

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF DIGHTON, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2019

Report on Internal Control
Over Financial Reporting and
on Compliance and Other Matters
Year Ended June 30, 2019



TOWN OF DIGHTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Dighton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dighton, Massachusetts, (the Town) 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

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
February 11, 2020

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$9.5 million (*total net position*).
- The Town's total net position increased by over \$0.5 million, year to year. This was almost entirely a result of governmental activities operations, as business-type activities were flat year to year.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$8.6 million, a decrease of approximately \$3.3 million over the prior year.
- The Town's total long-term debt decreased by less than \$0.2 million as regular scheduled maturities slightly outpaced new issuances.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 the Town's finances, similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, liabilities and deferred inflows/outflows of resources, with the end result reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 various employee and retiree benefits.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service.

The business-type activities of the Town include sewer enterprise funds.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed – amounts constrained by a government using its highest level of decision-making authority
- Assigned – amounts a government intends to use for a particular purpose
- Unassigned – amounts that are not constrained at all will be reported in the General Fund or in other major funds if negative

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the basic financial statements to help the reader understand the differences, as indicated within the table of contents.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Ambulance Fund and Police Station Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its General Fund and Sewer Enterprise Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the singular enterprise fund for sewer activities.

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

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

Other Information – In addition, this report also presents certain required supplementary information concerning the Town’s proportionate share of the net pension liability and contributions to its pension plan, the Town’s progress in funding its obligation to provide other postemployment benefits to its employees, as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

Government-wide Financial Analysis

The following represents the condensed statement of net position:

| | Governmental activities | | Business-type activities | | Total | |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 10,913,012 | \$ 14,318,824 | \$ 604,895 | \$ 571,314 | \$ 11,517,907 | \$ 14,890,138 |
| Capital assets, net | 13,781,042 | 10,163,813 | 1,815,573 | 1,885,399 | 15,596,615 | 12,049,212 |
| Total assets | 24,694,054 | 24,482,637 | 2,420,468 | 2,456,713 | 27,114,522 | 26,939,350 |
| Deferred outflows of resources | 1,603,427 | 1,934,304 | - | - | 1,603,427 | 1,934,304 |
| <u>Liabilities</u> | | | | | | |
| Long-term liabilities | 17,963,657 | 17,757,992 | 16,728 | 16,569 | 17,980,385 | 17,774,561 |
| Other liabilities | 455,514 | 988,508 | 4,712 | 24,474 | 460,226 | 1,012,982 |
| Total liabilities | 18,419,171 | 18,746,500 | 21,440 | 41,043 | 18,440,611 | 18,787,543 |
| Deferred inflows of resources | 737,037 | 843,229 | - | - | 737,037 | 843,229 |
| <u>Net Position</u> | | | | | | |
| Net investment in capital assets | 9,518,460 | 8,322,329 | 1,815,573 | 1,885,399 | 11,334,033 | 10,207,728 |
| Restricted | 2,451,597 | 2,826,880 | - | - | 2,451,597 | 2,826,880 |
| Unrestricted | (4,828,784) | (4,321,997) | 583,455 | 530,271 | (4,245,329) | (3,791,726) |
| Net Position | \$ 7,141,273 | \$ 6,827,212 | \$ 2,399,028 | \$ 2,415,670 | \$ 9,540,301 | \$ 9,242,882 |

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$9.5 million (*total net position*). This reflects an increase from the preceding year of over \$0.5 million and was entirely a result of positive governmental activities operations as business-type activities were flat year to year.

By far the largest portion (\$11.3 million) of the Town’s overall net position reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, 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 significant portion of the Town’s total net position (\$2.5 million) represents resources that are subject to external restrictions on how they may be used.

The deficit balance of approximately \$4.3 million in *unrestricted net position* is in large part a result of the Town recording its net pension liability and other postemployment benefits liability that were significant. These are expected to be significant in the foreseeable future until the Town's annual contributions more closely approximate required annual funding.

The following represents the condensed statement of changes in net position:

| | Governmental activities | | Business activities | | Total | |
|---|--------------------------------|-------------------|----------------------------|------------------|-------------------|-------------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| <u>Revenues</u> | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,764,835 | \$ 1,337,319 | \$ 319,827 | \$ 316,773 | \$ 2,084,662 | \$ 1,654,092 |
| Operating grants and contributions | 194,952 | 188,730 | - | - | 194,952 | 188,730 |
| Capital grants and contributions | 540,350 | 330,955 | - | - | 540,350 | 330,955 |
| General revenues: | | | | | | |
| Property taxes | 17,729,791 | 16,370,759 | - | - | 17,729,791 | 16,370,759 |
| Grants and contributions not restricted to specific programs | 803,386 | 742,079 | - | - | 803,386 | 742,079 |
| Other | 1,630,520 | 1,488,452 | 3,367 | 1,804 | 1,633,887 | 1,490,256 |
| Total revenues | 22,663,834 | 20,458,294 | 323,194 | 318,577 | 22,987,028 | 20,776,871 |
| <u>Expenses</u> | | | | | | |
| General government | 2,098,251 | 2,090,638 | - | - | 2,098,251 | 2,090,638 |
| Public safety | 4,955,062 | 4,512,600 | - | - | 4,955,062 | 4,512,600 |
| Education | 11,520,686 | 9,931,671 | - | - | 11,520,686 | 9,931,671 |
| Public works | 2,272,542 | 1,987,455 | - | - | 2,272,542 | 1,987,455 |
| Health and human services | 659,984 | 682,355 | - | - | 659,984 | 682,355 |
| Culture and recreation | 430,721 | 453,105 | - | - | 430,721 | 453,105 |
| Sewer | - | - | 339,836 | 331,187 | 339,836 | 331,187 |
| Total expenses | 22,097,224 | 19,657,824 | 339,836 | 331,187 | 22,437,060 | 19,989,011 |
| Change in net position | 566,610 | 800,470 | (16,642) | (12,610) | 549,968 | 787,860 |
| Net position, beginning of year | 6,827,212 | 8,548,718 | 2,415,670 | 2,428,280 | 9,242,882 | 10,976,998 |
| Restatement for net OPEB liability | (252,549) | (2,521,976) | - | - | (252,549) | (2,521,976) |
| Net position, beginning of year, as | 6,574,663 | 6,026,742 | 2,415,670 | 2,428,280 | 8,990,333 | 8,455,022 |
| Net position, end of year | \$ 7,141,273 | \$ 6,827,212 | \$ 2,399,028 | \$ 2,415,670 | \$ 9,540,301 | \$ 9,242,882 |

Governmental Activities – During 2019, Town property taxes made up approximately 78.2% of total revenues. Actual taxes were up approximately \$1.4 million; this exceeded the amount expected under proposition 2 ½, however the Town's excess levy capacity shrunk, and significant new growth contributed to this change. No other revenues were greater than 10% of total revenues in 2019 or 2018.

