

**TOWN OF AVON, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2018**



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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2018, 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 54 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Melanson Heath*

May 22, 2019



## **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, 2018.

### **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 \$33,171,780 (i.e., net position), a change of \$504,127 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$18,002,382, a change of \$1,244,729 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,298,803, a change of \$(44,439) 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>2018</u>	<u>2017</u>
Current and other assets	\$ 31,134,073	\$ 21,868,941
Capital assets, net	<u>41,881,551</u>	<u>41,629,698</u>
Total assets	73,015,624	63,498,639
Deferred outflows of resources	3,582,053	3,754,273
Long-term liabilities	32,793,876	33,215,442
Other liabilities	<u>9,173,359</u>	<u>705,479</u>
Total liabilities	41,967,235	33,920,921
Deferred inflows of resources	1,458,662	890,578
Net position:		
Net investment in capital assets	34,281,407	32,540,799
Restricted	4,713,320	4,957,554
Unrestricted	<u>(5,822,947)</u>	<u>(5,056,940)</u>
Total net position	<u>\$ 33,171,780</u>	<u>\$ 32,441,413</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 \$33,171,780, a change of \$504,127 from the prior year.

The largest portion of net position, \$34,281,407, 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, \$4,713,320, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(5,822,947) may be used to meet the Town's ongoing obligations to citizens and creditors. The deficit unrestricted net position is primarily driven by the Town's net 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 Activities	
	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,617,569	\$ 1,410,299
Operating grants and contributions	5,206,361	4,344,604
Capital grants and contributions	1,109,198	549,385
General revenues:		
Property taxes	20,053,781	18,994,682
Excises	1,053,284	1,086,740
Penalties, interest, and other taxes	223,748	134,613
Grants and contributions not restricted to specific programs	864,625	1,271,389
Investment income	66,256	197,169
Other	249,345	-
Total revenues	<u>30,444,167</u>	<u>27,988,881</u>
<b>Expenses</b>		
General government	2,752,971	2,232,722
Public safety	5,322,211	4,515,152
Education	16,802,471	13,832,899
Public works	3,563,299	3,043,130
Health and human services	470,402	478,070
Culture and recreation	682,162	578,362
Interest on long-term debt	346,524	385,708
Total expenses	<u>29,940,040</u>	<u>25,066,043</u>
Change in net position before transfers	504,127	2,922,838
Transfers in (out)	<u>-</u>	<u>(96,791)</u>
Change in net position	504,127	2,826,047
Net position - beginning of year, as restated	<u>32,667,653</u>	<u>29,615,366</u>
Net position - end of year	<u>\$ 33,171,780</u>	<u>\$ 32,441,413</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$504,127. Key elements of this change are as follows:

General fund operations (includes accrual for allowance for uncollectible accounts)	\$ 763,728
Capital assets acquired from current year resources	1,436,828
Increase in net pension liability and related deferred outflows and inflows	(134,560)
Increase in net OPEB liability and related deferred outflows and inflows	(1,512,309)
Other	<u>(49,560)</u>
Total	<u>\$ 504,127</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 government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$18,002,382, a change of \$1,244,729 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues exceeding expenditures	\$ 1,307,128
Brentwood capital project fund expenditures exceeding revenues	(132,815)
Police / Fire building capital project fund expenditures exceeding revenues	(303,268)
Nonmajor funds revenues exceeding expenditures	<u>373,684</u>
Total	<u>\$ 1,244,729</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,298,803, while total fund balance was \$15,614,856.

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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance*	\$ 5,298,803	\$ 5,343,242	\$ (44,439)	21.0%
Total fund balance	\$ 15,614,856	\$ 13,664,656	\$ 1,950,200	62.0%

\* Unassigned fund balance for 6/30/17 was reclassified for specific purpose stabilization accounts to committed fund balance in the amount of \$5,920,406.

The total fund balance of the general fund changed by \$1,950,200 during the current fiscal year. Key factors in this change are as follows:

General Fund

Revenues greater than of budget (includes raising of prior year snow/ice deficit)	\$ 71,118
Expenditures less than budget	852,099
Expenditures of prior year encumbrances less than current year encumbrances	434,358
Change in stabilization accounts	670,348
Return of funds to CMVI account	(77,723)
<b>Total</b>	<b>\$ 1,950,200</b>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>Fund Balance Classification</u>
Stabilization - general	\$ 2,498,550	\$ 2,117,627	\$ 380,923	Unassigned
Stabilization - MTBE	3,694,908	3,713,080	(18,172)	Committed
Stabilization - Police / Fire building	1,358,940	1,354,540	4,400	Committed
Stabilization - Butler school parking lot	1,155,983	852,786	303,197	Committed
<b>Total</b>	<b>\$ 8,708,381</b>	<b>\$ 8,038,033</b>	<b>\$ 670,348</b>	

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$2,110,989 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 \$41,881,551 (net of accumulated depreciation), a change of

\$251,853 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:**

- \$ 939,968 for the West Main Street reconstruction (Mass works grant)
- \$ 351,936 for the Police and Fire building construction
- \$ 215,343 for the Brentwood area water main improvements
- \$ 190,300 for a replacement loader
- \$ 116,362 for various Police equipment
- \$ 45,040 for two cardiac monitors
- \$ 39,474 for a new accounting system
- \$ 27,247 for the purchase of a new truck for the Building Inspector

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 \$7,676,868, 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 2018 was approximately 68% 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 2019. 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 2019 to remain consistent with the prior year.
- The above items were considered when the Town accepted its budget for fiscal year 2019 at the May 2018 Town Meeting, and the Town's tax rate was set in December 2018.

