
Fund Balance, at End of Year	<u>\$ 15,406,129</u>	<u>\$ 4,307,133</u>	<u>\$ 19,713,262</u>

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

TOWN OF DOVER, 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	\$ 2,610,204
• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay (net of disposals)	266,649
Depreciation	(1,644,672)
• 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:	
Repayments of debt	1,186,400
• 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.	276,560
• Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Net pension liability and related deferred outflows and inflows of resources	(217,471)
Net OPEB liability and related deferred outflows and inflows of resources	(495,197)
Other	(37,491)
• Other differences	<u>(45,623)</u>
Change in net position of governmental activities	\$ <u>1,899,359</u>

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

TOWN OF DOVER, 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	\$ 34,137,592	\$ 34,137,592	\$ 34,137,592	\$ -
Excises	1,200,200	1,200,200	1,456,327	256,127
Penalties, interest and other taxes	50,000	50,000	122,566	72,566
Charges for services	80,000	80,000	97,256	17,256
Departmental	345,500	345,500	492,254	146,754
Licenses, permits, and fees	120,000	120,000	278,980	158,980
Intergovernmental	1,617,208	1,617,208	1,528,482	(88,726)
Fines and forfeitures	1,800	1,800	3,093	1,293
Investment income	75,000	75,000	221,238	146,238
Miscellaneous	192,000	192,000	50,971	(141,029)
Total Revenues	37,819,300	37,819,300	38,388,759	569,459
Expenditures				
General government	2,461,471	2,430,053	1,952,483	477,570
Public safety	3,183,699	3,219,187	2,997,068	222,119
Education	22,582,978	22,582,978	21,247,333	1,335,645
Public works	2,199,348	2,204,710	2,053,722	150,988
Health and human services	238,799	238,799	213,952	24,847
Culture and recreation	1,072,470	1,072,470	1,018,294	54,176
Employee benefits	4,359,358	4,359,358	3,683,758	675,600
Miscellaneous	111,647	111,647	111,647	-
Debt service	1,622,996	1,622,996	1,430,996	192,000
Intergovernmental	321,461	321,461	304,362	17,099
Total Expenditures	38,154,227	38,163,659	35,013,615	3,150,044
Excess (deficiency) of revenues over expenditures	(334,927)	(344,359)	3,375,144	3,719,503
Other Financing Sources (Uses)				
Use of free cash:				
Operating budget	-	9,432	9,432	-
Capital budget	488,711	488,711	488,711	-
Reduce the tax rate	909,227	909,227	909,227	-
Use of overlay surplus	100,000	100,000	100,000	-
Transfer in	10,400	10,400	10,400	-
Transfer out	(1,173,411)	(1,173,411)	(1,173,411)	-
Total Other Financing Sources (Uses)	334,927	344,359	344,359	-
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,719,503	\$ 3,719,503

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

TOWN OF DOVER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ 144,699	\$ 2,938	\$ 193,350
Investments:			
Corporate bonds	1,036,830	-	-
Corporate equities	1,538,664	-	-
Mutual Funds	2,730,732	-	-
Pooled investments	<u>-</u>	<u>18,629</u>	<u>-</u>
Total Investments	<u>5,306,226</u>	<u>18,629</u>	<u>-</u>
Total Assets	5,450,925	21,567	193,350
Liabilities			
Employee withholdings	-	-	83,364
Deposits held in escrow	-	-	66,094
Other	<u>-</u>	<u>-</u>	<u>43,892</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 193,350</u>
Net Position			
Restricted for:			
OPEB purposes	5,450,925	-	
Endowment	-	20,000	
Unrestricted	<u>-</u>	<u>1,567</u>	
Total net position	<u>\$ 5,450,925</u>	<u>\$ 21,567</u>	

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

TOWN OF DOVER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Other Post Employment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions		
Contributions:		
Employers	\$ <u>500,817</u>	\$ <u>-</u>
Total contributions	500,817	-
Investment Income:		
Interest	<u>170,893</u>	<u>315</u>
Net investment income	<u>170,893</u>	<u>315</u>
Total additions	671,710	315
Deductions		
Benefit payments to plan members, beneficiaries and other systems	<u>360,380</u>	<u>-</u>
Total deductions	<u>360,380</u>	<u>-</u>
Net increase	311,330	315
Net Position		
Beginning of year	<u>5,139,595</u>	<u>21,252</u>
End of year	\$ <u><u>5,450,925</u></u>	\$ <u><u>21,567</u></u>

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

TOWN OF DOVER, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 Town'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 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 *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

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 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.