The Town continues to commit significant resources towards education as 52.1% of total expenditures are related to this critical activity. The increase in educational costs from the prior year is due to a few factors; (1) increased enrollment, (2) increased mandatory minimum educational costs, (3) increased capital assessment due to the significant capital and financing activity and (4) the need to use modular classrooms during this construction. All expenses are paid to the two regional school districts that service the Town.

Public Safety and General Government expenses were consistent with the prior year at 22.4% and just under 10% of total expenses. Operations in these areas were fairly static. Public works expenses were 10.3% and the increase in dollar amount from the prior year related to highway costs increasing due to increased supplies as well as increased trash fees.

All other expenses were either smaller in amount or did not fluctuate from year to year.

Business-type Activities – Major revenue sources consist of revenue from users which represented approximately 99% of total revenues in both 2019 and 2018. The remaining revenue represents mostly amounts received from investment income sources.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$8.6 million. This represents a decrease of almost \$3.3 million over the previous year. The largest contributor to this decrease was the police station fund which included expenses associated with police station construction of over \$3.3 million. All other funds reflected operations that were fairly flat with revenue on the year, thus resulting in minor increases and decreases to those fund balances. Of the ending fund balance approximately \$4.7 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$4.7 million, while the total fund balance in the General Fund reached over \$6.2 million. 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 fund expenditures. Unassigned fund balance represents approximately 21.9% of total General Fund expenditures, while total fund balance represents approximately 28.9% of that same amount.

The Town's Ambulance Fund, which is presented as a major governmental fund, has a restricted ending fund balance of over \$0.8 million, which was slightly lower than the approximate \$0.9 million in the prior year.

The Town's Police Station Fund, which is presented as a major governmental fund, has a restricted ending fund balance near zero as the project has begun to wind down and is essentially completed.

The Town's aggregate nonmajor funds amount to almost \$1.5 million and include the Town's Special, Capital and Trust funds.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the sewer fund was almost \$2.4 million.

Fiduciary Funds – The Town has elected to establish a trust under Chapter 32B Section 20 of the MGL whose sole purpose will be to accumulate funds to reduce the Town’s unfunded Other Postemployment Benefits. This fund makes up the largest portion of the Town’s fiduciary funds and increased by over \$0.2 million to about \$1.1 million due to a contribution made by the Town in excess of premiums paid for retirees and investment income.

The fiduciary funds also include agency liabilities for funds held by the Town on behalf of others.

General Fund Budgetary Highlights

Differences between the original and the final amended budget were minor. A budget to actual schedule is included as required supplementary information.

Capital Asset and Debt Administration

Capital Assets –The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounted to approximately \$15.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$3.5 million, net of depreciation.

The Town has undergone a limited amount of capital improvements over the past several years. These generally included capital replacement of existing building and infrastructure components and modernization of vehicle and equipment assets; however, in the past two years, the Town has completed significant construction related to a new Police Station which has caused annual additions to spike beyond the normal amount. Additional information on the Town capital assets can be found in the footnotes.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of approximately \$4.6 million. This amount represents general obligation bonds and Title V notes payable of governmental activities. The business-type activity had no outstanding debt during the year.

The Town’s total long-term debt decreased by under \$0.2 million during the fiscal year as a result of regular scheduled maturities slightly outpacing new note issuances.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s debt can be found in the footnotes.

Economic Factors and Next Year’s Budgets and Rates

- Consistent with both State and National work force trends, the Town’s unemployment rates have stabilized over the past few years, and the investment markets have been continuing to hit record highs for the past year and half. While the Town is primarily comprised of residential taxpayers, at the present, the Town’s population base is enjoying a proximity to surrounding areas with strong economic bases; however, the extent, timing or certainty of any sustained economic growth or increasing opportunities is difficult to predict.

- The Town's property tax base is made up predominantly of residential taxes, which in 2020 is expected to represent 77.4% of the entire levy. The Town also relies to a moderate degree on its commercial, industrial and personal property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The Town anticipates state aid for 2020 to remain consistent with the prior year at over \$0.9 million.
- The Town's housing market has shown recent growth with housing sales revealing increasing values the last few years. Throughout the Town's region, many home prices have rebounded from nearly a decade of either falling or slow value growth to now about record highs.
- In June 2019, the Town voted an initial General Fund budget for fiscal year 2020 that was in balance. The Town tax rate was certified on December 19, 2019.

The above items were considered when the Town accepted its budget for fiscal year 2020.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 979 Somerset Avenue, Dighton, Massachusetts, 02175.

