



TOWN OF AVON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2019

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REQUIRED SUPPLEMENTARY INFORMATION:**Pension:**

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Avon, 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, each major fund, and the aggregate remaining fund information of the Town of Avon, 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.

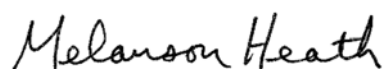
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Avon, 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 Management's Discussion and Analysis appearing on pages 3 to 10 and the Pension and OPEB schedules appearing on pages 57 to 60 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.

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

March 24, 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Avon, Massachusetts, we offer readers this narrative overview and analysis of the financial activities of the Town for the 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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required 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 Town's 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).

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 the Town's near-term financing requirements.

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

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

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. Fiduciary fund financial statements are reported using the flow of economic resources management focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information 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 of resources exceeded liabilities and deferred inflows of resources by \$34,340,466 (i.e., net position), a change of \$1,168,686 in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,712,254, a change of \$(5,290,128) in comparison to the prior year discussed further in Section D.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,039,437, a change of \$740,634 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:

<u>NET POSITION</u>		
	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 28,838,688	\$ 31,134,073
Capital assets, net	<u>48,146,769</u>	<u>41,881,551</u>
Total assets	76,985,457	73,015,624
Deferred outflows of resources	7,260,014	3,582,053
Long-term liabilities	34,353,190	32,793,876
Other liabilities	<u>12,403,590</u>	<u>9,173,359</u>
Total liabilities	46,756,780	41,967,235
Deferred inflows of resources	3,148,225	1,458,662
Net position:		
Net investment in capital assets	34,656,056	34,281,407
Restricted	5,201,300	4,713,320
Unrestricted	<u>(5,516,890)</u>	<u>(5,822,947)</u>
Total net position	<u>\$ 34,340,466</u>	<u>\$ 33,171,780</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 \$34,340,466, a change of \$1,168,686 from the prior year.

The largest portion of net position, \$34,656,056, reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); 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, \$5,201,300, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(5,516,890), primarily resulting from unfunded pension and OPEB liabilities.

The following is a summary of condensed government-wide statement of changes in net position financial data for the current and prior fiscal years:

CHANGES IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,902,862	\$ 1,617,569
Operating grants and contributions	6,083,969	5,206,361
Capital grants and contributions	-	1,109,198
General revenues:		
Property taxes	20,364,552	20,053,781
Excise taxes	1,212,670	1,053,284
Penalties, interest, and other taxes	196,717	223,748
Grants and contributions not restricted to specific programs	861,178	864,625
Investment income	869,594	66,256
Other	<u>304,032</u>	<u>249,345</u>
Total revenues	31,795,574	30,444,167
Expenses		
General government	2,720,218	2,752,971
Public safety	5,558,894	5,322,211
Education	17,022,776	16,802,471
Public works	3,376,030	3,563,299
Health and human services	597,638	470,402
Culture and recreation	678,051	682,162
Interest on long-term debt	<u>673,281</u>	<u>346,524</u>
Total expenses	<u>30,626,888</u>	<u>29,940,040</u>
Change in net position	1,168,686	504,127
Net position - beginning of year	<u>33,171,780</u>	<u>32,667,653</u>
Net position - end of year	<u>\$ 34,340,466</u>	<u>\$ 33,171,780</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,168,686. Key elements of this change are as follows:

General fund operations	\$ 1,407,868
Capital assets acquired from current year resources	721,838
Increase in net pension liability and related deferred outflows and inflows	(177,828)
Increase in net OPEB liability and related deferred outflows and inflows	(829,397)
Other	46,205
Total	<u>\$ 1,168,686</u>

D. FINANCIAL ANALYSIS OF THE TOWN'S 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 Town'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 \$12,712,254, a change of \$(5,290,128) in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 1,407,868
Brentwood capital project fund expenditures exceeding revenues	(2,109,272) *
Police / Fire building capital project fund expenditures	(5,054,215) *
Nonmajor funds revenues exceeding expenditures	465,491
Total	<u>\$ (5,290,128)</u>

*The decrease in fund balance and related deficit fund balance at year-end are financed by short-term borrowings.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,039,437, while total fund balance was \$17,453,437.

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	\$ 6,039,437	\$ 5,298,803	\$ 740,634	22.9%
Total fund balance	\$ 17,453,437	\$ 15,614,856	\$ 1,838,581	66.2%

The total fund balance of the general fund changed by \$1,838,581 during the current fiscal year. Key factors in this change are as follows:

<u>General Fund</u>	
Use of free cash as a funding source	\$ (2,477,826)
Revenues greater than of budget (includes raising of prior year snow/ice deficit)	360,266
Expenditures less than budget	1,522,974
Expenditures of prior year encumbrances less than current year encumbrances	2,473,506
Change in stabilization accounts	<u>(40,339)</u>
Total	<u>\$ 1,838,581</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>Fund Balance Classification</u>
Stabilization - general	\$ 2,653,352	\$ 2,498,550	\$ 154,802	Unassigned
Stabilization - MTBE	4,186,109	3,694,908	491,201	Committed
Stabilization - Police / Fire building	1,367,626	1,358,940	8,686	Committed
Stabilization - Butler school parking lot	358,740	1,155,982	(797,242)	Committed
Stabilization - Capital planning	100,177	-	100,177	Committed
Stabilization - Page Street water tank	<u>2,037</u>	<u>-</u>	<u>2,037</u>	Committed
Total	<u>\$ 8,668,041</u>	<u>\$ 8,708,380</u>	<u>\$ (40,339)</u>	

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$4,798,431 relating to carryforwards of prior year encumbrances and articles to be spent in the subsequent fiscal year.

E. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$48,146,769 (net of accumulated depreciation), a change of \$6,265,218 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, infrastructure, and machinery equipment, and vehicles.

Governmental additions:

- \$ 5,054,215 for the Police and Fire building construction
- \$ 2,210,970 for the Brentwood area water main improvements
- \$ 290,422 for a new ambulance
- \$ 276,813 for a road improvements
- \$ 52,524 for public safety software suite
- \$ 30,000 for various Police equipment
- \$ 72,079 for other capital items

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$6,403,950, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to the Financial Statements.

F. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town's property tax base is made up predominantly of commercial and industrial taxes, which in 2019 was approximately 59% of the entire levy. The Town also relies to a moderate degree on its residential real estate tax base which comprise the remainder of the levy. This is not anticipated to fluctuate significantly for 2020. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The Town anticipates state aid for 2020 to remain consistent with the prior year.
- The above items were considered when the Town accepted its budget for fiscal year 2020 at the May 2019 Town Meeting, and the Town's tax rate was set in December 2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Avon'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:

Town Accountant
Town Hall
65 East Main Street
Avon, Massachusetts 02322

TOWN OF AVON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 17,594,694
Investments	6,973,817
Receivables, net of allowance for uncollectibles:	
Property taxes	839,030
Excises	178,502
User fees	76,204
Departmental and other	752,370
Intergovernmental	2,424,071
Noncurrent:	
Capital assets being depreciated, net	32,979,677
Capital assets not being depreciated	15,167,092
Deferred Outflows of Resources	
Related to pensions	2,479,495
Related to OPEB	4,780,519
Total Assets and Deferred Outflows of Resources	<u>84,245,471</u>
Liabilities	
Current:	
Warrants payable	439,702
Accrued liabilities	253,110
Notes payable	11,691,500
Other current liabilities	19,278
Current portion of long-term liabilities:	
Bonds and loans payable	1,097,631
Compensated absences	75,951
Noncurrent:	
Bonds and loans payable, net of current portion	5,306,319
Compensated absences, net of current portion	683,555
Net pension liability	12,028,077
Net OPEB liability	15,161,657
Deferred Inflows of Resources	
Related to pensions	438,194
Related to OPEB	2,710,031
Total Liabilities and Deferred Inflows of Resources	<u>49,905,005</u>
Net Position	
Net investment in capital assets	34,656,056
Restricted for grants and other statutory restrictions	5,201,300
Unrestricted	(5,516,890)
Total Net Position	<u><u>\$ 34,340,466</u></u>

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

TOWN OF AVON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

					Net (Expenses) Revenues and Changes in Net Position
		Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
General government	\$ 2,720,218	\$ 324,914	\$ 247,878	\$ -	\$ (2,147,426)
Public safety	5,558,894	552,474	43,521	-	(4,962,899)
Education	17,022,776	139,134	5,576,449	-	(11,307,193)
Public works	3,376,030	811,745	216,121	-	(2,348,164)
Health and human services	597,638	44,895	-	-	(552,743)
Culture and recreation	678,051	29,700	-	-	(648,351)
Interest on long-term debt	673,281	-	-	-	(673,281)
Total Governmental Activities	<u>\$ 30,626,888</u>	<u>\$ 1,902,862</u>	<u>\$ 6,083,969</u>	<u>\$ -</u>	(22,640,057)
General Revenues					
					20,364,552
					1,212,670
					196,717
					861,178
					869,594
					304,032
Total General Revenues					<u>23,808,743</u>
Change in Net Position					1,168,686
Net Position					
Beginning of year					<u>33,171,780</u>
End of year					<u>\$ 34,340,466</u>

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

TOWN OF AVON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Brentwood Capital Project Fund	Police and Fire Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 10,696,241	\$ 3,775,131	\$ 453,987	\$ 2,669,335	\$ 17,594,694
Investments	6,661,048	-	-	312,769	6,973,817
Receivables:					
Property taxes	1,239,630	-	-	-	1,239,630
Excises	235,702	-	-	-	235,702
User fees	97,304	-	-	-	97,304
Departmental and other	-	-	-	752,370	752,370
Intergovernmental	268,861	-	-	2,155,210	2,424,071
Total Assets	<u>\$ 19,198,786</u>	<u>\$ 3,775,131</u>	<u>\$ 453,987</u>	<u>\$ 5,889,684</u>	<u>\$ 29,317,588</u>
Liabilities					
Warrants payable	\$ 99,430	\$ 17,218	\$ 311,470	\$ 11,584	\$ 439,702
Accrued liabilities	75,500	-	-	-	75,500
Notes payable	-	6,000,000	5,500,000	191,500	11,691,500
Other liabilities	19,278	-	-	-	19,278
Total Liabilities	194,208	6,017,218	5,811,470	203,084	12,225,980
Deferred Inflows of Resources					
Unavailable revenues	1,551,141	-	-	2,828,213	4,379,354
Fund Balances					
Restricted	57,982	-	-	2,412,585	2,470,567
Committed	10,815,793	-	-	473,312	11,289,105
Assigned	540,225	-	-	-	540,225
Unassigned	6,039,437	(2,242,087)	(5,357,483)	(27,510)	(1,587,643)
Total Fund Balances	<u>17,453,437</u>	<u>(2,242,087)</u>	<u>(5,357,483)</u>	<u>2,858,387</u>	<u>12,712,254</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 19,198,786</u>	<u>\$ 3,775,131</u>	<u>\$ 453,987</u>	<u>\$ 5,889,684</u>	<u>\$ 29,317,588</u>

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

TOWN OF AVON, 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	\$ 12,712,254
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	48,146,769
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,900,454
Deferred outflows of resources related to pensions to be recognized as an increase to pension expense in future periods.	2,479,495
Deferred outflows of resources related to OPEB to be recognized as an increase to OPEB expense in future periods.	4,780,519
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(6,403,950)
Compensated absences	(759,506)
Net pension liability	(12,028,077)
Net OPEB liability	(15,161,657)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(177,610)
Deferred inflows of resources related to pensions to be recognized as a decrease to pension expense in future periods.	(438,194)
Deferred inflows of resources related to OPEB to be recognized as a decrease to OPEB expense in future periods.	(2,710,031)
Net position of governmental activities	<u><u>\$ 34,340,466</u></u>