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 consist of FDIC-insured bank certificates of deposit, U.S. Treasury notes, federal agency securities, corporate equities, mutual funds, and federal agency asset-backed securities. Investments are carried at fair value except certificates of deposit which are reported at cost.

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth) unless an override or debt exemption is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$354,257.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

H. 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 fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

J. 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 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 balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. 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. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison 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>
Revenues/expenditures/other financing sources/(uses) (GAAP basis)	\$ 39,228,688	\$ 35,851,772	\$ (1,163,011)
Adjust tax revenue to accrual basis	32,333	-	-
Record use of free cash and overlay surplus	-	-	1,507,370
Reverse beginning of year appropriation carryforwards from expenditures	-	(205,669)	-
Add end-of-year appropriation carryforwards to expenditures	-	92,838	-
Reverse the effect of non-budgeted State contributions for teachers retirement	(839,577)	(839,577)	-
Reverse effect of combining general fund and general stabilization funds	(32,685)	-	-
Other	-	114,251	-
Budgetary basis	<u>\$ 38,388,759</u>	<u>\$ 35,013,615</u>	<u>\$ 344,359</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 revenue, grant reimbursements, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Laws, 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." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2019, \$3,060,805 of the Town's bank balance of \$11,718,843 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. Investments

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

<u>Investment Type</u>	<u>Amount</u>
Asset backed securities	\$ 715
Certificates of deposits	6,289
Corporate bonds	1,037
Corporate equities	1,539
Equity mutual funds	2,731
Federal agency securities	831
U.S. Treasury notes	<u>1,589</u>
Total investments	<u>\$ 14,731</u>

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town 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:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>											
		<u>AAA</u>	<u>AA1</u>	<u>AA2</u>	<u>AA3</u>	<u>A1</u>	<u>A2</u>	<u>A3</u>	<u>BAA3</u>	<u>BAA2</u>	<u>BAA1</u>	<u>Unrated</u>	
Asset backed securities	\$ 715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 715
Certificates of deposit	6,289	-	-	-	-	-	-	-	-	-	-	-	6,289
Corporate bonds	1,037	26	50	26	102	180	308	77	51	80	137	-	
Corporate equities	1,539	-	-	-	-	-	-	-	-	-	-	-	1,539
Equity mutual funds	2,731	-	-	-	-	-	-	-	-	-	-	-	2,731
Federal agency securities	831	348	-	-	-	-	-	-	-	-	-	-	483
U.S. Treasury notes	<u>1,589</u>	<u>1,589</u>	-	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 14,731</u>	<u>\$ 1,963</u>	<u>\$ 50</u>	<u>\$ 26</u>	<u>\$ 102</u>	<u>\$ 180</u>	<u>\$ 308</u>	<u>\$ 77</u>	<u>\$ 51</u>	<u>\$ 80</u>	<u>\$ 137</u>	<u>\$ 11,757</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 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 <u>Counterparty</u>
Asset backed securities	\$ 715	\$ 715
Certificates of deposit	6,289	6,289
Corporate bonds	1,037	1,037
Corporate equities	1,539	1,539
Equity mutual funds	2,731	2,731
Federal agency securities	831	831
U.S. Treasury notes	<u>1,589</u>	<u>1,589</u>
Total	<u>\$ 14,731</u>	<u>\$ 14,731</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.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from changing 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>	Exempt From <u>Disclosure</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Asset backed securities	\$ 715	\$ -	\$ -	\$ 60	\$ 305	\$ 350
Certificates of deposits	6,289	-	3,435	2,854	-	-
Corporate bonds	1,037	-	75	588	374	-
Corporate equities	1,539	1,539	-	-	-	-
Equity mutual funds	2,731	2,731	-	-	-	-
Federal agency securities	831	-	657	162	7	5
U.S. Treasury notes	1,589	50	736	803	-	-
Total	<u>\$ 14,731</u>	<u>\$ 4,320</u>	<u>\$ 4,903</u>	<u>\$ 4,467</u>	<u>\$ 686</u>	<u>\$ 355</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 has the following fair value measurements as of June 30, 2019:

<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 by fair value level:				
Asset backed securities	\$ 715	\$ -	\$ 715	\$ -
Corporate bonds	1,037	-	1,037	-
Corporate equities	1,539	1,539	-	-
Equity mutual funds	2,731	2,731	-	-
Federal agency securities	831	-	831	-
U.S. Treasury notes	<u>1,589</u>	-	1,589	-
Total	<u>\$ 8,442</u>			

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

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

5. Property Taxes and Excises Receivable

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

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

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

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

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

	Gross Amount <u>(fund</u> <u>basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 481,900	\$ (69,522)	\$ 412,378	\$ -
Personal property taxes	15,863	(13,078)	2,785	-
Tax liens	97,502	-	17,758	79,744
Deferred taxes	<u>176,807</u>	<u>-</u>	<u>-</u>	<u>176,807</u>
Total property taxes	<u>\$ 772,072</u>	<u>\$ (82,600)</u>	<u>\$ 432,921</u>	<u>\$ 256,551</u>
Motor vehicle excise	\$ 164,572	\$ (74,861)	\$ 89,711	
Boat excise	<u>958</u>	<u>(781)</u>	<u>177</u>	
Total excises	<u>\$ 165,530</u>	<u>\$ (75,642)</u>	<u>\$ 89,888</u>	

6. User Fee Receivable

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

	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
User Fees			
Ambulance	\$ 36,745	\$ (9,186)	\$ 27,559
Police Details	<u>29,007</u>	<u>(3,771)</u>	<u>25,236</u>
Total	<u>\$ 65,752</u>	<u>\$ (12,957)</u>	<u>\$ 52,795</u>

7. Interfund Fund Accounts

Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 10,400	\$ 1,173,411
Nonmajor Funds:		
Special revenue funds	-	10,400
Capital project funds	1,138,411	-
Expendable trust fund	<u>35,000</u>	<u>-</u>
Subtotal - Nonmajor funds	<u>1,173,411</u>	<u>10,400</u>
Total	<u>\$ 1,183,811</u>	<u>\$ 1,183,811</u>

Of the transfers into the general fund, \$10,400 was transferred from the Title V Receipt Reserved fund. Of the transfers out of the general fund, \$946,411 was transferred to various capital project funds for capital equipment and improvements, \$192,000 to the land acquisition capital project fund for bond anticipation note paydown, and \$35,000 to various expendable trust funds.

8. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 29,478	\$ -	\$ -	\$ 29,478
Machinery, equipment, and furnishings	8,589	212	(355)	8,446
Infrastructure	<u>18,235</u>	<u>-</u>	<u>-</u>	<u>18,235</u>
Total capital assets, being depreciated	56,302	212	(355)	56,159
Less accumulated depreciation for:				
Buildings and improvements	(15,455)	(713)	-	(16,168)
Machinery, equipment, and furnishings	(6,108)	(445)	355	(6,198)
Infrastructure	<u>(7,213)</u>	<u>(487)</u>	<u>-</u>	<u>(7,700)</u>
Total accumulated depreciation	<u>(28,776)</u>	<u>(1,645)</u>	<u>355</u>	<u>(30,066)</u>
Total capital assets, being depreciated, net	27,526	(1,433)	-	26,093
Capital assets, not being depreciated:				
Land	15,802	50	-	15,852
Construction in progress	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
Total capital assets, not being depreciated	<u>15,802</u>	<u>55</u>	<u>-</u>	<u>15,857</u>
Governmental activities capital assets, net	<u>\$ 43,328</u>	<u>\$ (1,378)</u>	<u>\$ -</u>	<u>\$ 41,950</u>

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

Governmental Activities	
General government	\$ 424
Public safety	226
Education	498
Public works	408
Culture and recreation	<u>89</u>
Total governmental activities	<u>\$ 1,645</u>

9. 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.

10. Warrants Payable

Warrants payable represent fiscal year 2019 expenditures paid by July 15, 2019.

11. Accrued Liabilities

Accrued liabilities consist of amounts accrued at June 30, 2019 for fiscal 2019 employee payrolls, as well as interest accrued on outstanding debt.