TOWN OF DIGHTON, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2019**

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 8,370,766 | \$ 438,474 | \$ 8,809,240 |
| Investments | 29,375 | | 29,375 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 1,331,437 | - | 1,331,437 |
| Excise taxes | 202,572 | - | 202,572 |
| User fees | - | 166,421 | 166,421 |
| Departmental and other | 342,087 | - | 342,087 |
| Intergovernmental | 150,252 | - | 150,252 |
| Tax foreclosures | 486,523 | - | 486,523 |
| Capital assets, not being depreciated | 3,258,506 | 68,245 | 3,326,751 |
| Capital assets, net of depreciation | 10,522,536 | 1,747,328 | 12,269,864 |
| Total Assets | 24,694,054 | 2,420,468 | 27,114,522 |
| Deferred Outflows of Resources: | | | |
| Related to net pension liability | 1,327,871 | - | 1,327,871 |
| Related to net other postemployment liability | 275,556 | - | 275,556 |
| Total Deferred Outflows | 1,603,427 | - | 1,603,427 |
| Liabilities | | | |
| Warrants and accounts payable | 455,514 | 4,712 | 460,226 |
| Bond anticipation notes payable | - | - | - |
| Retainage payable | - | - | - |
| Noncurrent liabilities: | | | |
| Due in one year or less | 374,129 | 8,364 | 382,493 |
| Due in more than one year | 17,589,528 | 8,364 | 17,597,892 |
| Total Liabilities | 18,419,171 | 21,440 | 18,440,611 |
| Deferred Inflows of Resources: | | | |
| Related to net pension liability | 79,870 | - | 79,870 |
| Related to net other postemployment liability | 657,167 | - | 657,167 |
| Total Deferred Inflows | 737,037 | - | 737,037 |
| Net Position | | | |
| Net investment in capital assets | 9,518,460 | 1,815,573 | 11,334,033 |
| Restricted for: | | | |
| Nonexpendable permanent funds | 23,807 | - | 23,807 |
| Ambulance | 984,488 | - | 984,488 |
| Other purposes | 1,443,302 | - | 1,443,302 |
| Unrestricted | (4,828,784) | 583,455 | (4,245,329) |
| Total Net Position | \$ 7,141,273 | \$ 2,399,028 | \$ 9,540,301 |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|---|----------------------|-------------------------|--|--|---|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| <u>Governmental Activities</u> | | | | | | | |
| General government | \$ 2,098,251 | \$ 588,690 | \$ 23,935 | \$ - | \$ (1,485,626) | | \$ (1,485,626) |
| Public safety | 4,955,062 | 665,204 | 26,133 | - | (4,263,725) | | (4,263,725) |
| Education | 11,520,686 | - | - | - | (11,520,686) | | (11,520,686) |
| Public works | 2,272,542 | 239,649 | 4,939 | 540,350 | (1,487,604) | | (1,487,604) |
| Health and human services | 659,984 | 245,380 | 105,253 | - | (309,351) | | (309,351) |
| Culture and recreation | 430,721 | 25,912 | 34,692 | - | (370,117) | | (370,117) |
| Interest expense | 159,978 | - | - | - | (159,978) | | (159,978) |
| Total Governmental Activities | 22,097,224 | 1,764,835 | 194,952 | 540,350 | (19,597,087) | | (19,597,087) |
| <u>Business-Type Activities</u> | | | | | | | |
| Sewer | 339,836 | 319,827 | - | - | | (20,009) | (20,009) |
| Total Primary Government | <u>\$ 22,437,060</u> | <u>\$ 2,084,662</u> | <u>\$ 194,952</u> | <u>\$ 540,350</u> | <u>(19,597,087)</u> | <u>(20,009)</u> | <u>(19,617,096)</u> |
| <u>General Revenues:</u> | | | | | | | |
| Real and personal property taxes | | | | | 17,729,791 | - | 17,729,791 |
| Grants and contributions not restricted to specific programs | | | | | 803,386 | - | 803,386 |
| Motor vehicle and other excise | | | | | 1,405,637 | - | 1,405,637 |
| Penalties and interest on taxes | | | | | 98,610 | - | 98,610 |
| Unrestricted investment income | | | | | 126,273 | 3,367 | 129,640 |
| Total general revenues | | | | | 20,163,697 | 3,367 | 20,167,064 |
| Change in Net Position | | | | | 566,610 | (16,642) | 549,968 |
| Net Position - Beginning (as restated) | | | | | 6,574,663 | 2,415,670 | 8,990,333 |
| Net Position - Ending | | | | | \$ 7,141,273 | \$ 2,399,028 | \$ 9,540,301 |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

| | General | Ambulance Fund | Police Station Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------------|--------------------------|--------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 5,867,869 | \$ 848,648 | \$ 172,418 | \$ 1,481,831 | \$ 8,370,766 |
| Investments | 29,375 | - | - | - | 29,375 |
| Receivables, net of allowance | | | | | |
| Property taxes | 1,325,278 | - | - | 6,159 | 1,331,437 |
| Excise taxes | 202,572 | - | - | - | 202,572 |
| Other | 62,584 | 135,840 | - | 143,663 | 342,087 |
| Due from other government | 100,928 | - | - | 49,324 | 150,252 |
| Tax foreclosures | 486,523 | - | - | - | 486,523 |
| Total Assets | <u>8,075,129</u> | <u>984,488</u> | <u>172,418</u> | <u>1,680,977</u> | <u>10,913,012</u> |
| Total Deferred Outflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 8,075,129</u></u> | <u><u>\$ 984,488</u></u> | <u><u>\$ 172,418</u></u> | <u><u>\$ 1,680,977</u></u> | <u><u>\$ 10,913,012</u></u> |
| Liabilities | | | | | |
| Warrants and accounts payable | \$ 279,599 | \$ - | \$ 131,583 | \$ 44,333 | \$ 455,515 |
| Total Liabilities | <u>279,599</u> | <u>-</u> | <u>131,583</u> | <u>44,333</u> | <u>455,515</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - property taxes | 1,325,278 | - | - | 6,159 | 1,331,437 |
| Unavailable revenue - excise taxes | 202,572 | - | - | - | 202,572 |
| Unavailable revenue - other | 62,584 | 135,840 | - | 143,663 | 342,087 |
| Total Deferred Inflows of Resources | <u>1,590,434</u> | <u>135,840</u> | <u>-</u> | <u>149,822</u> | <u>1,876,096</u> |
| Fund Balances | | | | | |
| Nonspendable | - | - | - | 23,807 | 23,807 |
| Restricted | - | 848,648 | 40,835 | 1,479,598 | 2,369,081 |
| Committed | 1,303,433 | - | - | - | 1,303,433 |
| Assigned | 201,573 | - | - | - | 201,573 |
| Unassigned | 4,700,090 | - | - | (16,583) | 4,683,507 |
| Total Fund Balances | <u>6,205,096</u> | <u>848,648</u> | <u>40,835</u> | <u>1,486,822</u> | <u>8,581,401</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u><u>\$ 8,075,129</u></u> | <u><u>\$ 984,488</u></u> | <u><u>\$ 172,418</u></u> | <u><u>\$ 1,680,977</u></u> | <u><u>\$ 10,913,012</u></u> |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