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

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

	General Fund	Brentwood Capital Project Fund	Police and Fire Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 20,416,455	\$ -	\$ -	\$ -	\$ 20,416,455
Excise taxes	1,167,435	-	-	-	1,167,435
Penalties, interest, and other taxes	196,717	-	-	-	196,717
Water user charges	554,994	-	-	-	554,994
Departmental	758,718	-	-	547,357	1,306,075
Intergovernmental	3,827,461	-	-	2,258,858	6,086,319
Investment income	853,163	-	-	16,431	869,594
Other	-	101,698	-	202,334	304,032
Total revenues	27,774,943	101,698	-	3,024,980	30,901,621
Expenditures					
Current:					
General government	1,966,728	-	-	113,093	2,079,821
Public safety	4,281,062	-	5,054,215	3,187	9,338,464
Education	10,474,911	-	-	1,927,987	12,402,898
Public works	2,175,427	2,210,970	-	282,191	4,668,588
Health and human services	319,039	-	-	174,183	493,222
Culture and recreation	488,457	-	-	58,848	547,305
Pension and other fringe benefits	4,554,956	-	-	-	4,554,956
Debt service:					
Principal	1,272,918	-	-	-	1,272,918
Interest and debt service costs	495,671	-	-	-	495,671
Intergovernmental	337,906	-	-	-	337,906
Total expenditures	26,367,075	2,210,970	5,054,215	2,559,489	36,191,749
Excess (deficiency) of revenues over (under) expenditures	1,407,868	(2,109,272)	(5,054,215)	465,491	(5,290,128)
Other Financing Sources (Uses)					
Transfers in	430,713	-	-	-	430,713
Transfers out	-	-	-	(430,713)	(430,713)
Total other financing sources (uses)	430,713	-	-	(430,713)	-
Net change in fund balances	1,838,581	(2,109,272)	(5,054,215)	34,778	(5,290,128)
Fund Balance at Beginning of Year	15,614,856	(132,815)	(303,268)	2,823,609	18,002,382
Fund Balance at End of Year	\$ 17,453,437	\$ (2,242,087)	\$ (5,357,483)	\$ 2,858,387	\$ 12,712,254

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

TOWN OF AVON, 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 \$ (5,290,128)

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 purchases	7,987,023
Depreciation	(1,721,806)

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, excises, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (57,877)

The issuance of long-term debt (e.g. bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of general obligation bonds and direct debt	1,272,918
--	-----------

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:

Change in compensated absences	163,391
Change in net pension liability and related deferred outflows and inflows of resources	(177,828)
Change in net OPEB liability and related deferred outflows and inflows of resources	(829,397)
Change in accrued interest on bonds payable	<u>(177,610)</u>

Change in net position of governmental activities **\$ 1,168,686**

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

TOWN OF AVON, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Property taxes	\$ 20,401,141	\$ 20,407,564	\$ 20,416,455	\$ 8,891
Excise taxes	1,142,723	1,142,723	1,167,435	24,712
Penalties, interest, and other taxes	213,500	213,500	196,717	(16,783)
Water user charges	556,000	556,000	554,994	(1,006)
Departmental	512,000	512,000	758,718	246,718
Intergovernmental	2,632,080	2,632,080	2,629,889	(2,191)
Investment income	150,000	150,000	243,502	93,502
Total Revenues	25,607,444	25,613,867	25,967,710	353,843
Expenditures				
General government	2,389,177	3,449,069	3,111,579	337,490
Public safety	4,222,779	5,138,092	4,726,313	411,779
Education	10,154,098	10,509,232	10,476,517	32,715
Public works	2,288,332	4,340,377	4,306,138	34,239
Health and human services	373,483	413,448	358,088	55,360
Culture and recreation	575,291	739,285	633,988	105,297
Pension and other fringe benefits	5,093,469	5,055,435	4,554,956	500,479
Debt service	1,640,258	1,733,957	1,721,235	12,722
Intergovernmental	370,799	370,799	337,906	32,893
Total Expenditures	27,107,686	31,749,694	30,226,720	1,522,974
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,500,242)	(6,135,827)	(4,259,010)	1,876,817
Other Financing Sources (Uses)				
Transfers in	1,119,713	2,350,713	2,350,713	-
Transfers out	(1,120,000)	(1,270,000)	(1,270,000)	-
Use of free cash (unassigned fund balance) for:				
Operating budget	-	-	-	-
Stabilization funding	1,120,000	1,170,000	-	(1,170,000)
Capital projects	380,529	602,129	-	(602,129)
Property acquisition	-	300,000	-	(300,000)
Police contract settlement	-	300,000	-	(300,000)
Debt service	-	93,699	-	(93,699)
Prior year bills	-	11,998	-	(11,998)
Use of prior year carryforwards	-	2,583,711	2,583,711	-
Raising prior year snow/ice deficit	-	(6,423)	-	6,423
Total Other Financing Sources	1,500,242	6,135,827	3,664,424	(2,471,403)
Excess (Deficiency) of Revenues and Other				
Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ (594,586)	\$ (594,586)

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

TOWN OF AVON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Private Purpose <u>Trust Fund</u>	Other Post Employment Benefits <u>Trust Fund</u>	Agency Funds
Assets			
Cash and short-term investments	\$ 55,844	\$ 4,754	\$ 146,787
Investments:			
Equities	<u>-</u>	<u>1,294,121</u>	<u>-</u>
Total investments	<u>-</u>	<u>1,294,121</u>	<u>-</u>
Accounts receivable	<u>-</u>	<u>-</u>	<u>11,076</u>
Total Assets	55,844	1,298,875	157,863
Liabilities			
Warrants payable	-	-	40
Held for student activities	-	-	81,901
Other liabilities	<u>-</u>	<u>-</u>	<u>75,922</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>157,863</u>
Net Position			
Restricted for scholarships	55,844	-	-
Restricted for OPEB	<u>-</u>	<u>1,298,875</u>	<u>-</u>
Total Net Position	<u>\$ 55,844</u>	<u>\$ 1,298,875</u>	<u>\$ -</u>

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

TOWN OF AVON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Private Purpose <u>Trust Fund</u>	Other Post Employment Benefits <u>Trust Fund</u>
Additions		
Contributions	\$ 1,500	\$ 963,445
Investment income	<u>418</u>	<u>67,076</u>
Total additions	1,918	1,030,521
Deductions		
Scholarships and awards	5,075	-
Benefit payments	<u>-</u>	<u>765,781</u>
Total deductions	<u>5,075</u>	<u>765,781</u>
Net change	(3,157)	264,740
Net position restricted for scholarships and OPEB		
Beginning of year	<u>59,001</u>	<u>1,034,135</u>
End of year	<u>\$ 55,844</u>	<u>\$ 1,298,875</u>

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

TOWN OF AVON, MASSACHUSETTS

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the Town and applicable component units for which the Town 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. All remaining governmental funds are aggregated and reported in a separate column.

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 property 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 pensions are recorded only when payment is due.

The Town reports the following major governmental funds:

- 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 *Brentwood Capital Project Fund* is used to account for all expenditures and revenues related to the Brentwood area water main project. The purpose

of this project is to replace and modernize the neighborhood's water distribution system.

