

## **TOWN OF BOXFORD, MASSACHUSETTS**

Annual Financial Statements  
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

**Town of Boxford, Massachusetts**

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## INDEPENDENT AUDITORS' REPORT

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

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

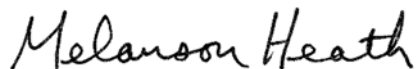
## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

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

February 13, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial

statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

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

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

## **B. FINANCIAL HIGHLIGHTS**

- At the end of the current fiscal year, total assets and deferred outflows exceeded liabilities and deferred inflows by \$41,482,489 (i.e., net position), a change of \$1,004,288 in comparison to the prior year.
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,118,247, a change of \$153,755 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,234,975, a change of \$646,036 in comparison to the prior year.

### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>	
	Governmental <u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 12,649	\$ 12,753
Capital assets	<u>63,169</u>	<u>62,056</u>
Total assets	75,818	74,809
Deferred outflows of resources	3,189	3,073
Current liabilities	5,263	5,658
Noncurrent liabilities	<u>32,013</u>	<u>30,734</u>
Total liabilities	37,276	36,392
Deferred inflows of resources	248	1,012
Net investment in capital assets	55,028	52,706
Restricted	3,718	3,543
Unrestricted	<u>(17,263)</u>	<u>(15,771)</u>
Total net position	\$ <u>41,483</u>	\$ <u>40,478</u>

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. At the close of the most recent fiscal year, total net position was \$41,482,489, a change of \$1,004,288 in comparison to the prior year.

The largest portion of net position \$55,027,517 reflects our investment in capital assets (e.g., land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$3,718,256 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(17,263,284) primarily resulting from unfunded pension and OPEB liabilities.



CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,023	\$ 1,529
Operating grants and contributions	4,590	4,491
Capital grants and contributions	1,119	1,360
General revenues:		
Property taxes	30,791	29,117
Excises	1,714	1,670
Penalties and interest on taxes	74	74
Grants and contributions not restricted to specific programs	687	819
Investment income	397	74
Other	<u>495</u>	<u>53</u>
Total revenues	41,890	39,187
Expenses:		
General government	2,454	1,503
Public safety	3,779	3,321
Education	29,548	28,586
Public works	3,330	3,529
Health and human services	399	367
Culture and recreation	693	644
Interest on long-term debt	504	190
Intergovernmental	<u>178</u>	<u>146</u>
Total expenses	<u>40,885</u>	<u>38,286</u>
Change in net position	1,005	901
Net position - beginning of year, as restated	<u>40,478</u>	<u>39,577</u>
Net position - end of year	<u>\$ 41,483</u>	<u>\$ 40,478</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$1,004,288. Key elements of this change are as follows:

General fund operations	\$ 613,484
Community Preservation fund change in fund balance (accrual basis)	157,946
Boxford Common Fields fund change in fund balance (accrual basis)	(496)
Spofford Pond School Roof fund change in fund balance (accrual basis)	787,922
Other governmental funds operations (accrual basis)	1,041,011
Depreciation expense in excess of principal debt service	(994,059)
Change in OPEB liability and related deferred outflows and inflows	(751,912)
Change in net pension liability and related deferred outflows and inflows	(654,764)
Change in long-term liabilities	54,474
Other	<u>750,682</u>
Total	<u>\$ 1,004,288</u>

#### D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,118,247, a change of \$153,755 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 613,484
Community Preservation fund operating results	157,946
Boxford Common Fields fund operating results	(228,925)
Spofford Pond School Roof fund operating results	(560,027)
Nonmajor funds operating results	<u>171,277</u>
Total	<u>\$ 153,755</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 \$5,234,975, while total fund balance was \$7,286,556. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 5,234,975	\$ 4,588,939	\$ 646,036	14.6%
Total fund balance	\$ 7,286,556	\$ 6,673,072	\$ 613,484	20.3%

The total fund balance of the general fund changed by \$613,484 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 370,915
Expenditures less than budget	766,085
Excess of tax collections over budget	396,205
Use of free cash as a funding source	(1,303,582)
Prior year encumbrances in excess of current year encumbrances	(168,947)
Change in stabilization fund balance	546,098
Other	<u>6,710</u>
Total	<u>\$ 613,484</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General stabilization fund	\$ 1,370,492	\$ 824,394	\$ 546,098

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no differences between the original budget and final amended budget.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year end amounted to \$63,169,752 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles, and infrastructure.

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

- \$1,347,949 – Spofford Pond School Roof project
- \$1,096,801 – Road improvements
- \$228,429 – Boxford Common Fields project

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

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$4,735,441, all of which was backed by the full faith and credit of the Town.

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

## **REQUESTS FOR INFORMATION**

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

Director of Municipal Finance/Town Accountant  
Town of Boxford, Massachusetts  
7A Spofford Road, 2<sup>nd</sup> Floor  
Boxford, Massachusetts 01921

**TOWN OF BOXFORD, MASSACHUSETTS**

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental <u>Activities</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 7,850,527
Investments	4,382,657
Receivables, net of allowance for uncollectibles:	
Property taxes	204,141
Excises	63,135
Betterments	5,190
Due from other governments	67,701
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	74,210
Betterments	1,926
Capital assets:	
Land and construction in progress	20,612,419
Other capital assets, net of accumulated depreciation	42,557,333
<b>Deferred Outflows of Resources</b>	
Related to pensions	2,058,403
Related to OPEB	<u>1,130,549</u>
Total Assets and Deferred Outflows of Resources	79,008,191
<b>Liabilities</b>	
Current:	
Warrants payable	323,336
Accrued liabilities	100,631
Notes payable	3,525,000
Other current liabilities	260,131
Current portion of long-term liabilities:	
Bonds payable	917,693
Other	136,284
Noncurrent:	
Bonds payable, net of current portion	3,817,748
Net pension liability	16,041,666
Net OPEB liability	10,678,464
Other, net of current portion	1,476,449
<b>Deferred Inflows of Resources</b>	
Related to pensions	191,293
Related to OPEB	<u>57,007</u>
Total Liabilities and Deferred Inflows of Resources	37,525,702
<b>Net Position</b>	
Net investment in capital assets	55,027,517
Restricted for:	
Community preservation funds	2,512,075
Grants and other statutory restrictions	1,190,978
Permanent funds:	
Nonexpendable	5,000
Expendable	10,203
Unrestricted	<u>(17,263,284)</u>
Total Net Position	\$ <u>41,482,489</u>