| | |
|--|----------------------------|
| Total Governmental Fund Balances | \$ 8,581,401 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 13,781,042 |
| Other long-term assets are not available to pay for current period expenditures | 1,876,096 |
| Deferred outflows and inflows of resources to be recognized in future other postemployment and pension expenses are not available resources and, therefore, are not reported in the funds: | |
| Deferred outflows related to net other postemployment liability | 275,556 |
| Deferred outflows related to net pension liability | 1,327,871 |
| Deferred inflows related to net other postemployment liability | (657,167) |
| Deferred inflows related to net pension liability | (79,870) |
| Long-term liabilities are not due and payable in the current period, and therefore are not reported in the government funds: | |
| Bonds and notes payable | (4,555,425) |
| Landfill monitoring | (147,600) |
| Compensated absences | (652,150) |
| Unamortized bond premium | (170,194) |
| Net other postemployment benefits | (5,897,660) |
| Net pension liability | (6,540,627) |
| Net Position of Governmental Activities | <u>\$ 7,141,273</u> |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

| | General | Ambulance Fund | Police Station Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------------|--------------------------|-------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Real estate and personal property taxes, net | \$ 17,408,077 | \$ - | \$ - | \$ 108,621 | \$ 17,516,698 |
| Intergovernmental | 870,941 | - | - | 634,882 | 1,505,823 |
| Motor vehicle and other excises | 1,380,320 | - | - | - | 1,380,320 |
| License and permits | 265,500 | - | - | 266,096 | 531,596 |
| Departmental and other revenue | 554,322 | 487,789 | - | - | 1,042,111 |
| Penalties and interest on taxes | 98,610 | - | - | - | 98,610 |
| Fines and forfeitures | 13,529 | - | - | - | 13,529 |
| Investment income | 113,282 | - | - | 12,991 | 126,273 |
| Contributions and donations | - | - | - | 32,865 | 32,865 |
| Total Revenues | <u>20,704,581</u> | <u>487,789</u> | <u>-</u> | <u>1,055,455</u> | <u>22,247,825</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,624,718 | - | - | 99,850 | 1,724,568 |
| Public safety | 3,435,711 | - | 3,338,537 | 42,941 | 6,817,189 |
| Education | 11,520,636 | - | - | 50 | 11,520,686 |
| Public works | 1,669,483 | - | - | 551,746 | 2,221,229 |
| Health and human services | 376,038 | - | - | 100,319 | 476,357 |
| Culture and recreation | 346,479 | - | - | 19,550 | 366,029 |
| Pensions and other fringes | 1,884,246 | - | - | - | 1,884,246 |
| State and county tax assessments | 167,863 | - | - | - | 167,863 |
| Debt service: | | | | | |
| Scheduled maturities | 245,362 | - | - | - | 245,362 |
| Interest expense | 179,925 | - | - | - | 179,925 |
| Total Expenditures | <u>21,450,461</u> | <u>-</u> | <u>3,338,537</u> | <u>814,456</u> | <u>25,603,454</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(745,880)</u> | <u>487,789</u> | <u>(3,338,537)</u> | <u>240,999</u> | <u>(3,355,629)</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from issuance of debt | - | - | - | 66,801 | 66,801 |
| Transfers in | 654,591 | - | - | 2,061 | 656,652 |
| Transfers out | (2,061) | (555,684) | - | (98,907) | (656,652) |
| Total Other Financing Sources (Uses) | <u>652,530</u> | <u>(555,684)</u> | <u>-</u> | <u>(30,045)</u> | <u>66,801</u> |
| Net Change in Fund Balances | <u>(93,350)</u> | <u>(67,895)</u> | <u>(3,338,537)</u> | <u>210,954</u> | <u>(3,288,828)</u> |
| Fund Balances - Beginning | <u>6,298,446</u> | <u>916,543</u> | <u>3,379,372</u> | <u>1,275,868</u> | <u>11,870,229</u> |
| Fund Balances - Ending | <u>\$ 6,205,096</u> | <u>\$ 848,648</u> | <u>\$ 40,835</u> | <u>\$ 1,486,822</u> | <u>\$ 8,581,401</u> |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (3,288,828)**

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. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

| | |
|----------------------------|------------------|
| Capital outlays | 4,276,935 |
| Disposal of capital assets | (31,464) |
| Depreciation expense | <u>(628,242)</u> |

Net effect of reporting capital assets 3,617,229

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

| | |
|---|----------------|
| Premiums on issuance of bond and notes | 19,947 |
| Issuance of bonds and notes | (66,801) |
| Repayments of capital lease obligations | 50,856 |
| Repayments of bonds and notes | <u>245,362</u> |

Net effect of reporting long-term debt 249,364

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.

416,009

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:

| | |
|-------------------------------|------------------|
| Landfill monitoring | 12,300 |
| Compensated absences | (121,035) |
| Other postemployment benefits | (108,906) |
| Net pension liability | <u>(209,523)</u> |

Net effect of reporting long-term liabilities (427,164)

Change in Net Position of Governmental Activities **\$ 566,610**

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

| | Business-type Activities - Enterprise Funds Sewer |
|--|--|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 438,474 |
| User fees, net of allowance | 166,421 |
| Total Current Assets | <u>604,895</u> |
| Noncurrent assets: | |
| Capital assets, not being depreciated | 68,245 |
| Capital assets, net of depreciation | 1,747,328 |
| Total Noncurrent Assets | <u>1,815,573</u> |
| Total Assets | <u>2,420,468</u> |
| Liabilities | |
| Current liabilities: | |
| Warrants payable and other liabilities | 4,712 |
| Compensated absences | 8,364 |
| Total Current Liabilities | <u>13,076</u> |
| Noncurrent liabilities: | |
| Compensated absences | 8,364 |
| Total Noncurrent Liabilities | <u>8,364</u> |
| Total Liabilities | <u>21,440</u> |
| Net Position | |
| Net investment in capital assets | 1,815,573 |
| Unrestricted | 583,455 |
| Total Net Position | <u><u>\$ 2,399,028</u></u> |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