## **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, 2018

	Governmental <u>Activities</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 20,608,539
Investments	6,370,733
Receivables, net of allowance for uncollectibles:	
Property taxes	952,876
Excises	133,265
User fees	56,819
Departmental and other	711,356
Intergovernmental	2,300,485
Noncurrent:	
Capital assets being depreciated, net	34,086,386
Capital assets not being depreciated	7,795,165
<b>Deferred Outflows of Resources</b>	
Related to pensions	1,484,548
Related to OPEB	2,097,505
<b>Total Assets and Deferred Outflows of Resources</b>	<u>76,597,677</u>
<b>Liabilities</b>	
Current:	
Warrants payable	171,035
Accrued liabilities	191,547
Notes payable	8,791,500
Other current liabilities	19,277
Current portion of long-term liabilities:	
Bonds and loans payable	1,272,918
Compensated absences	92,290
Noncurrent:	
Bonds and loans payable, net of current portion	6,403,950
Compensated absences, net of current portion	830,607
Net pension liability	10,205,142
Net OPEB liability	13,988,969
<b>Deferred Inflows of Resources</b>	
Related to pensions	1,088,354
Related to OPEB	370,308
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>43,425,897</u>
<b>Net Position</b>	
Net investment in capital assets	34,281,407
Restricted for grants and other statutory restrictions	4,713,320
Unrestricted	(5,822,947)
<b>Total Net Position</b>	<u>\$ 33,171,780</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, 2018

					Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
General government	\$ 2,752,971	\$ 66,027	\$ 291,920	\$ -	\$ (2,395,024)
Public safety	5,322,211	601,704	69,450	-	(4,651,057)
Education	16,802,471	132,185	4,755,265	-	(11,915,021)
Public works	3,563,299	740,626	89,726	1,109,198	(1,623,749)
Health and human services	470,402	45,969	-	-	(424,433)
Culture and recreation	682,162	31,058	-	-	(651,104)
Interest on long-term debt	346,524	-	-	-	(346,524)
Total governmental activities	<u>\$ 29,940,040</u>	<u>\$ 1,617,569</u>	<u>\$ 5,206,361</u>	<u>\$ 1,109,198</u>	(22,006,912)
<b>General Revenues</b>					
					20,053,781
					1,053,284
					223,748
					864,625
					66,256
					249,345
					<u>22,511,039</u>
					504,127
<b>Net Position</b>					
					<u>32,667,653</u>
					\$ 33,171,780

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



## TOWN OF AVON, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2018

	General Fund	Brentwood Capital Project Fund	Police and Fire Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and short-term investments	\$ 9,724,397	\$ 4,268,818	\$ 3,896,732	\$ 2,718,592	\$ 20,608,539
Investments	6,072,198	-	-	298,535.00	6,370,733
Receivables:					
Property taxes	1,410,276	-	-	-	1,410,276
Excises	193,365	-	-	-	193,365
User fees	82,719	-	-	-	82,719
Departmental and other	2,705	-	-	708,651	711,356
Intergovernmental	131,639	-	-	2,168,846	2,300,485
Total assets	<u>\$ 17,617,299</u>	<u>\$ 4,268,818</u>	<u>\$ 3,896,732</u>	<u>\$ 5,894,624</u>	<u>\$ 31,677,473</u>
<b>Liabilities</b>					
Warrants payable	\$ 167,384	\$ 1,633	\$ -	\$ 2,018	\$ 171,035
Accrued liabilities	191,546	-	-	-	191,546
Notes payable	-	4,400,000	4,200,000	191,500	8,791,500
Other liabilities	19,277	-	-	-	19,277
Total liabilities	378,207	4,401,633	4,200,000	193,518	9,173,358
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	1,624,236	-	-	2,877,497	4,501,733
<b>Fund Balances</b>					
Restricted	57,982	-	-	2,443,974	2,501,956
Committed	9,862,729	-	-	471,682	10,334,411
Assigned	395,342	-	-	-	395,342
Unassigned	5,298,803	(132,815)	(303,268)	(92,047)	4,770,673
Total fund balances	<u>15,614,856</u>	<u>(132,815)</u>	<u>(303,268)</u>	<u>2,823,609</u>	<u>18,002,382</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,617,299</u>	<u>\$ 4,268,818</u>	<u>\$ 3,896,732</u>	<u>\$ 5,894,624</u>	<u>\$ 31,677,473</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, 2018