- The *Police and Fire Building Capital Project Fund* is used to account for all expenditures and revenues related to the Police facility / Fire station renovations.

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 *Private Purpose Trust Fund* accounts for resources legally held in trust for the benefit of persons and organization other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- The *Other Post-Employment Benefits (OPEB) Trust Fund* is used to accumulate funds for future payments of other post-employment benefits for retirees such as health and life insurance.
- The *Agency Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. This fund is primarily used for private public safety details, student activity funds, and developer escrow funds. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

D. Cash, Cash Equivalents, and 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.

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 guar-anteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guar-anteed by such securities with maturity dates of no more than 90 days from the date of purchase. Municipalities having such funds in the custody of the treasurer in an aggregate amount in excess of two hundred and fifty thousand dollars may also invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen percent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company.

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

E. 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 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$1,172,201.

F. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

G. Capital Assets

Capital assets, which include land, construction in progress, building and improvements, machinery and equipment, vehicles, and infrastructure (e.g. roads, utility mains, and similar items) 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 one year. 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 (excluding land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Improvements other than buildings	40
Machinery and equipment	5 - 10
Vehicles	5 - 10
Infrastructure	40 - 50

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation benefits. Amounts related to sick-pay benefits are carried forward from year to year, but only vest as buy-back options for certain individuals in the police department. All vested vacation and sick 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 Statement of Net Position. The general fund typically repays these obligations.

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 the current assets/deferred outflows of resources and current liabilities/deferred inflows of resources. 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 of resources and liabilities/deferred inflows of resources. Net investment in capital assets consist 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 in May, the Finance Committee presents an operating 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/Transfers (GAAP Basis)	\$ 27,774,943	\$ 26,367,075	\$ 430,713
To record the use of prior year carryforwards as a funding source	-	-	2,583,711
Add end-of-year appropriation carryforwards to expenditures	-	5,057,217	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(1,150,218)	(1,150,218)	-
To reverse unbudgeted stabilization activity	(609,661)	-	650,000
To reverse gross-up of MWPAT debt service subsidy	(47,354)	(47,354)	-
Budgetary Basis	<u>\$ 25,967,710</u>	<u>\$ 30,226,720</u>	<u>\$ 3,664,424</u>

D. Excess of Expenditures Over Appropriations

There were no expenditures exceeding appropriations during the current fiscal year.

E. Deficit Fund Equity

The Town reported various special revenue and capital project funds reflecting individual deficit account balances as of June 30, 2019. It is anticipated that the deficits in these funds will be eliminated through future intergovernmental and departmental revenues, bond proceeds, 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. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent 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, \$727,527 of the Town's bank balances of \$18,657,841, was exposed to custodial credit risk. \$17,930,314 was fully collateralized by the Federal Deposit Insurance Corporation (FDIC), Depositors Insurance Fund (DIF), or the Share Insurance Fund (SIF).

4. Investments

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 a policy for credit risk.

Presented below is the actual rating as of year-end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>			
		<u>Aaa-A3</u>	<u>Baa1-B3</u>	<u>Caa1-C</u>	<u>Unrated</u>
Debt related:					
Federal agency securities	\$ 1,215,462	\$ 1,215,462	\$ -	\$ -	\$ -
Corporate bonds	824,195	527,523	296,672	-	-
Fixed income mutual funds	569,962	431,163	103,724	-	35,075
Subtotal	\$ 2,609,619	\$ 2,174,148	\$ 400,396	\$ -	\$ 35,075
Debt related - US Government:					
US Treasury notes	841,819				
Total Debt Related	3,451,438				
Equities:					
Equity mutual funds	900,705				
Corporate equities	3,395,245				
Total Equities	4,295,950				
Certificates of deposits	520,550				
Total Investments	\$ 8,267,938				

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 policies for custodial credit risk.

The Town's investments are 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. The Town manages this custodial credit risk by investing in counter-party's that participate in the Securities Investor Protection Corporation (SIPC) and excess SIPC coverages.

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 any investments in any one issuer (other than federal agency securities and US Treasury notes) that represent 5% or more 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 a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt-related Securities:					
Federal agency securities	\$ 1,215,462	\$ 49,715	\$ 1,115,384	\$ 50,363	\$ -
US Treasury notes	841,819	310,726	481,823	49,270	-
Corporate bonds	824,195	275,211	548,984	-	-
Fixed income mutual funds	<u>569,962</u>	<u>-</u>	<u>442,320</u>	<u>127,642</u>	<u>-</u>
Total	<u>\$ 3,451,438</u>	<u>\$ 635,652</u>	<u>\$ 2,588,511</u>	<u>\$ 227,275</u>	<u>\$ -</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 policies for 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Debt securities:				
Federal agency securities	\$ 1,215,462	\$ -	\$ 1,215,462	\$ -
US Treasury notes	841,819	-	841,819	-
Corporate bonds	824,195	-	824,195	-
Bond mutual funds	569,962	-	569,962	-
Equity securities:				
Equity mutual funds	900,705	900,705	-	-
Corporate equities	3,395,245	3,395,245	-	-
Total	\$ 7,747,388	\$ 4,295,950	\$ 3,451,438	\$ -

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

Debt securities classified in Level 2 are valued using standard inputs consisting of benchmark yields, reportable trades, benchmark securities (where available), and reference data including market research publications.

5. Property Taxes and Motor Vehicle Excise Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on 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 due date for the final tax bill for real estate taxes, 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.

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

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 790,334	\$ (174,300)	\$ 616,034
Personal property taxes	225,709	(181,600)	44,109
Tax liens	128,481	(44,700)	83,781
Tax foreclosures	<u>95,106</u>	<u>-</u>	<u>95,106</u>
Total property taxes	<u>\$ 1,239,630</u>	<u>\$ (400,600)</u>	<u>\$ 839,030</u>
Motor vehicle excise	<u>\$ 235,702</u>	<u>\$ (57,200)</u>	<u>\$ 178,502</u>

6. User Fees Receivable

The Town provides water services for its residents and commercial users. Bills are sent semi-annually based on usage.

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

<u>User Fees Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water user charges	\$ 97,304	\$ (21,100)	\$ 76,204

7. Departmental and Other Receivables

This balance represents amounts owed to the Town for ambulance services.