| | Business-type Activities - Enterprise Funds Sewer |
|--|--|
| Operating Revenues | |
| Usage charges | \$ 314,700 |
| Other fees | 5,127 |
| Total Operating Revenues | <u>319,827</u> |
| Operating Expenses | |
| Operating costs | 270,010 |
| Depreciation | 69,826 |
| Total Operating Expenses | <u>339,836</u> |
| Total Operating Income | <u>(20,009)</u> |
| Nonoperating Income (Expenses) | |
| Interest income | <u>3,367</u> |
| Total Nonoperating Revenues (Expenses), net | <u>3,367</u> |
| Change in Net Position | (16,642) |
| Net Position - Beginning | <u>2,415,670</u> |
| Net Position - Ending | <u><u>\$ 2,399,028</u></u> |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

| | Business-type Activities - Enterprise Funds Sewer |
|--|--|
| Cash Flows from Operating Activities: | |
| Receipts from users | \$ 305,866 |
| Payments to vendors | (176,992) |
| Payments to employees | (112,621) |
| | <u>16,253</u> |
| Net Cash Provided by Operating Activities | |
| Cash Flows from Investing Activities: | |
| Investment income | <u>3,367</u> |
| Net Cash Provided by Investing Activities | <u>3,367</u> |
| Net Change in Cash and Cash Equivalents | 19,620 |
| Cash and Cash Equivalents: | |
| Beginning of year | <u>418,854</u> |
| End of year | <u><u>\$ 438,474</u></u> |
| Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities: | |
| Operating income (loss) | \$ (20,009) |
| Depreciation | 69,826 |
| Changes in assets and liabilities: | |
| Receivables, net | (13,961) |
| Liabilities, net | (19,603) |
| | <u>(19,603)</u> |
| Net Cash Provided From Operating Activities | <u><u>\$ 16,253</u></u> |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

| | Other Postemployment Benefits Trust Fund | Agency Funds |
|-----------------------------------|---|-------------------|
| Assets | | |
| Money market account | \$ 5,625 | \$ 362,064 |
| Mutual funds - fixed income | 350,826 | - |
| Mutual funds - equities | 748,487 | - |
| Receivables: | | |
| Water district user fee tax liens | - | 80,616 |
| Total Assets | <u>1,104,938</u> | <u>442,680</u> |
| Liabilities | | |
| Warrants and other payables | - | 36,737 |
| Planning board deposits | - | 323,955 |
| Other liabilities | - | 81,988 |
| Total Liabilities | <u>-</u> | <u>\$ 442,680</u> |
| Net Position | | |
| Held in trust for: | | |
| Other postemployment benefits | <u>1,104,938</u> | |
| Total Net Position | <u><u>\$ 1,104,938</u></u> | |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

| | <u>Other Postemployment Benefits Trust Fund</u> |
|--|---|
| Additions | |
| Contributions: | |
| Employer | <u>\$ 382,678</u> |
| Total Contributions | <u>382,678</u> |
| Investment income: | |
| Interest and dividends | <u>63,610</u> |
| Net Investment Earnings | <u>63,610</u> |
| Total Additions | <u>446,288</u> |
| Deductions | |
| Life and health insurance premiums paid for retirees | <u>197,678</u> |
| Total Deductions | <u>197,678</u> |
| Change in Net Position | 248,610 |
| Net Position - Beginning | <u>856,328</u> |
| Net Position - Ending | <u><u>\$ 1,104,938</u></u> |

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located south of Boston in Bristol County. It was established as a Town in 1712. The Town is governed by an elected three-member Board of Selectmen. The board members serve three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, rubbish disposal, public education in grades K-12, sewer services, street maintenance, and parks and recreational facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

Joint Venture – The Town is a member community of the Dighton-Rehoboth Regional School District that provides educational services to two area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2019, the Town's share of the operating and debt service expenses was over \$10.8 million. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 2700 Regional Road, North Dighton, MA, 02764.

B. Government-Wide and Fund 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 non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, 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 fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Ambulance Fund – is used to account for the fees generated from the operations of the fire department’s ambulance service that are designated to fund and supplement operating costs of the department.

Police Station Fund – is used to account for capital project related financial activities specific to the construction of a new Police Station.

The Nonmajor Governmental Funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees such as health and life insurance.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for developer deposits and water liens collected on behalf of the Dighton Water District (a legally separate, non-Town utility service provider). Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Sewer user charges are assessed semi-annually based upon metered water consumption as provided by the Dighton Water District.

Real estate taxes and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, utility mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|-------------|
| Buildings and improvements | 40 years |
| Machinery and equipment | 5-10 years |
| Vehicles | 5-10 years |
| Infrastructure | 40-50 years |

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds and permanent funds is retained in the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation benefits. Amounts related to sick-pay benefits are carried forward from year to year. Compensation to employees varies depending upon union or employment contracts, with employee payments options including at year end or upon retirement. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Debt Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and net other postemployment benefits liability. These will be recognized in pension and employee benefits expense in future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. These will be recognized in pension and employee benefits expense in future years.

The Town also one type of item that arises under a modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, user charges and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets”, includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Ambulance is used to account for the fees generated from the operations of the fire department’s ambulance service that are designated to fund and supplement operating costs of the department.

Capital Project Funds – are used to account for financial resources that are restricted, for capital outlays.

Other purposes represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact as the corpus of the endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the General Fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,408,904 at June 30, 2019 and is reported as unassigned fund balance in the General Fund.

The Town maintains a capital stabilization fund which may be used for any capital purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$867,989 at June 30, 2019 and is reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

The Town reports \$1,303,433 of encumbrances from Town Meeting votes in the General Fund as committed and \$45,573 of encumbrances from normal purchasing activity as assigned at June 30, 2019. Encumbrances are not reported in any other fund.