<b>Total governmental fund balances</b>	\$ 18,002,382
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,881,551
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,958,332
• Deferred outflows of resources related to pensions to be recognized as an increase to pension expense in future periods.	1,484,548
• Deferred outflows of resources related to OPEB to be recognized as an increase to OPEB expense in future periods.	2,097,505
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(7,676,868)
Compensated absences	(922,897)
Net pension liability	(10,205,142)
Net OPEB liability	(13,988,969)
• Deferred inflows of resources related to pensions to be recognized as a decrease to pension expense in future periods.	(1,088,354)
• Deferred inflows of resources related to OPEB to be recognized as a decrease to OPEB expense in future periods.	(370,308)
<b>Net position of governmental activities</b>	<u><u>\$ 33,171,780</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, 2018

	General Fund	Brentwood Capital Project Fund	Police and Fire Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 20,697,421	\$ -	\$ -	\$ -	\$ 20,697,421
Excise taxes	1,116,694	-	-	-	1,116,694
Penalties, interest, and other taxes	223,748	-	-	-	223,748
Water user charges	456,263	-	-	-	456,263
Departmental	584,807	-	-	489,590	1,074,397
Intergovernmental	3,362,424	-	-	2,898,812	6,261,236
Investment income	65,732	-	-	524	66,256
Other	-	4,092	48,668	196,586	249,346
Total revenues	26,507,089	4,092	48,668	3,585,512	30,145,361
<b>Expenditures</b>					
Current:					
General government	1,818,302	-	-	169,561	1,987,863
Public safety	3,882,469	-	351,936	199	4,234,604
Education	9,783,461	-	-	1,991,770	11,775,231
Public works	2,444,736	136,907	-	988,490	3,570,133
Health and human services	306,116	-	-	51,821	357,937
Culture and recreation	482,292	-	-	9,987	492,279
Pension and other fringe benefits	4,478,603	-	-	-	4,478,603
Debt service:					
Principal	1,307,919	-	-	-	1,307,919
Interest and debt service costs	346,524	-	-	-	346,524
Intergovernmental	349,539	-	-	-	349,539
Total expenditures	25,199,961	136,907	351,936	3,211,828	28,900,632
Excess (deficiency) of revenues over (under) expenditures	1,307,128	(132,815)	(303,268)	373,684	1,244,729
<b>Other Financing Sources (Uses)</b>					
Transfers in	720,795	-	-	77,723	798,518
Transfers out	(77,723)	-	-	(720,795)	(798,518)
Total other financing sources (uses)	643,072	-	-	(643,072)	-
Net change in fund balances	1,950,200	(132,815)	(303,268)	(269,388)	1,244,729
Fund Balance at Beginning of Year, as restated	13,664,656	-	-	3,092,997	16,757,653
Fund Balance at End of Year	\$ 15,614,856	\$ (132,815)	\$ (303,268)	\$ 2,823,609	\$ 18,002,382

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, 2018

<b>Net changes in fund balances - Total governmental funds</b>	<b>\$ 1,244,729</b>														
<ul style="list-style-type: none"> <li>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: <table> <tr> <td>Capital outlay purchases</td><td style="text-align: right;">1,925,671</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,673,818)</td></tr> </table> </li> <li>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. <div style="text-align: right;">(673,717)</div> </li> <li>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: <table> <tr> <td>Repayments of general obligation bonds</td><td style="text-align: right;">1,307,919</td></tr> <tr> <td>Repayments of capital lease</td><td style="text-align: right;">104,112</td></tr> </table> </li> <li>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: <table> <tr> <td>Change in compensated absences</td><td style="text-align: right;">(83,900)</td></tr> <tr> <td>Change in net pension liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(134,560)</td></tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(1,512,309)</td></tr> </table> </li> </ul>	Capital outlay purchases	1,925,671	Depreciation	(1,673,818)	Repayments of general obligation bonds	1,307,919	Repayments of capital lease	104,112	Change in compensated absences	(83,900)	Change in net pension liability and related deferred outflows and inflows of resources	(134,560)	Change in net OPEB liability and related deferred outflows and inflows of resources	(1,512,309)	
Capital outlay purchases	1,925,671														
Depreciation	(1,673,818)														
Repayments of general obligation bonds	1,307,919														
Repayments of capital lease	104,112														
Change in compensated absences	(83,900)														
Change in net pension liability and related deferred outflows and inflows of resources	(134,560)														
Change in net OPEB liability and related deferred outflows and inflows of resources	(1,512,309)														
<b>Change in net position of governmental activities</b>	<b>\$ <u>504,127</u></b>														