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Ambulance services	\$ 1,074,770	\$ (322,400)	\$ 752,370

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2019.

9. Interfund Transfers In and (Out)

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2019.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 430,713	\$ -
Nonmajor Governmental Funds:		
Police department fines	-	20,000
Ambulance	-	373,000
Title V	-	37,713
Total	<u>\$ 430,713</u>	<u>\$ 430,713</u>

The majority of the transfer into the general fund is attributable to receipts collected in the ambulance fund from services provided. The Town utilizes these revenues to fund fire department related expenditures. In fiscal year 2019 \$373,000 was transferred to the general fund, of which \$100,000 for purchasing and equipping a new replacement technical support truck, \$100,000 for fire department budget support, \$65,000 to purchase and install a replacement breathing air compressor, \$46,000 for purchasing and equipping a new replacement command vehicle, \$32,000 for patient loading equipment, and \$30,000 for training programs.

Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

10. Capital Assets

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

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,435,789	\$ -	\$ -	\$ 22,435,789
Improvements other than buildings	319,407	17,863	-	337,270
Infrastructure	31,679,806	276,812	-	31,956,618
Machinery, equipment, and vehicles	<u>5,951,390</u>	<u>320,422</u>	<u>-</u>	<u>6,271,812</u>
Total capital assets, being depreciated	60,386,392	615,097	-	61,001,489
Less accumulated depreciation for:				
Buildings and improvements	(9,661,642)	(545,636)	-	(10,207,278)
Improvements other than buildings	(298,096)	(5,921)	-	(304,017)
Infrastructure	(12,381,265)	(743,417)	-	(13,124,682)
Machinery, equipment, and vehicles	<u>(3,959,003)</u>	<u>(426,832)</u>	<u>-</u>	<u>(4,385,835)</u>
Total accumulated depreciation	<u>(26,300,006)</u>	<u>(1,721,806)</u>	<u>-</u>	<u>(28,021,812)</u>
Total capital assets, being depreciated, net	34,086,386	(1,106,709)	-	32,979,677
Capital assets, not being depreciated:				
Land	6,749,529	-	-	6,749,529
Construction in progress	<u>1,045,637</u>	<u>7,371,926</u>	<u>-</u>	<u>8,417,563</u>
Total capital assets, not being depreciated	<u>7,795,166</u>	<u>7,371,926</u>	<u>-</u>	<u>15,167,092</u>
Governmental activities capital assets, net	<u>\$ 41,881,552</u>	<u>\$ 6,265,217</u>	<u>\$ -</u>	<u>\$ 48,146,769</u>

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

Governmental Activities:	
General government	\$ 14,623
Public safety	259,200
Education	533,702
Public works	886,136
Health and human services	2,877
Culture and recreation	<u>25,268</u>
Total depreciation expense	<u>\$ 1,721,806</u>

11. 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.

12. Warrants Payable

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

13. Accrued Liabilities

This balance primarily represents salaries earned, but unpaid at year-end, along with other expenditures related to fiscal year 2019 paid subsequent to July 15, 2019.

14. Notes Payable

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

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Beginning Balance at 06/30/18</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Ending Balance at 06/30/19</u>
Police Facility/Fire Station Renovations Brentwood Area	2.25%	9/29/2017	9/28/2018	\$ 4,200,000.00	\$ -	\$ (4,200,000)	\$ -
Improvements Massachusetts Clean Water Trust Loan	2.00%	6/28/2018	9/28/2018	4,400,000.00	-	(4,400,000)	-
Police Facility/Fire Station Renovations Brentwood Area	2.00%	8/5/2015	Upon completion	191,500	-	-	191,500
Improvements	3.00%	12/21/2018	9/26/2019	-	5,500,000	-	5,500,000
	3.00%	6/28/2018	9/28/2018	-	6,000,000	-	6,000,000
Total				<u>\$ 8,791,500</u>	<u>\$ 11,500,000</u>	<u>\$ (8,600,000)</u>	<u>\$ 11,691,500</u>

15. Long-Term Debt

A. General Obligation Bonds

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

		Serial	Interest	Amount
	Original	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Issue</u>	<u>Through</u>		<u>as of</u>
				<u>6/30/19</u>
2003 Modular classroom bonds	\$ 1,750,000	11/15/18	3.00 - 5.10%	\$ -
2004 Municipal Purposes	3,450,000	06/01/19	2.75 - 4.60%	-
2006 General Obligation School bonds	5,861,000	03/01/26	3.70 - 5.00%	2,030,000
2007 Municipal Purposes	3,802,000	10/01/27	4.00 - 5.00%	1,495,000
2010 Municipal Purposes	6,613,000	12/01/23	2.00 - 4.00%	<u>2,510,000</u>
Total General obligation bonds				6,035,000
MWPAT - Septic Management (98-1027)	197,403	08/01/20	4.50 - 5.63%	\$ 20,600
MWPAT - Drinking water (DW01-17)	1,049,351	08/01/22	3.00 - 5.25%	292,175
MWPAT - Drinking water (99-10)	588,865	08/01/19	3.75 - 5.75%	50,000
MWPAT - (98-1027)	23,148	07/15/22	0.00%	<u>6,175</u>
Total MA Water Pollution Abatement Trust (MWPAT) Loans				<u>368,950</u>
Grand Total				<u>\$ 6,403,950</u>