The following table reflects the Town's fund equity categorizations:

| | General | Ambulance Fund | Capital Project Police Station Fund | Nonmajor Governmental Funds | Total |
|---------------------------|---------------------|-------------------|---|-----------------------------------|---------------------|
| Nonspendable: | | | | | |
| Nonexpendable trust funds | \$ - | \$ - | \$ - | \$ 23,807 | \$ 23,807 |
| Restricted: | | | | | |
| General government | - | - | - | 348,094 | 348,094 |
| Public safety | - | 848,648 | 40,835 | 48,512 | 937,995 |
| Public works | - | - | - | 11,639 | 11,639 |
| Health and human services | - | - | - | 131,065 | 131,065 |
| Culture and recreation | - | - | - | 196,855 | 196,855 |
| Community preservation | - | - | - | 723,720 | 723,720 |
| Other purposes | - | - | - | 19,713 | 19,713 |
| Committed: | | | | | |
| General government | 313,319 | - | - | - | 313,319 |
| Public safety | 396,432 | - | - | - | 396,432 |
| Education | 349,000 | - | - | - | 349,000 |
| Public works | 131,729 | - | - | - | 131,729 |
| Health and human services | 340 | - | - | - | 340 |
| Culture and recreation | 41,407 | - | - | - | 41,407 |
| Unemployment | 71,206 | - | - | - | 71,206 |
| Assigned: | | | | | |
| General government | 19,347 | - | - | - | 19,347 |
| Public safety | 8,566 | - | - | - | 8,566 |
| Public works | 6,882 | - | - | - | 6,882 |
| Health and human services | 1,752 | - | - | - | 1,752 |
| Culture and recreation | 9,026 | - | - | - | 9,026 |
| Subsequent years' budget | 156,000 | - | - | - | 156,000 |
| Unassigned | 4,700,090 | - | - | (16,583) | 4,683,507 |
| | <u>\$ 6,205,096</u> | <u>\$ 848,648</u> | <u>\$ 40,835</u> | <u>\$ 1,486,822</u> | <u>\$ 8,581,401</u> |

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year, the Town incurred an appropriation deficit of \$136,033 as a result of incurring excess snow and ice removal costs above budget. This was raised on the 2020 tax recap. Expenditures did not exceed appropriations for the legally adopted budget within the General Fund for any other functions.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool (MMDT). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$8,836,376 and the bank balance was \$9,106,611. Of the Town's bank balance, \$8,592,279 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was uninsured.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town does not have a formal investment policy related to custodial credit risk. The Town's bond mutual fund, equity mutual fund, money market mutual fund and State Treasurer's investment pool investments are not subject to custodial credit risk.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2019:

| | June 30, 2019 | Fair Value Measurements Using | | |
|---|------------------|-------------------------------|------------------|----------|
| | | Level 1 | Level 2 | Level 3 |
| <u>Investments by fair value level</u> | | | | |
| Debt securities: | | | | |
| Bond mutual funds | \$ 350,826 | - | 350,826 | - |
| Total debt securities | 350,826 | - | 350,826 | - |
| Equity securities: | | | | |
| Equity mutual funds | 783,487 | - | 783,487 | - |
| Total equity securities | 783,487 | - | 783,487 | - |
| Total Investments by Fair Value Level | \$ 1,134,313 | \$ - | \$ 1,134,313 | \$ - |
| <u>Investments measured at amortized cost</u> | | | | |
| State investment pool | 334,928 | | | |
| Total Investments Measured at Fair Value | \$ 1,469,241 | | | |

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. The State Treasurer's investment pool (MMDT) is valued at amortized cost. The MMDT's investment advisor may value the pool using an alternative valuation method that more accurately reflect the fair value in accordance with the pool's fair value pricing policies should amortized cost not approximate the fair value of the pool.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Interest Rate Risk: Investments – Debt security investments are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At June 30, 2019, the Town had the following investments with maturities:

| Investments | June 30, 2019 | Maturities in Years | | |
|--|---------------|---------------------|-------|--------|
| | | Less than 1 | 1 - 5 | 6 - 10 |
| State investment pool | \$ 334,928 | \$ 334,928 | \$ - | \$ - |
| Non-negotiable certificates of deposit | 1,806,411 | 1,806,411 | - | - |
| Total investments with maturities | \$ 2,141,339 | \$ 2,141,339 | \$ - | \$ - |

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. No issuer represents more than 5% of the Town's total investments.

Credit Risk – The Town has not adopted a formal policy related to credit risk. All of the Town's investments are unrated.

B. Receivables

Receivables as of year-end for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|---------------------|---------------------------------|---------------------|
| Real estate and personal property taxes | \$ 273,731 | \$ - | \$ 273,731 |
| Tax liens | 1,051,547 | - | 1,051,547 |
| Community preservation surcharge | 6,159 | - | 6,159 |
| Excise | 202,572 | - | 202,572 |
| Ambulance | 310,476 | (174,636) | 135,840 |
| Departmental and other | 62,584 | - | 62,584 |
| Title V betterment loans | 143,663 | - | 143,663 |
| Intergovernmental | 150,252 | - | 150,252 |
| Total | <u>\$ 2,200,984</u> | <u>\$ (174,636)</u> | <u>\$ 2,026,348</u> |

Receivables as of year-end for Town's proprietary funds are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|-----------------|-------------------|---------------------------------|-------------------|
| Sewer user fees | \$ 166,421 | \$ - | \$ 166,421 |
| Total | <u>\$ 166,421</u> | <u>\$ -</u> | <u>\$ 166,421</u> |

Governmental funds report deferred inflows of resources in connections with receivables for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

| | General Fund | Other Governmental Funds | Total |
|---|---------------------|--------------------------------|---------------------|
| Real estate and personal property taxes | \$ 273,731 | \$ 6,159 | \$ 279,890 |
| Tax liens | 1,051,547 | - | 1,051,547 |
| Community preservation surcharge | - | - | - |
| Excise | 202,572 | - | 202,572 |
| Ambulance | - | 135,840 | 135,840 |
| Departmental and other | 62,584 | - | 62,584 |
| Title V betterment loans | - | 143,663 | 143,663 |
| Total | <u>\$ 1,590,434</u> | <u>\$ 285,662</u> | <u>\$ 1,876,096</u> |

C. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|----------------|-------------------|
| <i><u>Governmental Activities:</u></i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,229,953 | \$ 6,263 | \$ - | \$ 3,236,216 |
| Construction in Process | 2,461,190 | 3,256,614 | (5,695,514) | 22,290 |
| Total capital assets not being depreciated | 5,691,143 | 3,262,877 | (5,695,514) | 3,258,506 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,624,416 | 5,851,497 | - | 7,475,913 |
| Improvements other than buildings | 139,601 | 145,752 | - | 285,353 |
| Infrastructure | 3,562,419 | 454,743 | - | 4,017,162 |
| Machinery and equipment | 2,015,469 | 146,791 | (45,397) | 2,116,863 |
| Vehicles | 3,264,279 | 110,790 | (200,774) | 3,174,295 |
| Total capital assets being depreciated | 10,606,184 | 6,709,573 | (246,171) | 17,069,586 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,284,158) | (106,378) | - | (1,390,536) |
| Improvements other than buildings | (1,816) | (12,195) | - | (14,011) |
| Infrastructure | (1,051,959) | (164,083) | - | (1,216,042) |
| Machinery and equipment | (1,312,037) | (164,998) | 37,932 | (1,439,103) |
| Vehicles | (2,483,544) | (180,588) | 176,774 | (2,487,358) |
| Total accumulated depreciation | (6,133,514) | (628,242) | 214,706 | (6,547,050) |
| Total capital assets being depreciated, net | 4,472,670 | 6,081,331 | (31,465) | 10,522,536 |
| Governmental activities capital assets, net | \$ 10,163,813 | \$ 9,344,208 | \$ (5,726,979) | \$ 13,781,042 |
| <i><u>Business-Type Activities - Sewer:</u></i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 68,245 | \$ - | \$ - | \$ 68,245 |
| Construction in Process | - | - | - | - |
| Total capital assets not being depreciated | 68,245 | - | - | 68,245 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 3,405,993 | - | - | 3,405,993 |
| Machinery and equipment | 17,065 | - | - | 17,065 |
| Vehicles | 20,000 | - | - | 20,000 |
| Total capital assets being depreciated | 3,443,058 | - | - | 3,443,058 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (1,595,857) | (68,120) | - | (1,663,977) |
| Machinery and equipment | (10,047) | (1,706) | - | (11,753) |
| Vehicles | (20,000) | - | - | (20,000) |
| Total accumulated depreciation | (1,625,904) | (69,826) | - | (1,695,730) |
| Total capital assets being depreciated, net | 1,817,154 | (69,826) | - | 1,747,328 |
| Business-type activities capital assets, net | \$ 1,885,399 | \$ (69,826) | \$ - | \$ 1,815,573 |

Depreciation expense was charged to functions/programs as follows:

| <u>Governmental Activities:</u> | | <u>Business-Type Activities:</u> | |
|---------------------------------|-------------------|----------------------------------|------------------|
| General government | \$ 37,021 | Sewer | \$ 69,826 |
| Public safety | 315,471 | Total Business-Type Activities | <u>\$ 69,826</u> |
| Public works | 249,891 | | |
| Health and human services | 4,541 | | |
| Culture and recreation | 21,318 | | |
| Total Governmental Activities | <u>\$ 628,242</u> | | |

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2019, are as follows:

| Transfers Out | Transfers In | | |
|-----------------------------|-------------------|--------------------------|-------------------|
| | General | Nonmajor Governmental | Total |
| | Fund | Funds | |
| General Fund | \$ - | \$ 2,061 | \$ 2,061 (1) |
| Ambulance Fund | 555,684 | - | 555,684 (2) |
| Police Station Fund | - | - | - (2) |
| Nonmajor Governmental Funds | 98,907 | - | 98,907 (2) |
| Total | <u>\$ 654,591</u> | <u>\$ 2,061</u> | <u>\$ 656,652</u> |

(1) Transfer to Nonmajor funds to fund various programs.

(2) Transfers to General Fund to supplement operating budgets.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. Temporary notes outstanding at June 30, 2019, are payable as follows:

| Type | Interest Rate | Maturity Date | Beginning Balance | Additions | Retirements | Ending Balance |
|---------------------|---------------|---------------|-------------------|-------------|--------------------|----------------|
| Interim MCWT Note | 0.00% | matured | \$ 66,801 | \$ - | \$ (66,801) | \$ - |
| Total Notes Payable | | | <u>\$ 66,801</u> | <u>\$ -</u> | <u>\$ (66,801)</u> | <u>\$ -</u> |

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the current year activity in the long-term liability accounts:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due within one year |
|---|----------------------|---------------------|-----------------------|----------------------|---------------------|
| <u>Governmental Activities:</u> | | | | | |
| Bond and note debt | \$ 4,670,000 | \$ - | \$ (235,000) | \$ 4,435,000 | \$ 235,000 |
| Notes from direct borrowings and placements | 63,986 | 66,800 | (10,360) | 120,426 | 10,362 |
| Debt premiums | 190,141 | - | (19,947) | 170,194 | 18,644 |
| Capital lease obligations | 50,856 | - | (50,856) | - | - |
| Landfill monitoring | 159,900 | - | (12,300) | 147,600 | 12,300 |
| Compensated absences | 531,115 | 200,702 | (79,667) | 652,150 | 97,823 |
| Net other postemployment benefits liability | 6,583,415 | 1,019,689 | (1,705,444) | 5,897,660 | - |
| Net pension liability | 5,508,579 | 2,265,339 | (1,233,291) | 6,540,627 | - |
| Total Governmental Activities | <u>\$ 17,757,992</u> | <u>\$ 3,552,530</u> | <u>\$ (3,346,865)</u> | <u>\$ 17,963,657</u> | <u>\$ 374,129</u> |
| <u>Business-type Activities: Sewer</u> | | | | | |
| Compensated absences | \$ 16,569 | \$ 8,443 | \$ (8,285) | \$ 16,728 | \$ 8,364 |
| Total Business-type Activities: Sewer | <u>16,569</u> | <u>8,443</u> | <u>(8,285)</u> | <u>16,728</u> | <u>8,364</u> |
| Total Business-type Activities: All | <u>\$ 16,569</u> | <u>\$ 8,443</u> | <u>\$ (8,285)</u> | <u>\$ 16,728</u> | <u>\$ 8,364</u> |

The governmental activities liabilities will be liquidated from the general fund. The business-type liabilities will be liquidated by the sewer enterprise fund.