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

**TOWN OF BOXFORD, MASSACHUSETTS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

					Net (Expenses) Revenues and Changes in Net Position
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General government	\$ 2,455,373	\$ 378,885	\$ 302,142	\$ 24,250	\$ (1,750,096)
Public safety	3,779,411	405,457	28,344	-	(3,345,610)
Education	29,548,010	1,090,046	3,953,763	562,922	(23,941,279)
Public works	3,330,096	37,873	279,675	531,854	(2,480,694)
Health and human services	398,695	34,530	26,532	-	(337,633)
Culture and recreation	692,602	76,205	-	-	(616,397)
Interest	504,175	-	-	-	(504,175)
Intergovernmental	<u>178,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(178,189)</u>
Total Governmental Activities	<u>\$ 40,886,551</u>	<u>\$ 2,022,996</u>	<u>\$ 4,590,456</u>	<u>\$ 1,119,026</u>	(33,154,073)
<b>General Revenues and Transfers</b>					
Property taxes					30,791,236
Excises					1,713,574
Penalties, interest and other taxes					74,401
Grants and contributions not restricted to specific programs					687,350
Investment income					397,256
Miscellaneous					<u>494,544</u>
Total general revenues					<u>34,158,361</u>
Change in Net Position					1,004,288
<b>Net Position</b>					
Beginning of year, as restated					<u>40,478,201</u>
End of year					\$ 41,482,489

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

**TOWN OF BOXFORD, MASSACHUSETTS**

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Boxford Common Fields Fund</u>	<u>Spofford Pond School Roof Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and short-term investments	\$ 6,504,440	\$ -	\$ 142,910	\$ 152,894	\$ 1,050,283	\$ 7,850,527
Investments	1,370,120	2,514,008	28,261	-	470,268	4,382,657
Receivables:						
Property taxes	273,636	4,715	-	-	-	278,351
Excises	78,676	-	-	-	-	78,676
Other	7,116	-	-	-	-	7,116
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,701</u>	<u>67,701</u>
Total Assets	\$ <u>8,233,988</u>	\$ <u>2,518,723</u>	\$ <u>171,171</u>	\$ <u>152,894</u>	\$ <u>1,588,252</u>	\$ <u>12,665,028</u>
<b>Liabilities</b>						
Warrants payable	\$ 323,336	\$ -	\$ -	\$ -	\$ -	\$ 323,336
Accrued liabilities	82,263	-	-	-	-	82,263
Notes payable	-	-	1,250,000	2,275,000	-	3,525,000
Other liabilities	<u>258,198</u>	<u>1,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,131</u>
Total Liabilities	663,797	1,933	1,250,000	2,275,000	-	4,190,730
<b>Deferred Inflows of Resources</b>						
Unavailable revenues	283,635	4,715	-	-	67,701	356,051
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	5,000	5,000
Restricted	-	2,512,075	-	-	1,713,433	4,225,508
Committed	618,401	-	-	-	89,816	708,217
Assigned	1,433,180	-	-	-	-	1,433,180
Unassigned	<u>5,234,975</u>	<u>-</u>	<u>(1,078,829)</u>	<u>(2,122,106)</u>	<u>(287,698)</u>	<u>1,746,342</u>
Total Fund Balances	<u>7,286,556</u>	<u>2,512,075</u>	<u>(1,078,829)</u>	<u>(2,122,106)</u>	<u>1,520,551</u>	<u>8,118,247</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>8,233,988</u>	\$ <u>2,518,723</u>	\$ <u>171,171</u>	\$ <u>152,894</u>	\$ <u>1,588,252</u>	\$ <u>12,665,028</u>

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

**TOWN OF BOXFORD, MASSACHUSETTS**

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

JUNE 30, 2019

<b>Total governmental fund balances</b>	\$ 8,118,247
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	63,169,752
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	340,510
Long-term liabilities, including bonds payable, net OPEB obligation, and net pension liability are not payable in the current period and, therefore, are not reported in the governmental funds.	(30,127,652)
Other	<u>(18,368)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 41,482,489</u></b>