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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues and Transfers</b>				
Property taxes	\$ 20,841,533	\$ 20,841,533	\$ 20,697,421	\$ (144,112)
Excise taxes	1,215,970	1,215,970	1,116,694	(99,276)
Penalties, interest, and other taxes	177,920	177,920	223,748	45,828
Water user charges	526,065	526,065	456,263	(69,802)
Departmental	472,237	472,237	584,807	112,570
Intergovernmental	2,229,708	2,229,708	2,271,761	42,053
Investment income	30,500	30,500	95,384	64,884
Transfers in	<u>720,795</u>	<u>720,795</u>	<u>720,795</u>	<u>-</u>
Total revenues and transfers	26,214,728	26,214,728	26,166,873	(47,855)
<b>Expenditures and Transfers</b>				
General government	2,238,403	2,768,851	2,469,522	299,329
Public safety	4,334,219	4,517,738	4,384,747	132,991
Education	8,798,933	9,074,577	9,024,639	49,938
Public works	2,520,735	3,441,296	3,376,780	64,516
Health and human services	353,449	391,200	346,081	45,119
Culture and recreation	524,645	651,711	621,287	30,424
Pension and other fringe benefits	4,683,222	4,719,222	4,478,603	240,619
Debt service	1,612,945	1,612,945	1,605,811	7,134
Intergovernmental	331,568	331,568	349,539	(17,971)
Transfers out	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Total expenditures and transfers	<u>26,098,119</u>	<u>28,209,108</u>	<u>27,357,009</u>	<u>852,099</u>
Excess (deficiency) of revenues and transfers in over (under) expenditures and transfers out	116,609	(1,994,380)	(1,190,136)	804,244
<b>Other Financing Sources (Uses)</b>				
Use of prior year carryforwards	2,364	2,113,353	2,113,353	-
Raising prior year snow/ice deficit	<u>(118,973)</u>	<u>(118,973)</u>	<u>-</u>	<u>118,973</u>
Total other financing sources	<u>(116,609)</u>	<u>1,994,380</u>	<u>2,113,353</u>	<u>118,973</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 923,217</u>	<u>\$ 923,217</u>

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

TOWN OF AVON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018

	Private Purpose <u>Trust Fund</u>	Other Post Employment Benefits <u>Trust Fund</u>	Agency <u>Funds</u>
<b>Assets</b>			
Cash and short-term investments	\$ 59,001	\$ 3,774	\$ 132,326
Investments	-	1,030,361	-
Accounts receivable	-	-	11,076
	<u>59,001</u>	<u>-</u>	<u>11,076</u>
Total assets	59,001	1,034,135	143,402
<b>Liabilities</b>			
Warrants payable	-	-	1,873
Held for student activities	-	-	61,930
Other liabilities	-	-	79,599
	<u>-</u>	<u>-</u>	<u>79,599</u>
Total liabilities	-	-	143,402
<b>Net Position</b>			
Restricted for scholarships	59,001	-	-
Restricted for OPEB	-	1,034,135	-
	<u>-</u>	<u>1,034,135</u>	<u>-</u>
Total Net Position	<u>\$ 59,001</u>	<u>\$ 1,034,135</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, 2018

	Private Purpose <u>Trust Fund</u>	Other Post Employment Benefits <u>Trust Fund</u>
<b>Additions</b>		
Contributions	\$ 1,000	\$ 848,794
Investment income	<u>208</u>	<u>44,979</u>
Total additions	1,208	893,773
<b>Deductions</b>		
Scholarships and awards	5,575	-
Benefit payments	<u>-</u>	<u>728,794</u>
Total deductions	<u>5,575</u>	<u>728,794</u>
Net change	(4,367)	164,979
<b>Net position restricted for scholarships and OPEB</b>		
Beginning of year	<u>63,368</u>	<u>869,156</u>
End of year	<u>\$ 59,001</u>	<u>\$ 1,034,135</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 2018, 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 pension 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 guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days

from the date of purchase. 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 2018 tax levy reflected an excess capacity of \$5,507.

*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 and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 26,507,089	\$ 25,199,961
Other financing sources/uses (GAAP Basis)	<u>720,795</u>	<u>77,723</u>
Subtotal (GAAP Basis)	27,227,884	25,277,684
To record the use of prior year carryforwards as a funding source	2,113,353	-
Add end-of-year appropriation carryforwards to expenditures	-	2,547,711
To reverse the effect of non-budgeted State contributions for teachers retirement	(1,042,031)	(1,042,031)
To record stabilization activity	29,652	700,000
To reverse gross-up of MWPAT debt service subsidy	(48,632)	(48,632)
Return of funds to CMVI account	<u>-</u>	<u>(77,723)</u>
Budgetary Basis	<u>\$ 28,280,226</u>	<u>\$ 27,357,009</u>

*D. Excess of Expenditures Over Appropriations*

There were no expenditures exceeding appropriations during the current fiscal year excluding intergovernmental expenditures related to state assessments.