B. Future Debt Service

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

	General Obligation Bonds		State Revolving Loans (Direct Borrowing)		Total	
<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2020	\$ 965,000	\$ 223,088	\$ 132,631	\$ 11,532	\$ 1,097,631	\$ 234,620
2021	965,000	188,077	82,431	7,608	1,047,431	195,685
2022	955,000	151,230	76,944	5,655	1,031,944	156,885
2023	955,000	113,030	76,944	1,885	1,031,944	114,915
2024	955,000	74,830	-	-	955,000	74,830
2025	455,000	46,589	-	-	455,000	46,589
2026	455,000	28,306	-	-	455,000	28,306
2027	165,000	10,025	-	-	165,000	10,025
2028	165,000	3,341	-	-	165,000	3,341
Total	<u>\$ 6,035,000</u>	<u>\$ 838,516</u>	<u>\$ 368,950</u>	<u>\$ 26,680</u>	<u>\$ 6,403,950</u>	<u>\$ 865,196</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/18</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/19</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/19</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 7,180,000	\$ -	\$ (1,145,000)	\$ 6,035,000	\$ (965,000)	\$ 5,070,000
State revolving loans (direct borrowing)	<u>496,868</u>	<u>-</u>	<u>(127,918)</u>	<u>368,950</u>	<u>(132,631)</u>	<u>236,319</u>
Total bonds payable	7,676,868	-	(1,272,918)	6,403,950	(1,097,631)	5,306,319
Compensated absences	922,897	-	(163,391)	759,506	(75,951)	683,555
Net pension liability	10,205,142	1,822,935	-	12,028,077	-	12,028,077
Net OPEB liability	<u>13,988,969</u>	<u>1,172,688</u>	<u>-</u>	<u>15,161,657</u>	<u>-</u>	<u>15,161,657</u>
Totals	<u>\$ 32,793,876</u>	<u>\$ 2,995,623</u>	<u>\$ (1,436,309)</u>	<u>\$ 34,353,190</u>	<u>\$ (1,173,582)</u>	<u>\$ 33,179,608</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2019 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
5/16/2017	Brentwood Public Works	\$ 2,100,000
6/9/2015	Police Fire Station	5,800,000
6/9/2015	Community Septic Management	<u>208,500</u>
	Total	<u>\$ 8,108,500</u>

16. Deferred Inflows of Resources

Deferred inflows of resources refer to the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. The following is a summary of other deferred inflows of resources as of June 30, 2019:

	Fund Basis	
	Governmental Funds	
	<u>General Fund</u>	<u>Nonmajor</u>
Unavailable revenues:		
Property taxes	\$ 1,105,106	\$ -
Motor vehicle excise	235,700	-
Water user fees	97,304	-
MWPAT subsidies	113,031	-
Chapter 90 (state grant)	-	1,116,250
CDBG loans	-	821,997
Title V loans	-	137,596
Ambulance charges	-	752,370
Total	<u>\$ 1,551,141</u>	<u>\$ 2,828,213</u>

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.

17. Governmental Funds - Balances

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

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

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund restrictions for debt service, various special revenue funds, capital project funds, and expendable trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund articles for non-lapsing appropriations, specific purpose stabilization funds for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and ambulance

receipts reserved. Appropriations for these funds, or made from these funds, are established through Town Meeting vote. A similar action is needed to modify or rescind a commitment.

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 in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods, the Town's general stabilization account, and deficit balances in other governmental funds.

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

	General Fund	Brentwood Capital Project Fund	Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted					
For future debt	\$ 57,982	\$ -	\$ -	\$ -	\$ 57,982
Special Revenue Funds:					
School choice	-	-	-	493,515	493,515
Police department fines	-	-	-	155,112	155,112
Police department 911 grant	-	-	-	134,803	134,803
CDBG Federal grant	-	-	-	136,066	136,066
Other Special Revenue Funds	-	-	-	630,961	630,961
Capital Project Funds:					
Pond street rehabilitation	-	-	-	316,010	316,010
Highway water bond	-	-	-	188,361	188,361
Other Town Capital Project Funds	-	-	-	8,435	8,435
Expendable Trust Funds:					
Library HL Blanchard	-	-	-	323,944	323,944
Other Trust Funds	-	-	-	25,378	25,378
Total Restricted	57,982	-	-	2,412,585	2,470,567
Committed					
MTBE stabilization	4,186,109	-	-	-	4,186,109
Police/Fire stabilization	1,367,626	-	-	-	1,367,626
Butler School parking stabilization	358,740	-	-	-	358,740
Capital planning stabilization	100,177	-	-	-	100,177
Page Street water tank stabilization	2,037	-	-	-	2,037
For future articles:					
Library ADA compliance	200,000	-	-	-	200,000
Moses Curtis park gazebo	18,000	-	-	-	18,000
Historical survey of the Town	20,000	-	-	-	20,000
Staffing/compensation study	20,000	-	-	-	20,000
Library roof nd carpet	5,000	-	-	-	5,000
Prior year bills	1,112	-	-	-	1,112
Sign build and installation	20,000	-	-	-	20,000
From prior articles:					
General government	1,061,674	-	-	-	1,061,674
Public safety	387,323	-	-	-	387,323
Education	896,600	-	-	-	896,600
Public works	2,015,469	-	-	-	2,015,469
Health and human services	37,500	-	-	-	37,500
Culture and recreation	118,426	-	-	-	118,426
Ambulance	-	-	-	473,312	473,312
Total Committed	10,815,793	-	-	473,312	11,289,105
Assigned					
For encumbrances:					
General government	83,177	-	-	-	83,177
Public safety	57,928	-	-	-	57,928
Education	255,224	-	-	-	255,224
Public works	115,242	-	-	-	115,242
Health and human services	1,549	-	-	-	1,549
Culture and recreation	27,105	-	-	-	27,105
Total Assigned	540,225	-	-	-	540,225
Unassigned - operating fund	3,386,085	-	-	-	3,386,085
Unassigned - general stabilization	2,653,352	-	-	-	2,653,352
Unassigned - deficit balances	-	(2,242,087)	(5,357,483)	(27,510)	(7,627,080)
Total Unassigned	6,039,437	(2,242,087)	(5,357,483)	(27,510)	(1,587,643)
Total Fund Balance	\$ 17,453,437	\$ (2,242,087)	\$ (5,357,483)	\$ 2,858,387	\$ 12,712,254

18. Stabilization Arrangements

The Town's stabilization accounts, a component of both committed and unassigned fund balance based on purpose, are authorized in accordance with Massachusetts General Law Chapter 40, section 5B. the creation of, appropriation into, and appropriation from the stabilization accounts requires two-thirds approval at Town Meeting. The following is a summary of balances at June 30, 2019 along with the purpose of each account:

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>Fund Balance Classification</u>
Stabilization - general	\$ 2,653,352	\$ 2,498,550	\$ 154,802	Unassigned
Stabilization - MTBE	4,186,109	3,694,908	491,201	Committed
Stabilization - Police / Fire building	1,367,626	1,358,940	8,686	Committed
Stabilization - Butler school parking lot	358,740	1,155,982	(797,242)	Committed
Stabilization - Capital planning	100,177	-	100,177	Committed
Stabilization - Page Street water tank	<u>2,037</u>	<u>-</u>	<u>2,037</u>	Committed
Total	<u>\$ 8,668,041</u>	<u>\$ 8,708,380</u>	<u>\$ (40,339)</u>	

The *General Stabilization Account* is used for any designated purpose(s) authorized at Town Meeting. This account was established by Annual Town Meeting vote in March 1970.