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



**TOWN OF BOXFORD, MASSACHUSETTS**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Boxford Common Fields Fund</u>	<u>Spofford Pond School Roof Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Property taxes	\$ 29,933,893	\$ 721,387	\$ -	\$ -	\$ -	\$ 30,655,280
Excises	1,726,665	-	-	-	-	1,726,665
Penalties, interest and other taxes	73,490	911	-	-	-	74,401
Charges for services	344,360	-	-	-	1,229,707	1,574,067
Licenses and permits	413,490	-	-	-	-	413,490
Intergovernmental	3,665,417	190,338	-	562,922	976,794	5,395,471
Fines and forfeitures	35,439	-	-	-	-	35,439
Investment income	238,832	148,891	-	-	9,533	397,256
Miscellaneous	<u>174,335</u>	<u>-</u>	<u>-</u>	<u>225,000</u>	<u>95,209</u>	<u>494,544</u>
Total Revenues	36,605,921	1,061,527	-	787,922	2,311,243	40,766,613
<b>Expenditures</b>						
General government	1,856,224	35,959	-	-	394,574	2,286,757
Public safety	2,708,552	-	-	-	55,093	2,763,645
Education	24,337,265	-	-	1,347,949	1,016,205	26,701,419
Public works	2,273,264	-	-	-	834,420	3,107,684
Health and human services	304,408	-	-	-	78,558	382,966
Culture and recreation	469,937	-	228,925	-	89,449	788,311
Employee benefits	2,884,641	-	-	-	2,500	2,887,141
Debt service	998,163	518,583	-	-	-	1,516,746
Intergovernmental	<u>178,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,189</u>
Total Expenditures	<u>36,010,643</u>	<u>554,542</u>	<u>228,925</u>	<u>1,347,949</u>	<u>2,470,799</u>	<u>40,612,858</u>
Excess (deficiency) of revenues over expenditures	595,278	506,985	(228,925)	(560,027)	(159,556)	153,755
<b>Other Financing Sources (Uses)</b>						
Transfers in	88,206	-	-	-	494,039	582,245
Transfers out	<u>(70,000)</u>	<u>(349,039)</u>	<u>-</u>	<u>-</u>	<u>(163,206)</u>	<u>(582,245)</u>
Total Other Financing Sources (Uses)	<u>18,206</u>	<u>(349,039)</u>	<u>-</u>	<u>-</u>	<u>330,833</u>	<u>-</u>
Change in fund balance	613,484	157,946	(228,925)	(560,027)	171,277	153,755
Fund Balance, at Beginning of Year	<u>6,673,072</u>	<u>2,354,129</u>	<u>(849,904)</u>	<u>(1,562,079)</u>	<u>1,349,274</u>	<u>7,964,492</u>
Fund Balance, at End of Year	\$ <u><u>7,286,556</u></u>	\$ <u><u>2,512,075</u></u>	\$ <u><u>(1,078,829)</u></u>	\$ <u><u>(2,122,106)</u></u>	\$ <u><u>1,520,551</u></u>	\$ <u><u>8,118,247</u></u>

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

**TOWN OF BOXFORD, MASSACHUSETTS**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 153,755</b>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	3,116,370
Depreciation	(2,002,621)
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>	
Repayments of debt	1,008,562
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue.</p>	
	122,865
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>	
Net pension liability and related deferred outflows and inflows of resources	(654,764)
Net OPEB liability and related deferred outflows and inflows of resources	(751,912)
Other differences.	<u>12,033</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>1,004,288</u></b>

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

**TOWN OF BOXFORD, MASSACHUSETTS**

**GENERAL FUND**

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget
	<u>Budget</u>	<u>Budget</u>	(Budgetary	Positive
			<u>Basis</u> )	(Negative)
<b>Revenues</b>				
Property taxes	\$ 29,537,688	\$ 29,537,688	\$ 29,537,688	\$ -
Excises	1,650,000	1,650,000	1,726,665	76,665
Interest, penalties, and other taxes	72,000	72,000	73,490	1,490
Charges for services	288,000	288,000	344,360	56,360
Licenses and permits	455,000	455,000	413,490	(41,510)
Intergovernmental	2,409,944	2,409,944	2,455,346	45,402
Fines and forfeitures	50,000	50,000	35,439	(14,561)
Investment income	95,000	95,000	167,734	72,734
Miscellaneous	-	-	174,335	174,335
Total Revenues	34,557,632	34,557,632	34,928,547	370,915
<b>Expenditures</b>				
General government	1,847,793	1,847,793	1,764,634	83,159
Public safety	3,009,128	3,009,128	2,940,290	68,838
Education	23,170,589	23,170,589	22,801,334	369,255
Public works	2,406,653	2,406,653	2,251,293	155,360
Health and human services	355,213	355,213	348,908	6,305
Culture and recreation	469,869	469,869	464,173	5,696
Employee benefits	2,961,673	2,961,673	2,884,641	77,032
Debt service	942,563	942,563	916,667	25,896
Intergovernmental	152,733	152,733	178,189	(25,456)
Total Expenditures	35,316,214	35,316,214	34,550,129	766,085
Excess (deficiency) of revenues over expenditures	(758,582)	(758,582)	378,418	1,137,000
<b>Other Financing Sources/Uses</b>				
Transfers in	-	-	6,710	6,710
Transfers out	(545,000)	(545,000)	(545,000)	-
Use of free cash:				
Operating budget	32,000	32,000	32,000	-
Capital budget	796,582	796,582	796,582	-
Transfer to stabilization fund(s)	475,000	475,000	475,000	-
Total Other Financing Sources/Uses	758,582	758,582	765,292	6,710
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,143,710	\$ 1,143,710

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

**TOWN OF BOXFORD, MASSACHUSETTS**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b>Assets</b>			
Cash and short-term investments	\$ -	\$ 251	\$ 47,752
Investments	2,675,677	64,903	18,465
Accounts receivable	<u>-</u>	<u>-</u>	<u>41,321</u>
Total Assets	2,675,677	65,154	107,538
<b>Liabilities</b>			
Deposits held in escrow	-	-	49,348
Student activity funds	<u>-</u>	<u>-</u>	<u>58,190</u>
Total Liabilities	-	-	\$ <u>107,538</u>
<b>Net Position</b>			
Restricted for OPEB purposes	2,675,677	-	
Restricted for other purposes	<u>-</u>	<u>65,154</u>	
Total net position held in trust	\$ <u>2,675,677</u>	\$ <u>65,154</u>	

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

**TOWN OF BOXFORD, MASSACHUSETTS**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Other Post Employment Benefits <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>
<b>Additions</b>		
Contributions:		
Employers	\$ 1,000,522	\$ -
Other	<u>-</u>	<u>19,532</u>
Total contributions	1,000,522	19,532
Investment Income:		
Interest	<u>143,244</u>	<u>3,464</u>
Net investment income	<u>143,244</u>	<u>3,464</u>
Total additions	1,143,766	22,996
<b>Deductions</b>		
Benefit payments to plan members, beneficiaries and other systems	650,522	-
Education	<u>-</u>	<u>19,451</u>
Total deductions	<u>650,522</u>	<u>19,451</u>
Net increase	493,244	3,545
<b>Net position restricted for pensions and other purposes</b>		
Beginning of year	<u>2,182,433</u>	<u>61,609</u>
End of year	\$ <u><u>2,675,677</u></u>	\$ <u><u>65,154</u></u>

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

## TOWN OF BOXFORD, MASSACHUSETTS

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

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

##### B. Government-Wide and Fund Financial Statements

###### Government-Wide Financial Statements

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

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

###### Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town. 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 *Community Preservation Fund* is used to account for revenues and expenditures related to the levy of a property tax surcharge that is authorized by the Community Preservation Act. This fund was established by the Town for the purpose of acquiring open land for conservation, developing affordable housing, and preserving historical property.
- The *Boxford Common Fields Fund* is a capital project fund used to account for activity associated with the construction of two multi-use fields.