*E. Deficit Fund Equity*

The Town reported various special revenue and capital project funds reflecting individual deficit account balances as of June 30, 2018. 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, 2018, \$332,991 of the Town's bank balances of \$21,390,394, was exposed to custodial credit risk. \$21,057,403 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>Aaa-A3</u>	<u>Rating as of Year End</u>		
			<u>Baa1-B3</u>	<u>Caa1-C</u>	<u>Unrated</u>
Debt related:					
Federal agency securities	\$ 1,208,268	\$ 1,208,268	\$ -	\$ -	\$ -
Corporate bonds	729,117	360,777	368,340	-	-
Fixed income mutual funds	<u>491,903</u>	<u>365,637</u>	<u>90,761</u>	<u>16,254</u>	<u>19,251</u>
Subtotal	\$ 2,429,288	\$ <u>1,934,682</u>	\$ <u>459,101</u>	\$ <u>16,254</u>	\$ <u>19,251</u>
Debt related - US Government:					
US Treasury notes	<u>636,495</u>				
Total Debt Related	3,065,783				
Equities:					
Equity mutual funds	651,260				
Corporate equities	<u>2,997,605</u>				
Total Equities	3,648,865				
Certificates of deposits	<u>686,446</u>				
Total Investments	\$ <u>7,401,094</u>				

#### **B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have 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>More Than 10</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
Debt-related Securities:					
Federal agency securities	\$ 1,208,269	\$ -	\$ 1,112,288	\$ 95,981	\$ -
US Treasury notes	636,495	279,450	282,358	74,687	-
Corporate bonds	729,117	49,949	679,168	-	-
Fixed income mutual funds	<u>491,903</u>	<u>-</u>	<u>135,322</u>	<u>89,870</u>	<u>266,711</u>
Total	\$ 3,065,784	\$ 329,399	\$ 2,209,136	\$ 260,538	\$ 266,711

#### 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, 2018:

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	
Investments by fair value level:				
Debt securities:				
Federal agency securities	\$ 1,208,268	\$ -	\$ 1,208,268	\$ -
US Treasury notes	636,495	-	636,495	-
Corporate bonds	729,117	-	729,117	-
Bond mutual funds	491,903	-	491,903	-
Equity securities:				
Equity mutual funds	651,260	651,260	-	-
Corporate equities	2,997,605	2,997,605	-	-
Total	<u>\$ 6,714,648</u>	<u>\$ 3,648,865</u>	<u>\$ 3,065,783</u>	<u>\$ -</u>

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

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

The day after the 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, 2018 consist of the following:

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 883,656	\$ (221,000)	\$ 662,656
Personal property taxes	277,161	(186,500)	90,661
Tax liens	154,353	(49,900)	104,453
Tax foreclosures	95,106	-	95,106
Total property taxes	<u>\$ 1,410,276</u>	<u>\$ (457,400)</u>	<u>\$ 952,876</u>
Motor vehicle excise	<u>\$ 193,365</u>	<u>\$ (60,100)</u>	<u>\$ 133,265</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, 2018 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	\$ 82,719	\$ (25,900)	\$ 56,819

## 7. Departmental and Other Receivables

This balance represents amounts owed to the Town for ambulance services, parking tickets, and other motor vehicle infractions as follows:

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Ambulance charges	\$ 1,007,540	\$ (302,300)	\$ 705,240
Motor vehicle infractions	3,411	-	3,411
Parking tickets	2,705	-	2,705
Total	\$ <u>1,013,656</u>	\$ <u>(302,300)</u>	\$ <u>711,356</u>

## 8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2018.

## 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 2018.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 720,795	\$ 77,723
Nonmajor Governmental Funds:		
Police department fines	77,723	124,000
Ambulance	-	586,395
Title V	-	10,400
Total	\$ <u>798,518</u>	\$ <u>798,518</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 2018 \$586,395 was transferred to the general fund, of which \$300,000 was for purchasing and equipping a new replacement ambulance, \$106,395 for the final payment of the lease purchase agreement on the rescue pumper truck, \$100,000 for fire department budget support, \$60,000 for cardiac monitors and medication pumps, and \$20,000 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, 2018 was as follows:

	Beginning	Increases	Decreases	Ending
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,435,789	\$ -	\$ -	\$ 22,435,789
Improvements other than buildings	319,407	-	-	319,407
Infrastructure	30,739,838	939,968	-	31,679,806
Machinery, equipment, and vehicles	5,582,660	418,423	(49,693)	5,951,390
Total capital assets, being depreciated	59,077,694	1,358,391	(49,693)	60,386,392
Less accumulated depreciation for:				
Buildings and improvements	(9,116,005)	(545,636)	-	(9,661,641)
Improvements other than buildings	(292,622)	(5,475)	-	(298,097)
Infrastructure	(11,662,184)	(719,081)	-	(12,381,265)
Machinery, equipment, and vehicles	(3,605,070)	(403,626)	49,693	(3,959,003)
Total accumulated depreciation	(24,675,881)	(1,673,818)	49,693	(26,300,006)
Total capital assets, being depreciated, net	34,401,813	(315,427)	-	34,086,386
Capital assets, not being depreciated:				
Land	6,749,529	-	-	6,749,529
Construction in progress	478,356	567,280	-	1,045,636
Total capital assets, not being depreciated	7,227,885	567,280	-	7,795,165
Governmental activities capital assets, net	\$ 41,629,698	\$ 251,853	\$ -	\$ 41,881,551

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

Governmental Activities:	
General government	\$ 9,586
Public safety	236,101
Education	533,702
Public works	866,731
Health and human services	2,877
Culture and recreation	24,821
Total depreciation expense	\$ 1,673,818

## 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 2018 expenditures paid by July 15, 2018.

## 13. Accrued Liabilities

This balance primarily represents salaries earned, but unpaid at year-end, along with other expenditures related to fiscal year 2018 paid subsequent to July 15, 2018.