12. Tax Refunds Payable

This balance consists of estimated refunds due to property taxpayers for potential future abatements. These cases are currently in litigation or are pending with the state Appellate Tax Board.

13. Notes Payable

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Paydown</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 192,000	\$ (192,000)	\$ -
Total	<u>\$ 192,000</u>	<u>\$ (192,000)</u>	<u>\$ -</u>

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds and loans payable (direct borrowings) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and loans payable (direct borrowings) have been issued for governmental activities. General obligation bonds and loans payable (direct borrowings) currently outstanding are as follows:

<u>Governmental Activities</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/19</u>
Multipurpose refunding bonds	3/1/2021	4.01%	\$ 300,000
Multipurpose refunding bonds	4/15/2023	1.55%	2,690,000
Land Acquisition	7/15/2037	3.00%	<u>2,875,000</u>
Subtotal bonds			5,865,000
MWPAT	8/1/2020	0.00%	<u>20,600</u>
Subtotal loans payable (direct borrowings)			<u>20,600</u>
Total Governmental Activities			<u>\$ 5,885,600</u>

B. Future Debt Service

The annual payments to retire all general obligation bonds and loans payable (direct borrowings) long-term debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</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	\$ 995,000	\$ 193,350	\$ 10,400	\$ -	\$ 1,198,750
2021	985,000	161,225	10,200	-	1,156,425
2022	820,000	127,850	-	-	947,850
2023	810,000	100,150	-	-	910,150
2024	155,000	74,688	-	-	229,688
2025 - 2029	750,000	272,063	-	-	1,022,063
2030 - 2034	750,000	145,313	-	-	895,313
Thereafter	600,000	36,000	-	-	636,000
Total	<u>\$ 5,865,000</u>	<u>\$ 1,110,639</u>	<u>\$ 20,600</u>	<u>\$ -</u>	<u>\$ 6,996,239</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2019.

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 Balance
<u>Governmental Activities</u>						
Bonds payable	\$ 7,041	\$ -	\$ (1,176)	\$ 5,865	\$ (995)	\$ 4,870
Loans payable (direct borrowings)	31	-	(10)	21	(10)	11
Subtotal	7,072	-	(1,186)	5,886	(1,005)	4,881
Net pension liability	10,457	1,878	-	12,335	-	12,335
Net OPEB liability	4,288	519	-	4,807	-	4,807
Other:						
Compensated absences	49	31	-	80	(29)	51
Totals	\$ <u>21,866</u>	\$ <u>2,428</u>	\$ <u>(1,186)</u>	\$ <u>23,108</u>	\$ <u>(1,034)</u>	\$ <u>22,074</u>

D. Long-Term Debt Supporting Governmental Activities

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

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension will be recognized as expense in future years and is more fully described in the corresponding pension note. *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. Property taxes paid in advance are reported in the governmental funds balance sheet and government-wide statement of net position in connection with subsequent year property tax revenue collections which are not available for use in the current year.

16. 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 is intended to enhance 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 as of 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 includes nonmajor governmental fund reserves for the principal portion of permanent funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue and expendable trust 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 decision-making authority. This fund balance classification includes non-lapsing, capital article appropriations approved at Town Meeting and various special revenue and expendable trust funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and general fund surplus fund balance that has been appropriated as a funding source for the subsequent fiscal period.

Unassigned – Represents amounts that are available to spend in future periods. This fund balance classification includes general fund surplus fund balance, general stabilization funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and temporary deficit balances in various special revenue and capital project funds.

Following is a breakdown of the Town's fund balance as of June 30, 2019:

	General Fund	Nonmajor Governmental Fund	Total Governmental Fund
Nonspendable			
Nonexpendable permanent funds:			
Cemetery perpetual care	\$ -	\$ 837,006	\$ 837,006
Library endowment funds	-	19,696	19,696
Other	-	11,360	11,360
Total Nonspendable	-	868,062	868,062
Restricted			
Special revenue funds:			
Federal grants	-	153	153
State grants	-	77,260	77,260
Receipts reserved for appropriation	-	652,147	652,147
Revolving funds:			
Park revolving	-	487,407	487,407
School lunch	-	74,840	74,840
Preschool at Chickering	-	68,440	68,440
Other	-	67,771	67,771
Gifts and other	-	283,963	283,963
Capital project funds	-	159	159
Trust funds:			
Expendable:			
Chickering funds	-	508,079	508,079
Dorothea Hovey trust funds	-	602,221	602,221
Other	-	32,149	32,149
Expendable permanent funds:			
Cemetery perpetual care	-	74,682	74,682
Library endowment funds	-	6,897	6,897
Other	-	101,046	101,046
Total Restricted	-	3,037,214	3,037,214
Committed			
Special revenue funds	-	86,201	86,201
Expendable trust funds	-	61,470	61,470
Capital project funds	-	603,566	603,566
Total Committed	-	751,237	751,237
Assigned			
Encumbrances:			
General government	56,305	-	56,305
Public safety	17,447	-	17,447
Education	7,893	-	7,893
Public works	10,308	-	10,308
Culture and recreation	858	-	858
Insurance and benefits	29	-	29
Reserve for expenditures	3,233,584	-	3,233,584
Overlay	100,000	-	100,000
Total Assigned	3,426,424	-	3,426,424
Unassigned			
General fund	11,055,340	-	11,055,340
General stabilization fund	924,365	-	924,365
Capital project fund deficit	-	(207)	(207)
Special revenue fund deficits	-	(349,173)	(349,173)
Total Unassigned	11,979,705	(349,380)	11,630,325
Total Fund Balance	\$ 15,406,129	\$ 4,307,133	\$ 19,713,262

17. Norfolk County Retirement System

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

A. Plan Description

Substantially all Town employees (except teachers and administrators under contract employed by the School Department) are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System, which provides pension benefits, deferred allowances, and death and disability benefits. The System's authority is established by Chapter 32 of the Massachusetts General Laws, which also govern contribution percentages and benefits paid. The System's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial report, which is publicly available from the System's administrative offices at 480 Neponset Street, Building #15, Canton, Massachusetts 02021.

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 \$1,325,669, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

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

At June 30, 2019, the Town reported a liability of \$12,335,320 for its proportionate share of the System's 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 1.8950%.

For the year ended June 30, 2019, the Town recognized pension expense of \$1,606,270. In addition, the Town reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 671,094	\$ -
Changes of assumptions	364,755	(200,201)
Net difference between projected and actual investment earnings	1,497,240	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>15,543</u>	<u>(186,455)</u>
Total	<u>\$ 2,548,632</u>	<u>\$ (386,656)</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 December 31:		
2020	\$	717,490
2021		588,549
2022		370,581
2023		<u>485,356</u>
Total	\$	<u><u>2,161,976</u></u>

D. Actuarial Assumptions

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

Inflation	4.00%
Projected salary increases	3.5% to 5.5%
Investment rate of return	7.75%
Cost of living increases	3% of the first \$17,000 of retirement income

Mortality rates were based on the RP-2014 Blue Collar Mortality Table adjusted with Scale with MP-2014.

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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	32.00%	8.10%
International equity	17.50%	8.20%
Fixed income	19.00%	3.20%
Real estate	9.00%	7.30%
Private equity	8.50%	10.40%
Hedge funds	9.00%	7.40%
Real assets	<u>5.00%</u>	10.40%
Total	<u><u>100.00%</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2018 was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the pension plan reaches full funding status by 2040. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the System's net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$15,469,574	\$12,335,320	\$9,670,742

H. Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns,

regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

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

B. Benefits Provided

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

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty 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.

MTRS funding policies have been established by Chapter 32 of the MGL. The State 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 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

E. Target Allocation

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	<u>4.00%</u>	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):

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

H. Special Funding Situation

The Commonwealth is a nonemployer contributing entity and is required by statute to make all actuarially 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* 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. Commonwealth Proportions Associated with the Town

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$15,141,252 based on a proportionate share of 0.063857%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$839,577 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$1,534,347 as both a revenue and expense in the governmental activities.

19. 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 2009, the Town 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 Harvard Pilgrim, Tufts Health, Fallon Health, Blue Cross Blue Shield, and Group Term Life Insurance. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	85
Active employees	<u>157</u>
Total	<u><u>242</u></u>

B. Investments

The OPEB trust fund assets does not have a formal investment policy. At June 30, 2019 investments consisted of various mutual funds, corporate equities, and corporate bonds with BNY Mellon. Concentration and rate of return information was not available.