- The *Spofford Pond School Roof Fund* is a capital project fund used to account for activity associated with the replacement of the school roof.

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

The Town reports the following fiduciary funds:

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

#### D. Cash and Short-Term Investments

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

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

#### E. Investments

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



Investments for the General Fund, Community Preservation Fund and Town Trust Funds consist of bank certificates of deposit, corporate bonds, marketable securities, and U.S. Treasury/Agency securities. Investments for the OPEB Trust Fund are in the custody of the Pension Reserves Investment Management Board (PRIM). PRIM acts as trustee for investments held in the State Retirees Benefits Trust Fund (SRBT), a pooled investment fund created by legislation (Chapter 661 of the Acts of 1983). All investments are carried at fair value except certificates of deposit which are reported at cost.

*F. Property Tax Limitations*

Legislation known as “Proposition 2½” limits the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth) unless an override or debt exemption is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$1,520,493.

*G. Capital Assets*

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50
Vehicles	6
Office equipment	5
Computer equipment	5

#### *H. Compensated Absences*

It is the Town's policy to permit eligible employees to accumulate earned but unused vacation, sick pay, and retirement benefits. All vested sick, vacation, and retirement pay is accrued when incurred in the government-wide 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 applicable governmental activities Statement of Net Position.

#### *J. Fund Equity*

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

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding 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 its use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### *K. Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the

reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## **2. Stewardship, Compliance, and Accountability**

### **A. Budgetary Information**

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

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

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

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

### **B. Budgetary Basis**

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

### **C. Budget/GAAP Reconciliation**

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP basis	\$ 36,605,921	\$ 36,010,643	\$ 18,206
Adjust tax revenue to accrual basis	(396,205)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(949,661)	-
Add end of year appropriation carryforwards to expenditures	-	780,714	-
Record budgeted use of free cash	-	-	1,303,582
Reverse effect of non-budgeted State contributions for teachers' retirement	(1,210,071)	(1,210,071)	-
Reverse effects of combining general fund and stabilization fund (GASB54)	(71,098)	-	(475,000)
Reverse effect of other non-budgeted activity	-	(81,496)	(81,496)
Budgetary basis	<u>\$ 34,928,547</u>	<u>\$ 34,550,129</u>	<u>\$ 765,292</u>

#### D. Deficit Fund Equity

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

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

### **3. Cash and Short-Term Investments**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law, Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's policy is to minimize custodial credit risk by limiting unsecured bank deposits to no more than 5% of an institution's assets and no more than 10% of the Town's total cash.

As of June 30, 2019, \$273,098 of the Town's bank balance of \$7,037,282 was exposed to custodial credit risk as uninsured and/or uncollateralized. \$100,902 of the Town's

uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, Section 38A.

#### 4. Investments

##### ***Town (Excluding the OPEB Trust Fund)***

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

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 915,616
Corporate bonds	1,226,820
Equity mutual funds	959,607
Federal agency securities	1,173,339
Fixed income mutual funds	<u>190,643</u>
Total investments	<u>\$ 4,466,025</u>

##### ***A. Credit Risk***

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. Investments are governed by Massachusetts General Laws, Chapter 44, Sections 54 and 55, and by the Town's investment policy, which is in full compliance with these laws. The Town's investment policy allows unlimited investment in United States Treasury and Agency obligations, as these investments carry an Aaa rating. All other investments must be in investment grade securities, a high concentration of which must be rated A or above. As of June 30, 2019, all of the Town's investments are in compliance with these policies.

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

<u>Investment Type</u>	<u>Rating as of Year End</u>					
	<u>Amount</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Certificates of deposit	\$ 915,616	\$ -	\$ -	\$ -	\$ -	\$ 915,616
Corporate bonds	1,226,820	-	305,526	360,964	560,330	-
Equity mutual funds	959,607	-	-	-	-	959,607
Federal agency securities	1,173,339	1,173,339	-	-	-	-
Fixed income mutual funds	<u>190,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,643</u>
Total	<u>\$ 4,466,025</u>	<u>\$ 1,173,339</u>	<u>\$ 305,526</u>	<u>\$ 360,964</u>	<u>\$ 560,330</u>	<u>\$ 2,065,866</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 investments or collateral securities that are in possession of another party. The Town reviews its investment firms' financial statements and the background of sales representatives, which limits exposure to only those institutions with proven financial strength, capital adequacy, and an overall affirmative reputation in the municipal industry. The Town's investment policy also requires that all securities be held in the Town's name and federal tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. In addition, as of June 30, 2019, all of the Town's investments were held in financial institutions that are members of the Securities Investor Protection Corporation (SIPC).