## 14. Notes Payable

The following summarizes activity in notes payable during fiscal year 2018:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Beginning Balance at 06/30/17</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Ending Balance at 06/30/18</u>
Police Facility/Fire Station Renovations	2.25%	9/29/2017	9/28/2018	\$ -	\$ 4,200,000	\$ -	\$ 4,200,000
Brentwood Area Improvements	2.00%	6/28/2018	9/28/2018	-	4,400,000	-	4,400,000
Massachusetts Clean Water Trust Loan	2.00%	8/5/2015	Upon completion	191,500	-	-	191,500
Total				<u>\$ 191,500</u>	<u>\$ 8,600,000</u>	<u>\$ -</u>	<u>\$ 8,791,500</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:

	Original	Serial	Interest	Amount
	Issue	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>		<u>Through</u>		<u>as of</u>
				<u>6/30/18</u>
2003 Modular classroom bonds	1,750,000	11/15/18	3.00 - 5.10%	\$ 115,000
2004 Municipal Purposes	3,450,000	06/01/19	2.75 - 4.60%	65,000
2006 General Obligation School bonds	5,861,000	03/01/26	3.70 - 5.00%	2,320,000
2007 Municipal Purposes	3,802,000	10/01/27	4.00 - 5.00%	1,665,000
2010 Municipal Purposes	6,613,000	12/01/23	2.00 - 4.00%	3,015,000
Total General obligation bonds				7,180,000
MWPAT - Septic Management (98-1027)	197,403	08/01/20	4.50 - 5.63%	\$ 31,000
MWPAT - Drinking water (DW01-17)	1,049,351	08/01/22	3.00 - 5.25%	358,150
MWPAT - Drinking water (99-10)	588,865	08/01/19	3.75 - 5.75%	100,000
MWPAT - (98-1027)	23,148	07/15/22	0.00%	7,718
Total MA Water Pollution Abatement Trust (MWPAT) Loans				496,868
Grand Total				<u>\$ 7,676,868</u>

### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,272,918	\$ 278,366	\$ 1,551,284
2020	1,097,631	229,224	1,326,855
2021	1,047,431	191,473	1,238,904
2022	1,031,943	153,885	1,185,828
2023	1,031,945	113,115	1,145,060
2024 - 2028	<u>2,195,000</u>	<u>162,490</u>	<u>2,357,490</u>
Total	<u>\$ 7,676,868</u>	<u>\$ 1,128,553</u>	<u>\$ 8,805,421</u>

### C. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Total			Total	Less	Equals
	Balance			Balance	Current	Long-Term
	<u>7/1/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/18</u>	<u>Portion</u>	<u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 8,984,787	\$ -	\$ (1,307,919)	\$ 7,676,868	\$ (1,272,918)	\$ 6,403,950
Compensated absences	838,997	83,900	-	922,897	(92,290)	830,607
Net pension liability	9,836,994	368,148	-	10,205,142	-	10,205,142
Net OPEB liability	13,450,552	703,396	(164,979)	13,988,969	-	13,988,969
Capital leases	104,112	-	(104,112)	-	-	-
Totals	<u>\$ 33,215,442</u>	<u>\$ 1,155,444</u>	<u>\$ (1,577,010)</u>	<u>\$ 32,793,876</u>	<u>\$ (1,365,208)</u>	<u>\$ 31,428,668</u>

**D. Bond Authorizations**

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2018 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
5/16/2017	Brentwood Public Works	\$ 3,700,000
6/9/2015	Police Fire Station	7,100,000
6/9/2015	CW15-12	400,000
	Total	<u>\$ 11,200,000</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, 2018:

	<u>Fund Basis</u>	
	<u>Governmental Funds</u>	
	<u>General Fund</u>	<u>Nonmajor</u>
Unavailable revenues:		
Property taxes	\$ 1,213,808	\$ -
Motor vehicle excise	193,365	-
Water user fees	82,719	-
MWPAT subsidies	131,639	-
Parking tickets	2,705	-
Chapter 90 grants	-	1,209,253
CDBG loans	-	821,997
Title V loans	-	137,595
Ambulance charges	-	705,241
Motor vehicle infractions	-	3,411
Total	<u>\$ 1,624,236</u>	<u>\$ 2,877,497</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, 2018:

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, 2018:

	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	-	-	-	553,484	553,484
Police department fines	-	-	-	131,591	131,591
Police department 911 grant	-	-	-	101,774	101,774
CDBG Federal grant	-	-	-	109,810	109,810
Other Special Revenue Funds	-	-	-	664,347	664,347
Capital Project Funds:					
Pond street rehabilitation	-	-	-	316,010	316,010
Highway water bond	-	-	-	156,101	156,101
Other Town Capital Project Funds	-	-	-	76,724	76,724
Expendable Trust Funds:					
Library HL Blanchard	-	-	-	308,668	308,668
Other Trust Funds	-	-	-	25,465	25,465
Total Restricted	57,982	-	-	2,443,974	2,501,956
Committed					
MTBE stabilization	3,694,908	-	-	-	3,694,908
Police/Fire stabilization	1,358,940	-	-	-	1,358,940
Butler School parking stabilization	1,155,983	-	-	-	1,155,983
For future articles:					
Paige street water tank	1,120,000	-	-	-	1,120,000
Public safety software	145,000	-	-	-	145,000
Town's water supply	125,000	-	-	-	125,000
Other future articles	110,530	-	-	-	110,530
From prior articles:					
General government	610,280	-	-	-	610,280
Public safety	460,872	-	-	-	460,872
Education	28,500	-	-	-	28,500
Public works	897,916	-	-	-	897,916
Health and human services	37,500	-	-	-	37,500
Culture and recreation	117,300	-	-	-	117,300
Ambulance	-	-	-	471,682	471,682
Total Committed	9,862,729	-	-	471,682	10,334,411
Assigned					
For encumbrances					
General government	40,942	-	-	-	40,942
Public safety	41,404	-	-	-	41,404
Education	254,709	-	-	-	254,709
Public works	34,127	-	-	-	34,127
Health and human services	2,465	-	-	-	2,465
Culture and recreation	21,695	-	-	-	21,695
Total Assigned	395,342	-	-	-	395,342
Unassigned - operating fund	2,800,253	-	-	-	2,800,253
Unassigned - general stabilization	2,498,550	-	-	-	2,498,550
Unassigned - deficit balances	-	(132,815)	(303,268)	(92,047)	(528,130)
Total Unassigned	5,298,803	(132,815)	(303,268)	(92,047)	4,770,673
Total Fund Balance	\$ 15,614,856	\$ (132,815)	\$ (303,268)	\$ 2,823,609	\$ 18,002,382

## 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, 2018 along with the purpose of each account:

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>Fund Balance Classification</u>
Stabilization - general	\$ 2,498,550	\$ 2,117,627	\$ 380,923	Unassigned
Stabilization - MTBE	3,694,908	3,713,080	(18,172)	Committed
Stabilization - Police / Fire building	1,358,940	1,354,540	4,400	Committed
Stabilization - Butler school parking lot	<u>1,155,983</u>	<u>852,786</u>	<u>303,197</u>	Committed
Total	\$ <u>8,708,381</u>	\$ <u>8,038,033</u>	\$ <u>670,348</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.

## 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 Retirement Benefits

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.

If a participant was a member prior to February 2012, 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.

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.

#### 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 3.00%.

#### Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. 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

#### 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, 2018 was \$1,181,256 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, 2018, the Town reported a liability of \$10,205,142 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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 December 31, 2017, the Town's proportion was 1.8454%.

For the year ended June 30, 2018, the Town recognized pension expense of \$1,388,405. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (315,223)
Changes of assumptions	511,688	(411,584)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(361,547)
Differences between expected and actual experience	<u>972,860</u>	<u>-</u>
Total	<u>\$ 1,484,548</u>	<u>\$ (1,088,354)</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>	
2019	\$ 252,961
2020	190,371
2021	68,029
2022	<u>(115,167)</u>
Total	<u>\$ 396,194</u>

#### D. Actuarial Assumptions

The total pension liability in the December 31, 2017 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

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>	

#### E. 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.

F. 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:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<u>\$ 13,206,462</u>	<u>\$ 10,205,142</u>	<u>\$ 7,655,501</u>

G. 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* – an Amendment of GASB Statement No. 25 (GASB 67). 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 three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five 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 ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% 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 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years.

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, 2017 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	40.0%	5.00%
Portfolio completion strategies	13.0%	3.60%
Core fixed income	12.0%	1.10%
Private equity	11.0%	6.60%
Real estate	10.0%	3.80%
Value added fixed income	10.0%	3.60%
Timber/natural resources	4.0%	3.20%
Hedge funds	0.0%	3.60%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

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

<u>1% Decrease to (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase to (8.50%)</u>
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$19,301,493 and \$2,014,553, respectively, based on a proportionate share of 0.084340%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense 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 Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 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, 2018.

### A. General Information about the OPEB Plan

#### Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross Blue Shield of Massachusetts. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

#### Benefits Provided

The Town provides medical and 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.

#### Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	129
Active employees	<u>225</u>
Total	<u><u>354</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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.01%. 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, 2016, 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	3.45%
Discount rate	6.75%
Healthcare cost trend rates	5.00% for 2018 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-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females
Post-retirement mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 for males and females
Disabled mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2016.