The *MTBE Stabilization Account* is used to fund current and future water supply cleanup or remediation projects. Initial funding was received from a methyl-tertiary-butyl-ether (MTBE) class-action lawsuit. This account was established by Special Town Meeting vote in May 2009.

The *Police/Fire Building Stabilization Account* is used to fund the construction of a joint public safety building. This account was established by Special Town Meeting vote in November 2011.

The *Butler School Parking Lot Stabilization Account* is used to fund traffic, parking, and related safety concerns at the Ralph D. Butler elementary school. This account was established by Annual Town Meeting vote in May 2017.

The *Capital Planning Lot Stabilization Account* is used to fund various Town capital expenditures. This account was established by Special Town Meeting vote in January 2019.

The *Page Street Water Tank Stabilization Account* is used to fund the rehabilitation or reconstruction of the Page Street water tank and appurtenances.

19. 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* (GASB 68), with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) and Avon Housing Authority 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. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The Norfolk County Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 480 Neponset Street #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	5.00%
January 1, 1975 - December 31, 1983	7.00%
January 1, 1984 - June 30, 1996	8.00%
Beginning July 1, 1996	9.00%
1979 - present	Additional 2.00% of salary in excess of \$30,000
Group 1 members hired on or after April 2, 2012	6.00% with 30 or more years of creditable service

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 \$1,292,888, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

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

At June 30, 2019, the Town reported a liability of \$12,028,077 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportion was 1.8481%.

For the year ended June 30, 2019, the Town recognized pension expense of \$1,532,275. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ 1,459,955	\$ -
Changes of assumptions	355,670	(195,212)
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,498	(242,982)
Differences between expected and actual experience	<u>654,372</u>	<u>-</u>
Total	<u>\$ 2,479,495</u>	<u>\$ (438,194)</u>

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

<u>Fiscal Year</u>	
2020	\$ 665,694
2021	543,183
2022	359,620
2023	<u>472,804</u>
Total	\$ <u>2,041,301</u>

D. Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2018
Actuarial cost method	Entry age normal cost method
Inflation Rate	4.00% annually
Salary increases	3.50% - 5.50%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Post-retirement cost-of-living adjustment	3.00% of first \$17,000
Mortality Rates	RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014

E. Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	32.00%	8.80%
International equity	17.50%	8.80%
Fixed income	19.00%	3.60%
Real estate	9.00%	7.40%
Private equity	8.50%	13.30%
Hedge funds	9.00%	7.40%
Real assets	5.00%	10.40%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 15,086,712	\$ 12,028,077	\$ 9,431,397

H. Pension Plan Fiduciary Net Position

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

20. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

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

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

B. Benefits Provided

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

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for

most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

C. Contributions

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

<u>Membership Date</u>	<u>% of Compensation</u>
Before January 1, 1975	5.00%
January 1, 1975 - December 31, 1983	7.00%
January 1, 1984 - June 30, 1996	8.00%
Beginning July 1, 1996	9.00%
Beginning July 1, 2001	11.00% (for teachers who were hired after July 1, 2001 and accept the provisions of Chapter 114 of the Acts of 2000)
1979 - present	Additional 2.00% of salary 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	RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
Post-retirement	RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
Disability	RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

E. Target Allocations

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

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

F. Discount Rate

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

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

G. Sensitivity Analysis

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

1% Decrease to (6.50%)	Current Discount Rate (7.50%)	1% Increase to (8.50%)
\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

H. Special Funding Situation

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

I. Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$20,743,457 based on a proportionate share of 0.087483%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$1,150,218 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$2,102,049 as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, 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 2010, 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 single employer, defined-benefit OPEB plan. The Town provides health insurance coverage through Blue Cross Blue Shield of Massachusetts. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Town provides medical and group term life 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 limitations/authorizations.

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	142
Active employees	<u>228</u>
Total	<u><u>370</u></u>

B. Investments

The OPEB trust fund assets consist of equities and fixed income securities.

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.10%. 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, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00% average, including inflation
Investment rate of return	6.80%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	6.25%
Healthcare cost trend rates	4.50% for 2019 and later years
Retirees' share of benefit-related costs	25.00% of premiums for HMO plans, 50% of premiums for all other medical plans; 50% of premiums for life insurance
Mortality Rates:	
Pre-retirement mortality	RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016 for males and females
Post-retirement mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females
Disabled mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward 1 year

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2018.

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	20.00%	4.00%
Domestic equity - small/mid cap	10.00%	6.00%
International equity - developed market	10.00%	4.50%
International equity - emerging market	5.00%	7.00%
Domestic fixed income	25.00%	2.00%
International fixed income	10.00%	3.00%
Alternatives	20.00%	6.50%
Real estate	0.00%	6.25%
Cash	0.00%	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 not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.80% and municipal bond rate of 2.79% (based on S&P Municipal Bond 20-Year High Grade Index as of June 30, 2019).

F. Net OPEB Liability

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

Total OPEB liability	\$ 16,460,532
Plan fiduciary net position	<u>1,298,875</u>
Net OPEB liability	<u>\$ 15,161,657</u>

Plan fiduciary net position as a percentage of the total OPEB liability	7.89%
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G. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 15,023,104	\$ 1,034,135	\$ 13,988,969
Changes for the year:			
Service cost	476,615	-	476,615
Interest	1,020,808	-	1,020,808
Contributions - employer	-	963,445	(963,445)
Net investment income	-	67,076	(67,076)
Differences between expected and actual experience	(2,890,532)	-	(2,890,532)
Changes of assumptions	3,596,318		3,596,318
Benefit payments	<u>(765,781)</u>	<u>(765,781)</u>	<u>-</u>
Net Changes	<u>1,437,428</u>	<u>264,740</u>	<u>1,172,688</u>
Balances, end of year	\$ <u>16,460,532</u>	\$ <u>1,298,875</u>	\$ <u>15,161,657</u>

Changes of assumptions reflect a change in the discount rate from 6.75% in 2018 to 6.25% in 2019.