As of June 30, 2019, none of the Town's investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
Corporate bonds	\$ 1,226,820	\$ 1,226,820
Equity mutual funds	959,607	959,607
Federal agency securities	<u>1,173,339</u>	<u>1,173,339</u>
Total	<u>\$ 3,359,766</u>	<u>\$ 3,359,766</u>

**C. Concentration of Credit Risk**

The Town's policy to limit the amount the Town may invest in any one issuer is a diversification concept that prohibits the over-concentration of investments in a specific instrument-type and issuer by limiting investments (other than U.S. treasuries, government agency securities, and mutual funds) to no more than 5% of an institution's assets and no more than 10% of the Town's cash.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy includes a diversification concept that prohibits the over-concentration of investment maturities; however, the Town places no limit on the length of maturity from date of purchase for Community Preservation, Stabilization, and Trust funds that are invested in U.S. Treasuries or U.S. Agency obligations that may be sold prior to maturity. As of June 30, 2019, the Town's investments are in compliance with these policies.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Certificates of deposit	\$ 915,616	\$ 84,708	\$ 830,908
Corporate bonds	1,226,820	426,089	800,731
Federal agency securities	<u>1,173,339</u>	<u>631,060</u>	<u>542,279</u>
Total	\$ <u>3,315,775</u>	\$ <u>1,141,857</u>	\$ <u>2,173,918</u>

**E. Fair Value**

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

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

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

- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

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

		Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
<u>Investment Type</u>	<u>Amount</u>		
Investments by fair value level:			
Corporate bonds	\$ 1,226,820	\$ -	\$ 1,226,820
Equity mutual funds	959,607	959,607	-
Federal agency securities	1,173,339	-	1,173,339
Fixed income mutual funds	<u>190,643</u>	190,643	-
Total	<u>\$ 3,550,409</u>		

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

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

## 5. Investments - OPEB Trust Fund

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

<u>Investment Type</u>	<u>Amount</u>
State Retirees Benefits Trust Fund (SRBT)	\$ <u>2,675,677</u>
Total investments	\$ <u>2,675,677</u>



A. Custodial Credit Risk

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

As of June 30, 2019, none of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the OPEB Trust Fund's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by Counterparty's <u>Trust or Agent</u>
SRBT	\$ <u>2,675,677</u>	\$ <u>2,675,677</u>
Total	\$ <u>2,675,677</u>	\$ <u>2,675,677</u>

B. Concentration of Credit Risk

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

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

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

C. Foreign Currency Risk

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

D. Fair Value

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

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pools	\$ 2,675,677	\$ -	Monthly	30 Days

## 6. Property Taxes and Excises Receivables

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

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

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

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 197,578	\$ -	\$ 197,578	\$ -
Personal property taxes	1,848	-	1,848	-
Community preservation act	4,715	-	4,715	-
Tax liens	<u>74,210</u>	<u>-</u>	<u>-</u>	<u>74,210</u>
Total property taxes	\$ <u>278,351</u>	\$ <u>-</u>	\$ <u>204,141</u>	\$ <u>74,210</u>
Motor vehicle excise	\$ <u>78,676</u>	\$ <u>(15,541)</u>	\$ <u>63,135</u>	
Total excises	\$ <u>78,676</u>	\$ <u>(15,541)</u>	\$ <u>63,135</u>	

## 7. Interfund Fund Accounts

### Transfers

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

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 88,206	\$ 70,000
Community Preservation - Major Fund	-	349,039
Nonmajor Funds:		
Special Revenue Funds	9,039	163,206
Capital Project Funds	<u>485,000</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>494,039</u>	<u>163,206</u>
Grand Total	\$ <u>582,245</u>	\$ <u>582,245</u>

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

## 8. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Land improvements	\$ 475	\$ -	\$ -	\$ 475
Buildings and building improvements	22,484	4,714	-	27,198
Machinery, equipment, and vehicles	6,600	558	(36)	7,122
Infrastructure	<u>35,093</u>	<u>5,795</u>	<u>-</u>	<u>40,888</u>
Total capital assets, being depreciated	64,652	11,067	(36)	75,683
Less accumulated depreciation for:				
Land improvements	(232)	(19)	-	(251)
Buildings and building improvements	(10,834)	(647)	-	(11,481)
Machinery, equipment, and vehicles	(4,005)	(498)	36	(4,467)
Infrastructure	<u>(16,087)</u>	<u>(840)</u>	<u>-</u>	<u>(16,927)</u>
Total accumulated depreciation	<u>(31,158)</u>	<u>(2,004)</u>	<u>36</u>	<u>(33,126)</u>
Total capital assets, being depreciated, net	33,494	9,063	-	42,557
Capital assets, not being depreciated:				
Land	20,588	-	-	20,588
Construction in progress	<u>7,974</u>	<u>-</u>	<u>(7,950)</u>	<u>24</u>
Total capital assets, not being depreciated	<u>28,562</u>	<u>-</u>	<u>(7,950)</u>	<u>20,612</u>
Governmental activities capital assets, net	<u>\$ 62,056</u>	<u>\$ 9,063</u>	<u>\$ (7,950)</u>	<u>\$ 63,169</u>

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

<b>Governmental Activities</b>	
General government	\$ 242
Public safety	345
Education	405
Public works	993
Human services	2
Culture and recreation	<u>17</u>
Total depreciation expense - governmental activities	<u>\$ 2,004</u>

## 9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to

pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

#### 10. Warrants Payable

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

#### 11. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/19</u>
Spofford Pond School Roof and Window Replacement	1.76%	06/21/19	12/20/19	\$ <u>3,525,000</u>
Total				\$ <u><u>3,525,000</u></u>

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Recreational Fields/Spofford Pond School Roof and Window Replacement	\$ 2,500,000	\$ -	\$ (2,500,000)	\$ -
Spofford Pond School Roof and Window Replacement	1,250,000	-	(1,250,000)	-
Recreational Fields/Spofford Pond School Roof	-	2,275,000	(2,275,000)	-
Recreational Fields/Spofford Pond School Roof and Window Replacement	<u>-</u>	<u>3,525,000</u>	<u>-</u>	<u>3,525,000</u>
Total	\$ <u><u>3,750,000</u></u>	\$ <u><u>5,800,000</u></u>	\$ <u><u>(6,025,000)</u></u>	\$ <u><u>3,525,000</u></u>