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, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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>	

*D. Discount Rate*

The discount rate used to measure the net OPEB liability was 6.75%. 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 3.45% (based on S&P Municipal Bond 20-Year High Grade Index as of June 30, 2018).

*E. Net OPEB Liability*

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 15,023,104
Plan fiduciary net position	<u>1,034,135</u>
Net OPEB liability	<u>\$ 13,988,969</u>

*F. 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	\$ 14,319,708	\$ 869,156	\$ 13,450,552
Changes for the year:			
Service cost	402,652	-	402,652
Interest	1,461,564	-	1,461,564
Contributions - employer	-	848,794	(848,794)
Net investment income	-	44,979	(44,979)
Changes of assumptions	(432,026)		(432,026)
Benefit payments	(728,794)	(728,794)	-
Net Changes	703,396	164,979	538,417
Balances, end of year	\$ 15,023,104	\$ 1,034,135	\$ 13,988,969

Changes of assumptions reflect a change in the discount rate from 6.50% in 2017 to 6.75% in 2018.

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

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

1% Decrease	Current Discount Rate	1% Increase
\$ 15,779,381	\$ 13,988,969	\$ 12,288,071

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

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

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 11,113,617	\$ 13,988,969	\$ 17,555,787

*I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$1,591,166. At June 30, 2018, 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>
Differences between expected and actual experience	\$ 2,054,188	\$ -
Change in assumptions	-	(370,308)
Net difference between projected and actual earnings on OPEB plan investment	<u>43,317</u>	<u>-</u>
Total	<u>\$ 2,097,505</u>	<u>\$ (370,308)</u>

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

Year Ended June 30:

2019	\$ 250,956
2020	250,956
2021	250,954
2022	241,355
2023	237,726
Thereafter	<u>495,250</u>
Total	<u>\$ 1,727,197</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.

## **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, 2018, the Town has incurred the following additional debt:

<u>Purpose</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Police Facility Design/Construction	\$ 4,200,000	2.75%	09/28/18	12/21/18
Brentwood Area Roadway and Drainage Improvements	4,400,000	2.75%	09/28/18	12/21/18
Police Facility Design/Construction	5,500,000	3.00%	12/21/18	09/26/19
Brentwood Area Roadway and Drainage Improvements	6,000,000	3.00%	12/21/18	09/26/19



## 25. Beginning Net Position/Fund Balance Restatement

In fiscal year 2018, the governmental activities beginning net position and general fund beginning balance was increased by \$226,240 due to a change in management's estimate in appeals currently outstanding with the Appellate Tax Board (ATB). As such, the following reconciliation is provided:

### Government-Wide Financial Statements

	<u>Governmental Activities</u>
As previously reported	\$ 32,441,413
Change in ATB estimate	<u>226,240</u>
As restated	<u><u>\$ 32,667,653</u></u>

### Fund Basis Financial Statements

	<u>General Fund</u>
As previously reported	\$ 13,438,416
Change in ATB estimate	<u>226,240</u>
As restated	<u><u>\$ 13,664,656</u></u>

TOWN OF AVON, MASSACHUSETTS

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

JUNE 30, 2018  
(Unaudited)

Norfolk County Contributory Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 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								
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 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**

**SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2018**

**(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, 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, 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%

*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**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 and 75)**

(Unaudited)

	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 402,652	\$ 392,206
Interest on unfunded liability - time value of money	1,461,564	923,658
Changes of assumptions	(432,026)	-
Benefit payments, including refunds of member contributions	<u>(728,794)</u>	<u>(695,551)</u>
Net change in total OPEB liability	703,396	620,313
Total OPEB liability - beginning	<u>14,319,708</u>	<u>13,699,395</u>
<b>Total OPEB liability - ending (a)</b>	15,023,104	14,319,708
<b>Plan fiduciary net position</b>		
Contributions - employer	848,794	792,342
Net investment income	44,979	62,632
Benefit payments, including refunds of member contributions	<u>(728,794)</u>	<u>(695,551)</u>
Net change in plan fiduciary net position	164,979	159,423
Plan fiduciary net position - beginning	<u>869,156</u>	<u>709,733</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>1,034,135</u>	<u>869,156</u>
<b>Net OPEB liability (asset) - ending (a-b)</b>	<u>\$ 13,988,969</u>	<u>\$ 13,450,552</u>

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

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

See Independent Auditors' Report.

**TOWN OF AVON, MASSACHUSETTS**  
**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>2018</u>	<u>2017</u>
Total OPEB liability	\$ 15,023,104	\$ 14,319,708
Plan fiduciary net position	<u>1,034,135</u>	<u>869,156</u>
Net OPEB liability	<u>\$ 13,988,969</u>	<u>\$ 13,450,552</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.88%	6.07%

**Schedule of Contributions**

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

**Schedule of Investment Returns**

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

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

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

See Independent Auditors' Report.