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

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

Inflation	2.75% as of June 30, 2019 and for future periods
Salary increases	3.00% annually as of June 30, 2019 and for future periods
Investment rate of return	6.10%, net of OPEB plan investment expense, including inflation 2.79% as of June 30, 2019 (source: S&P Municipal Bond 20-Year
Municipal bond rate	High Grade Index-SAPIHG)
Discount rate	6.25%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	5% for 2019
Retirees' share of benefit-related costs	Retirees pay 50% of premiums for life insurance.
Participation rate	80%

Mortality rates were based on:

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

D. Target Allocations

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	30.25%	4.80%
Domestic equity - small/mid cap	12.50%	5.29%
International equity - developed market	12.25%	5.45%
International equity - emerging market	4.50%	6.42%
Domestic fixed income	9.75%	2.05%
International fixed income	9.25%	3.00%
Alternatives	3.00%	6.50%
Real estate	1.75%	6.25%
Cash	16.75%	0.00%
Total	<u>100.00%</u>	

E. 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.

F. Net OPEB Liability

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

Total OPEB liability	\$	10,257,746
Plan fiduciary net position		<u>5,450,925</u>
Net OPEB liability	\$	<u><u>4,806,821</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		53.14%

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.

G. Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 9,427,672	\$ 5,139,595	\$ 4,288,077
Changes for the year:			
Service cost	306,189	-	306,189
Interest	621,173	-	621,173
Contributions - employer	-	500,817	(500,817)
Net investment income	-	170,893	(170,893)
Changes in assumptions or other inputs	263,092	-	263,092
Benefit payments	<u>(360,380)</u>	<u>(360,380)</u>	<u>-</u>
Net Changes	<u>830,074</u>	<u>311,330</u>	<u>518,744</u>
Balances, end of year	\$ <u><u>10,257,746</u></u>	\$ <u><u>5,450,925</u></u>	\$ <u><u>4,806,821</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 6.50% to 6.25%.

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

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 6,278,392	\$ 4,806,821	\$ 3,561,053

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as 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% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 2,217,020	\$ 4,806,821	\$ 8,030,927

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

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$495,197. At June 30, 2019, the Town reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 465,230
Change in assumptions	938,804
Net difference between projected and actual OPEB investment earnings	<u>69,804</u>
Total	<u>\$ 1,473,838</u>

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

<u>Year Ended June 30:</u>	
2020	\$ 386,387
2021	386,387
2022	386,387
2023	284,820
2024	<u>29,857</u>
Total	\$ <u>1,473,838</u>

K. Dover-Sherborn Regional School District – Unfunded OPEB Liability

The Town is a member of the Dover-Sherborn Regional School District (District). As of July 1, 2018, the District’s most recent actuarial valuation, the District’s unfunded actuarial OPEB Liability was \$24,378,108, which will be funded through future operating assessments to the District’s member Towns. In fiscal year 2019, the Town’s portion of the District’s annual operating assessment was 55.64%.

20. 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.

Encumbrances – At year-end the Town’s general fund has \$92,840 in encumbrances that will be honored in the next fiscal year.

21. 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 DOVER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE (GASB 68)
OF THE NET PENSION LIABILITY