#### 12. 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:

	Amount of Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/19
<u>Governmental Activities</u>				
<u>Bonds payable - Inside the Debt Limit</u>				
Police station refunding	\$ 1,367,000	08/15/20	1.18%	\$ 285,000
Town Hall construction refunding	1,955,000	08/15/22	1.36%	810,000
Sawyer/Richardson land refunding	1,393,000	08/15/22	1.38%	595,000
Spofford Pond Road drainage refunding	85,000	08/15/22	1.35%	35,000
Dump truck	205,000	09/15/22	1.24%	80,000
Land acquisition	86,000	10/01/25	1.78%	60,200
Fire Station Floor Drain/Tank Replacement	102,000	10/01/25	1.79%	71,400
Wood School Interior Renovations	667,000	10/01/25	1.81%	467,900
Anvil Farm land acquisition	850,000	06/15/26	3.90%	315,000
Haynes land acquisition	1,900,000	06/15/27	3.94%	800,000
Lincoln Hall building renovations	675,000	06/15/27	3.93%	280,000
School remodeling	355,000	09/15/27	1.60%	205,000
Land acquisition	190,000	09/15/27	1.55%	100,000
Fire truck	430,000	09/15/27	1.70%	280,000
<u>Bonds payable - Outside the Debt Limit</u>				
Landfill closure - refunding	-	06/15/17	2.24%	-
Title V MWPAT - Loan 2	48,524	02/01/21	0.00%	5,441
Wood School Exterior Renovations	125,000	10/01/25	1.82%	90,500
Water treatment plant	400,000	09/15/27	1.70%	255,000
Total Governmental Activities	\$ <u>10,833,524</u>			\$ <u>4,735,441</u>

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 917,693	\$ 101,088	\$ 1,018,781
2021	907,748	83,513	991,261
2022	755,000	64,078	819,078
2023	690,000	50,208	740,208
2024	380,000	38,823	418,823
2025 - 2028	<u>1,085,000</u>	<u>50,506</u>	<u>1,135,506</u>
Total	\$ <u>4,735,441</u>	\$ <u>388,216</u>	\$ <u>5,123,657</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2019:

General fund	\$ 2,969,941
Community preservation fund	<u>1,765,500</u>
Total	\$ <u>4,735,441</u>

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

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

	Beginning			Ending	Less	Equals
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
					<u>Portion</u>	<u>Portion</u>
<b>Governmental Activities</b>						
Bonds payable	\$ 5,744	\$ -	\$ (1,009)	\$ 4,735	\$ (918)	\$ 3,817
Net pension liability	13,895	2,147	-	16,042	-	16,042
Net OPEB liability	10,610	68	-	10,678	-	10,678
Other:						
Landfill liability	871	-	(55)	816	(57)	759
Compensated absences	<u>750</u>	<u>46</u>	<u>-</u>	<u>796</u>	<u>(79)</u>	<u>717</u>
Subtotal - other	<u>1,621</u>	<u>46</u>	<u>(55)</u>	<u>1,612</u>	<u>(136)</u>	<u>1,476</u>
Totals	<u>\$ 31,870</u>	<u>\$ 2,261</u>	<u>\$ (1,064)</u>	<u>\$ 33,067</u>	<u>\$ (1,054)</u>	<u>\$ 32,013</u>

**D. Long-Term Debt Supporting Governmental Activities**

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

**13. Landfill Postclosure Care Costs**

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

The \$816,423 reported as landfill postclosure care liability at June 30, 2019 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**14. Deferred Inflows of Resources**

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

## 15. Governmental Funds - Balances

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

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

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

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

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

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

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

Unassigned – Represents amounts that are available to spend in future periods, general stabilization fund and deficit funds.



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

	General Fund	Community Preservation Fund	Boxford Common Fields Fund	Spofford Pond School Roof Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Total Nonspendable	-	-	-	-	5,000	5,000
<b>Restricted</b>						
Community preservation funds	-	2,512,075	-	-	-	2,512,075
Special revenue funds	-	-	-	-	1,127,372	1,127,372
Expendable trust funds	-	-	-	-	69,988	69,988
Capital projects funded by borrowing	-	-	-	-	505,870	505,870
Expendable permanent funds	-	-	-	-	10,203	10,203
Total Restricted	-	2,512,075	-	-	1,713,433	4,225,508
<b>Committed</b>						
Expendable trust funds funded by general fund	-	-	-	-	89,816	89,816
Article carryforwards						
General government	159,627	-	-	-	-	159,627
Public safety	286,469	-	-	-	-	286,469
Education	4,805	-	-	-	-	4,805
Public works	165,500	-	-	-	-	165,500
Health and human services	2,000	-	-	-	-	2,000
Total Committed	618,401	-	-	-	89,816	708,217
<b>Assigned</b>						
Encumbrances						
General government	2,589	-	-	-	-	2,589
Public safety	12,571	-	-	-	-	12,571
Education	101,058	-	-	-	-	101,058
Public works	1,595	-	-	-	-	1,595
Health and human services	44,500	-	-	-	-	44,500
Reserved for expenditures	1,227,108	-	-	-	-	1,227,108
Reserved for debt service	43,759	-	-	-	-	43,759
Total Assigned	1,433,180	-	-	-	-	1,433,180
<b>Unassigned</b>						
General fund	3,864,483	-	-	-	-	3,864,483
General stabilization fund	1,370,492	-	-	-	-	1,370,492
Special revenue fund deficits	-	-	-	-	(6,382)	(6,382)
Capital project fund deficits	-	-	(1,078,829)	(2,122,106)	(281,316)	(3,482,251)
Total Unassigned	5,234,975	-	(1,078,829)	(2,122,106)	(287,698)	1,746,342
Total Fund Balances	\$ 7,286,556	\$ 2,512,075	\$ (1,078,829)	\$ (2,122,106)	\$ 1,520,551	\$ 8,118,247

## 16. Essex Regional Retirement System

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

### A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Essex Regional Retirement System (the System), a cost-sharing, multiple-employer, public employee

retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports, which are publicly available at the System's administrative offices at 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025. Reports are also available on the System's website at [www.essexregional.com](http://www.essexregional.com).