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

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

1% Decrease	Current Discount Rate	1% Increase
\$ 17,152,899	\$ 15,161,657	\$ 13,457,124

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

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

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 13,314,465	\$ 15,161,657	\$ 17,394,188

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 \$1,792,842. At June 30, 2019, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Net difference between projected and actual earnings on OPEB plan investment	\$ 37,971	\$ -
Changes of assumptions	2,987,804	(308,590)
Differences between expected and actual experience	<u>1,754,744</u>	<u>(2,401,441)</u>
Total	<u>\$ 4,780,519</u>	<u>\$ (2,710,031)</u>

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

<u>Year Ended June 30:</u>	
2020	\$ 372,350
2021	372,348
2022	362,749
2023	359,120
2024	346,397
Thereafter	<u>257,524</u>
Total	<u>\$ 2,070,488</u>

22. 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.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town management, the

probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

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 \$540,225 in encumbrances that will be honored in the next fiscal year.

23. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in the Massachusetts Interlocal Insurance Association, a municipal joint purchase group formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Town both contribute to the Association on a 75% (Town) 25% (Employee) basis. The Town budgets annually in the General Fund for its estimated share of contributions.

24. Subsequent Events

Debt

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

<u>Purpose</u>	<u>Amount</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Police & Fire Station Design/Construction	\$ 10,600,000	2.50 - 5.00%	09/12/19	09/15/39
Brentwood Area Roadway and Drainage Improvements	4,370,000	2.50 - 5.00%	09/12/19	09/15/39

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

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

JUNE 30, 2019
(Unaudited)

Norfolk County Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	December 31, 2018	1.8481%	\$ 12,028,077	\$ 5,435,819	221.27%	58.30%
June 30, 2018	December 31, 2017	1.8454%	\$ 10,205,142	\$ 5,252,001	194.31%	63.50%
June 30, 2017	December 31, 2016	1.8000%	\$ 9,836,994	\$ 4,843,424	203.10%	58.60%
June 30, 2016	December 31, 2015	1.8000%	\$ 10,236,116	\$ 5,039,939	203.10%	58.60%
June 30, 2015	December 31, 2014	1.9000%	\$ 10,088,807	\$ 3,183,593	316.90%	60.10%

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	0.087483%	\$ -	\$ 20,743,457	\$ 20,743,457	\$ 6,143,814	0.00%	54.84%
June 30, 2018	June 30, 2017	0.084340%	\$ -	\$ 19,301,493	\$ 19,301,493	\$ 5,727,081	0.00%	54.25%
June 30, 2017	June 30, 2016	0.084159%	\$ -	\$ 18,816,121	\$ 18,816,121	\$ 5,535,689	0.00%	52.73%
June 30, 2016	June 30, 2015	0.082999%	\$ -	\$ 17,006,148	\$ 17,006,148	\$ 5,261,214	0.00%	55.38%
June 30, 2015	June 30, 2014	0.081573%	\$ -	\$ 12,967,154	\$ 12,967,154	\$ 5,001,644	0.00%	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 AVON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**JUNE 30, 2019
(Unaudited)**

Norfolk County Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 31, 2018	\$ 1,292,888	\$ 1,292,888	\$ -	\$ 5,435,819	23.78%
June 30, 2018	December 31, 2017	\$ 1,181,256	\$ 1,181,256	\$ -	\$ 5,252,001	22.49%
June 30, 2017	December 31, 2016	\$ 1,047,572	\$ 1,047,572	\$ -	\$ 4,843,424	21.63%
June 30, 2016	December 31, 2015	\$ 1,048,497	\$ 1,048,497	\$ -	\$ 5,039,939	20.80%
June 30, 2015	December 31, 2014	\$ 1,092,255	\$ 1,092,255	\$ -	\$ 3,183,593	34.31%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$ 1,150,218	\$ 1,150,218	\$ -	\$ 6,143,814	18.72%
June 30, 2018	June 30, 2017	\$ 1,042,031	\$ 1,042,031	\$ -	\$ 5,727,081	18.19%
June 30, 2017	June 30, 2016	\$ 946,433	\$ 946,433	\$ -	\$ 5,535,689	17.10%
June 30, 2016	June 30, 2015	\$ 848,189	\$ 848,189	\$ -	\$ 5,261,214	16.12%
June 30, 2015	June 30, 2014	\$ 764,650	\$ 764,650	\$ -	\$ 5,001,644	15.29%

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

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 476,615	\$ 402,652	\$ 392,206
Interest on unfunded liability - time value of money	1,020,808	1,461,564	923,658
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,890,532)	-	-
Changes of assumptions	3,596,318	(432,026)	-
Benefit payments, including refunds of member contributions	<u>(765,781)</u>	<u>(728,794)</u>	<u>(695,551)</u>
Net change in total OPEB liability	1,437,428	703,396	620,313
Total OPEB liability - beginning	<u>15,023,104</u>	<u>14,319,708</u>	<u>13,699,395</u>
Total OPEB liability - ending (a)	16,460,532	15,023,104	14,319,708
Plan fiduciary net position			
Contributions - employer	963,445	848,794	792,342
Net investment income	67,076	44,979	62,632
Benefit payments, including refunds of member contributions	<u>(765,781)</u>	<u>(728,794)</u>	<u>(695,551)</u>
Net change in plan fiduciary net position	264,740	164,979	159,423
Plan fiduciary net position - beginning	<u>1,034,135</u>	<u>869,156</u>	<u>709,733</u>
Plan fiduciary net position - ending (b)	<u>1,298,875</u>	<u>1,034,135</u>	<u>869,156</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 15,161,657</u>	<u>\$ 13,988,969</u>	<u>\$ 13,450,552</u>

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

(Unaudited)

Schedule of Net OPEB Liability

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 16,460,532	\$ 15,023,104	\$ 14,319,708
Plan fiduciary net position	<u>1,298,875</u>	<u>1,034,135</u>	<u>869,156</u>
Net OPEB liability	\$ <u>15,161,657</u>	\$ <u>13,988,969</u>	\$ <u>13,450,552</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.89%	6.88%	6.07%

Schedule of Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,541,182	\$ 1,432,295	\$ 1,359,350
Contributions in relation to the actuarially determined contribution	<u>963,445</u>	<u>848,794</u>	<u>792,342</u>
Contribution deficiency	\$ <u>577,737</u>	\$ <u>583,501</u>	\$ <u>567,008</u>

Schedule of Investment Returns

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	6.10%	5.01%	8.27%