JUNE 30, 2019
(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	December 30, 2018	1.895000%	\$12,335,320	\$ 5,899,222	209.10%	58.30%
June 30, 2018	December 30, 2017	1.891000%	\$10,457,312	\$ 5,699,731	183.47%	63.50%
June 30, 2017	December 30, 2016	1.931000%	\$10,080,257	\$ 5,476,473	184.06%	61.60%
June 30, 2016	December 30, 2015	1.930951%	\$10,489,173	\$ 5,279,232	198.69%	58.60%
June 30, 2015	December 30, 2014	1.967919%	\$10,206,123	\$ 4,971,794	205.28%	60.12%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	June 30, 2018	0.063857%	\$ -	\$ 15,141,252	\$ 15,141,252	\$ 4,484,592	-	54.84%
June 30, 2018	June 30, 2017	0.062584%	\$ -	\$ 14,322,654	\$ 14,322,654	\$ 4,249,746	-	54.25%
June 30, 2017	June 30, 2016	0.069711%	\$ -	\$ 15,585,825	\$ 15,585,825	\$ 4,585,349	-	52.73%
June 30, 2016	June 30, 2015	0.069118%	\$ -	\$ 14,162,133	\$ 14,162,133	\$ 4,381,313	-	55.38%
June 30, 2015	June 30, 2014	0.072644%	\$ -	\$ 11,547,676	\$ 11,547,676	\$ 4,381,344	-	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 DOVER, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019
 (Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 30, 2018	\$ 1,325,669	\$ 1,325,669	\$ -	\$ 5,899,222	22.47%
June 30, 2018	December 30, 2017	\$ 1,210,458	\$ 1,210,458	\$ -	\$ 5,699,731	21.24%
June 30, 2017	December 30, 2016	\$ 1,129,266	\$ 1,129,266	\$ -	\$ 5,476,473	20.62%
June 30, 2016	December 30, 2015	\$ 1,023,985	\$ 1,023,985	\$ -	\$ 5,279,232	19.40%
June 30, 2015	December 30, 2014	\$ 929,040	\$ 929,040	\$ -	\$ 4,971,794	18.69%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$ 839,577	\$ 839,577	\$ -	\$ 4,484,592	18.72%
June 30, 2018	June 30, 2017	\$ 773,238	\$ 773,238	\$ -	\$ 4,249,746	18.19%
June 30, 2017	June 30, 2016	\$ 783,953	\$ 783,953	\$ -	\$ 4,585,349	17.10%
June 30, 2016	June 30, 2015	\$ 706,343	\$ 706,343	\$ -	\$ 4,381,313	16.12%
June 30, 2015	June 30, 2014	\$ 680,946	\$ 680,946	\$ -	\$ 4,381,344	15.54%

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

See Independent Auditors' Report.

TOWN OF DOVER, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
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	\$ 306,189	\$ 257,232	\$ 251,253
Interest on total OPEB liability	621,173	473,320	446,235
Differences between expected and actual experience	-	720,852	-
Changes of assumptions	263,092	1,119,261	-
Benefit payments, including refunds of member contributions	<u>(360,380)</u>	<u>(330,003)</u>	<u>(244,908)</u>
Net change in total OPEB liability	830,074	2,240,662	452,580
Total OPEB liability - beginning	<u>9,427,672</u>	<u>7,187,010</u>	<u>6,734,430</u>
Total OPEB liability - ending (a)	10,257,746	9,427,672	7,187,010
Plan Fiduciary Net Position			
Contributions - employer	500,817	470,440	422,146
Net investment income	170,893	383,492	432,438
Benefit payments, including refunds of member contributions	<u>(360,380)</u>	<u>(330,003)</u>	<u>(244,908)</u>
Net change in plan fiduciary net position	311,330	523,929	609,676
Plan fiduciary net position - beginning	<u>5,139,595</u>	<u>4,615,666</u>	<u>4,005,990</u>
Plan fiduciary net position - ending (b)	<u>5,450,925</u>	<u>5,139,595</u>	<u>4,615,666</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 4,806,821</u>	<u>\$ 4,288,077</u>	<u>\$ 2,571,344</u>

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 DOVER, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 10,257,746	\$ 9,427,672	\$ 7,187,010
Plan fiduciary net position	<u>5,450,925</u>	<u>5,139,595</u>	<u>4,615,666</u>
Net OPEB liability (asset)	<u>\$ 4,806,821</u>	<u>\$ 4,288,077</u>	<u>\$ 2,571,344</u>
Plan fiduciary net position as a percentage of the total OPEB liability	53.14%	54.52%	64.22%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 643,697	\$ 565,561	\$ 447,438
Contributions in relation to the actuarially determined contribution	<u>500,817</u>	<u>470,440</u>	<u>447,438</u>
Contribution deficiency (excess)	<u>\$ 142,880</u>	<u>\$ 95,121</u>	<u>\$ -</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	3.32%	8.19%	Unavailable

Schedules are intended to show information for 10 years.

Additional years will be displayed as they become available.

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See Independent Auditors' Report.