#### Participants Contributions

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

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

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

#### Participant Retirement Benefits

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

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

of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

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

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

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

#### Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions

will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### Participant Refunds

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

#### Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2019 was \$1,293,521, which was equal to its annual required contribution.

#### *B. Summary of Significant Accounting Policies*

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

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

At June 30, 2019, the Town reported a liability of \$16,041,666 for its proportionate share of the System's total net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Town's proportion of the net pension liability was based on an actuarially determined projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2018, the Town's proportion was 3.797%.

For the year ended June 30, 2019, the Town recognized total pension expense of \$1,925,171. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (139,135)
Changes of assumptions	850,461	-
Net difference between projected and actual earnings on pension plan investments	825,083	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>382,859</u>	<u>(52,158)</u>
Total	\$ <u>2,058,403</u>	\$ <u>(191,293)</u>

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

Year ended June 30:

2020	\$ 633,646
2021	447,943
2022	365,111
2023	<u>420,410</u>
Total	\$ <u>1,867,110</u>

*D. Actuarial Assumptions*

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

COLA	3% of the first \$14,000
Salary increases	Select and ultimate:
	Year 1 7.50%
	Year 2 6.50%
	Year 3 6.00%
	Year 4 5.50%
	Year 5 5.00%
	Thereafter 3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 mortality table (sex-distinct, healthy employees for actives and healthy annuitants for retirees) projected with scale BB and Generational Mortality. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality is the healthy retiree table ages set forward 2 years.

*E. Target Allocations*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted by a 2.75% inflation assumption. Best estimates of arithmetic real rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return Geometric Average</u>
Domestic equity	21.00%	6.16%
International developed markets equity	13.00%	6.69%
International emerging markets equity	5.00%	9.47%
Core fixed income	15.00%	1.89%
High-yield fixed income	8.00%	4.00%
Real estate	10.00%	4.58%
Commodities	4.00%	4.77%
Hedge fund, GTAA, risk parity	11.00%	3.68%
Private equity	<u>13.00%</u>	10.00%
Total	100.00%	

**F. Discount Rate**

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

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

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

1% Decrease	Current Discount Rate	1% Increase
<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
\$19,832,511	\$16,041,666	\$12,852,350

**H. Pension Plan Fiduciary Net Position**

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

## 17. **Massachusetts Teachers' Retirement System (MTRS)**

### A. Plan Description

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

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

### B. Benefits Provided

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

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

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage



of their regular compensation. Costs of administering the plan are funded out of plan assets.

**C. Contributions**

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

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

**D. Actuarial Assumptions**

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

- (a) 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
  - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
  - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MO-2016 (gender distinct).

*E. Target Allocation*

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

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

*F. Discount Rate*

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

*G. Sensitivity Analysis*

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

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

#### H. Special Funding Situation

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

#### I. Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$21,822,869 based on a proportionate share of 0.092036%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$1,210,071 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$2,211,432 as both a revenue and expense in the governmental activities.

### 18. **Other Post-Employment Benefits (GASB 74 and GASB 75)**

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

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

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

A. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	141
Active employees	<u>188</u>
Total	<u>329</u>

B. Investments

The OPEB trust fund assets consist of investments held in SRBT.

*Rate of return.* For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

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

Inflation	2.75%
Salary increases	3%, average, including inflation
Investment rate of return	7.04%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	7%
Healthcare cost trend rates	5% for 2019, fluctuating 0% to an ultimate rate of 5% as of 2020 and later years
Participation rate	80% of employees eligible to receive retirement benefits would enroll in the retiree medical plans upon retirement

Mortality rates were based on RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study published in 2014 (based on the years 2006-2011).

D. Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	14.50%	4.00%
Domestic Equity - Small/Mid Cap	3.50%	6.00%
International Equity - Developed Market	16.00%	4.50%
International Equity - Emerging Market	6.00%	7.00%
Domestic Fixed Income	20.00%	2.00%
International Fixed Income	3.00%	3.00%
Alternatives	23.00%	6.50%
Real Estate	14.00%	6.25%
Cash and Cash Equivalents	<u>0.00%</u>	0.00%
Total	<u>100.00%</u>	

*E. Discount Rate*

The discount rate used to measure the net OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

*F. Net OPEB Liability*

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

Total OPEB liability	\$ 13,354,141
Plan fiduciary net position	<u>2,675,677</u>
Net OPEB liability	<u>\$ 10,678,464</u>
Plan fiduciary net position as a percentage of the total OPEB liability	20.04%

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

**G. Changes in the Net OPEB Liability**

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 12,792,821	\$ 2,182,433	\$ 10,610,388
Changes for the year:			
Service cost	316,568	-	316,568
Interest	895,274	-	895,274
Contributions - employer	-	1,000,522	(1,000,522)
Net investment income	-	143,244	(143,244)
Benefit payments	<u>(650,522)</u>	<u>(650,522)</u>	<u>-</u>
Net Changes	<u>561,320</u>	<u>493,244</u>	<u>68,076</u>
Balances, end of year	<u>\$ 13,354,141</u>	<u>\$ 2,675,677</u>	<u>\$ 10,678,464</u>

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

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

1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$ 12,259,546	\$ 10,678,464	\$ 9,007,577

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

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

1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 8,294,002	\$ 10,678,464	\$ 13,566,045

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

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$1,402,434. At June 30, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ 1,112,541	\$ -
Net difference between projected and actual OPEB investment earnings	<u>18,008</u>	<u>(57,007)</u>
Total	<u>\$ 1,130,549</u>	<u>\$ (57,007)</u>

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

Year Ended June 30:

2020	\$ 356,346
2021	356,346
2022	356,348
2023	<u>4,502</u>
Total	<u>\$ 1,073,542</u>

**19. Subsequent Events**

Debt

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

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ 3,375,000	5.00%	12/11/19	08/01/37

**20. Commitments and Contingencies**

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



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

Encumbrances – At year-end the Town’s general fund has \$162,313 in encumbrances that will be honored in the next fiscal year.

## **21. Beginning Net Position Restatement**

The beginning (July 1, 2018) net position of the Town has been restated as follows:

Government-Wide Financial Statements:	
	Governmental <u>Activities</u>
As previously reported	\$ 40,471,455
To restate OPEB liability and align measurement date with reporting date	<u>6,746</u>
As restated	<u>\$ 40,478,201</u>

## **22. New Pronouncements**

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

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

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

JUNE 30, 2019  
(Unaudited)

Essex Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	December 31, 2018	3.797%	\$16,041,666	\$ 4,930,080	325.38%	51.89%
June 30, 2018	December 31, 2017	3.692%	\$13,895,133	\$ 4,727,147	293.94%	55.40%
June 30, 2017	December 31, 2016	3.658%	\$14,092,733	\$ 4,787,031	294.39%	51.12%
June 30, 2016	December 31, 2015	3.663%	\$13,307,669	\$ 5,080,198	261.95%	51.01%
June 30, 2015	December 31, 2014	3.652%	\$12,389,026	\$ 4,880,552	253.84%	52.27%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	June 30, 2018	0.092036%	\$ -	\$ 21,822,869	\$ 21,822,869	\$ 6,463,565	-	54.84%
June 30, 2018	June 30, 2017	0.093014%	\$ -	\$ 21,286,632	\$ 21,286,632	\$ 6,316,086	-	54.25%
June 30, 2017	June 30, 2016	0.095524%	\$ -	\$ 21,357,123	\$ 21,357,123	\$ 6,283,239	-	51.12%
June 30, 2016	June 30, 2015	0.094803%	\$ -	\$ 19,424,725	\$ 19,424,725	\$ 6,009,456	-	55.38%
June 30, 2015	June 30, 2014	0.092382%	\$ -	\$ 14,685,326	\$ 14,685,326	\$ 5,664,397	-	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 BOXFORD, MASSACHUSETTS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

JUNE 30, 2019  
(Unaudited)

Essex Regional Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 31, 2018	\$ 1,293,521	\$ 1,293,521	\$ -	\$ 4,930,080	26.24%
June 30, 2018	December 31, 2017	\$ 1,171,226	\$ 1,171,226	\$ -	\$ 4,727,147	24.78%
June 30, 2017	December 31, 2016	\$ 1,059,806	\$ 1,059,806	\$ -	\$ 4,787,031	22.14%
June 30, 2016	December 31, 2015	\$ 1,006,232	\$ 1,006,232	\$ -	\$ 5,080,198	19.81%
June 30, 2015	December 31, 2014	\$ 936,588	\$ 936,588	\$ -	\$ 4,880,552	19.19%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$ 1,210,071	\$ 1,210,071	\$ -	\$ 6,463,565	18.72%
June 30, 2018	June 30, 2017	\$ 1,149,203	\$ 1,149,203	\$ -	\$ 6,316,086	18.19%
June 30, 2017	June 30, 2016	\$ 1,074,243	\$ 1,074,243	\$ -	\$ 6,283,239	17.10%
June 30, 2016	June 30, 2015	\$ 968,817	\$ 968,817	\$ -	\$ 6,009,456	16.12%
June 30, 2015	June 30, 2014	\$ 865,967	\$ 865,967	\$ -	\$ 5,664,397	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 BOXFORD, MASSACHUSETTS**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 AND 75)**

(Unaudited)  
(Amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 316,568	\$ 297,469	\$ 314,494
Interest on total OPEB liability	895,274	758,436	655,663
Differences between expected and actual experience	-	1,894,235	-
Changes of assumptions	-	(369,560)	-
Benefit payments, including refunds of member contributions	<u>(650,522)</u>	<u>(639,372)</u>	<u>(497,053)</u>
Net change in total OPEB liability	561,320	1,941,208	473,104
Total OPEB liability - beginning	<u>12,792,821</u>	<u>10,851,613</u>	<u>10,378,509</u>
Total OPEB liability - ending (a)	13,354,141	12,792,821	10,851,613
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	1,000,522	989,372	797,053
Net investment income	143,244	173,023	187,870
Benefit payments, including refunds of member contributions	<u>(650,522)</u>	<u>(639,372)</u>	<u>(497,053)</u>
Net change in plan fiduciary net position	493,244	523,023	487,870
Plan fiduciary net position - beginning	<u>2,182,433</u>	<u>1,659,410</u>	<u>1,171,540</u>
Plan fiduciary net position - ending (b)	<u>2,675,677</u>	<u>2,182,433</u>	<u>1,659,410</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 10,678,464</u>	<u>\$ 10,610,388</u>	<u>\$ 9,192,203</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 BOXFORD, MASSACHUSETTS**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)**

(Unaudited)  
(Amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Net OPEB Liability</b>			
Total OPEB liability	\$ 13,354,141	\$ 12,792,821	\$ 10,851,613
Plan fiduciary net position	<u>2,675,677</u>	<u>2,182,433</u>	<u>1,659,410</u>
Net OPEB liability (asset)	\$ <u>10,678,464</u>	\$ <u>10,610,388</u>	\$ <u>9,192,203</u>
Plan fiduciary net position as a percentage of the total OPEB liability	20.04%	17.06%	15.29%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Contributions</b>			
Actuarially determined contribution	\$ 1,120,810	\$ 989,774	\$ 992,163
Contributions in relation to the actuarially determined contribution	<u>1,000,522</u>	<u>989,372</u>	<u>797,053</u>
Contribution deficiency (excess)	\$ <u>120,288</u>	\$ <u>402</u>	\$ <u>195,110</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Investment Returns</b>			
Annual money weighted rate of return, net of investment expense	5.72%	9.02%	13.49%

*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.