The following is a summary of the current year activity for outstanding long-term debt obligations:

| Description of Issue | Interest Rate | Beginning Balance | Additions | Maturities | Ending Balance |
|--|---------------|---------------------|------------------|---------------------|---------------------|
| <i>Governmental Activities:</i> | | | | | |
| General obligation bonds | 3.0% - 5.0% | \$ 4,670,000 | \$ - | \$ (235,000) | \$ 4,435,000 |
| MCWT (Title V) Loans | 0.00% | 63,986 | 66,800 | (10,360) | 120,426 |
| Total Governmental Bond and Note Indebtness | | <u>\$ 4,733,986</u> | <u>\$ 66,800</u> | <u>\$ (245,360)</u> | <u>\$ 4,555,426</u> |
| Total Business-Type Bond and Note Indebtness | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Long-Term Bond and Note Indebtness - All | | <u>\$ 4,733,986</u> | <u>\$ 66,800</u> | <u>\$ (245,360)</u> | <u>\$ 4,555,426</u> |

Payments on outstanding bonds and notes due in future years consist of the following:

| Year Ending June 30, | Governmental Activities - Total Bond and Note Indebtedness | | | | | | Grand Total |
|-------------------------|--|------------|--------------|--------------|--------|--------------|----------------|
| | Principal | | | Interest | | | |
| | GO Bonds | Direct | Total | GO Bonds | Direct | Total | |
| 2020 | 235,000 | 10,362 | 245,362 | 168,175 | 193 | 168,368 | 413,730 |
| 2021 | 235,000 | 6,669 | 241,669 | 156,425 | - | 156,425 | 398,094 |
| 2022 | 235,000 | 6,668 | 241,668 | 144,675 | - | 144,675 | 386,343 |
| 2023 | 235,000 | 6,668 | 241,668 | 132,925 | - | 132,925 | 374,593 |
| 2024 | 235,000 | 6,668 | 241,668 | 121,175 | - | 121,175 | 362,843 |
| 2025-2029 | 1,175,000 | 33,340 | 1,208,340 | 457,825 | - | 457,825 | 1,666,165 |
| 2030-2034 | 1,165,000 | 30,010 | 1,195,010 | 273,513 | - | 273,513 | 1,468,523 |
| 2035-2040 | 920,000 | 20,041 | 940,041 | 80,500 | - | 80,500 | 1,020,541 |
| Total | \$ 4,435,000 | \$ 120,426 | \$ 4,555,426 | \$ 1,535,213 | \$ 193 | \$ 1,535,406 | \$ 6,090,832 |

The following represents authorized and unissued debt as of June 30, 2019:

| Project | Amount |
|--|---------------------|
| <i>Governmental Activities:</i> | |
| Title V Loans | \$ 66,641 |
| Police Headquarters | \$ 770,723 |
| Police Headquarters & Community Center | <u>1,137,000</u> |
| Total Authorized and Unissued Debt | <u>\$ 1,974,364</u> |

III. Other Information

A. Retirement System

System Description – The Town contributes to the Bristol County Retirement System (the System), a cost sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Massachusetts General Laws (MGL) and is administered by the Bristol County Retirement Board (BCRB). Standalone audited financial statements for the year ended December 31, 2018 were issued and may be obtained by writing to the Bristol County Retirement System, 645 County Street, Taunton, MA, 02780.

Current membership in the System for all employers as of December 31, 2018, was as follows:

| | |
|---|--------------|
| Retirees and beneficiaries currently receiving benefits | 2,219 |
| Inactive participants | 772 |
| Disabled participants | 281 |
| Active participants | 3,220 |
| Total | <u>6,492</u> |

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$690,701 to the System in fiscal year 2019, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 17.89% in fiscal year 2019.

Net Pension Liability – At June 30, 2019, the Town reported a liability of \$6,540,627 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2018. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 1.7631% at December 31, 2018.

Pension Expense – The Town recognized \$900,224 in net pension expense in the statement of activities in fiscal year 2019.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 462,940 | \$ - |
| Changes of assumptions | - | 38,870 |
| Net differences between projected and actual earnings on pension plan investments | 838,944 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 25,987 | 41,000 |
| Total | <u>\$ 1,327,871</u> | <u>\$ 79,870</u> |

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

| Year Ended June 30, | |
|------------------------|---------------------|
| 2020 | \$ 471,490 |
| 2021 | 297,827 |
| 2022 | 207,926 |
| 2023 | 270,758 |
| Total | <u>\$ 1,248,001</u> |

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

| | |
|---|--|
| Actuarial cost method | Entry Age Normal Cost Method |
| Asset valuation method | Market Value |
| Remaining amortization period | As of January 1, 2018, 10 years remaining for unfunded liability |
| Investment rate of return / Discount rate | 7.75% |
| Inflation rate | 4.00% |
| Projected salary increases | 2.75 - 5.5% |
| Cost of living adjustments | 3.0% of the first \$18,000 of benefits |
| Rates of retirement | Varies based upon age for general employees, police and fire |
| Rates of disability | For general employees, it was assumed that 35% of all disabilities are ordinary (65% are service connected). For police and fire employees, 5% of all disabilities are assumed to be ordinary (95% are service connected). |
| Mortality rates: | |
| Pre-retirement | The RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014, fully generational. |
| Healthy retiree | The RP-2014 Blue Collar Mortality Table adjusted as: - Group 1 and 2: Table set forward 5 years for males and 3 years for females, fully generational - Group 4: Table set forward 3 years for males and 6 years for females, fully generational |
| Disabled retiree | The RP-2000 Mortality Table (with generational adjusting based on Scale MP-2014) adjusted as: - Group 1 and 2: Table set forward 6 years - Group 4: Table set forward 2 years |

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

The target allocations and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------|-------------------|--|
| Equity | 46.50% | 7.9% |
| Fixed income | 24.50% | 4.6% |
| Private equity | 8.50% | 10.5% |
| Real estate funds | 7.50% | 6.5% |
| Hedge funds | 5.00% | 5.9% |
| Infrastructure | 5.00% | 7.6% |
| Timber | 3.00% | 7.5% |
| Total | 100.00% | |

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2018 actuarial valuation report was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary 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.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

| | 1% Decrease (6.75%) | Current Discount (7.75%) | 1% Increase (8.75%) |
|--|------------------------|--------------------------------|------------------------|
| Town proportionate share of net pension liability | \$ 8,566,396 | \$ 6,540,627 | \$ 4,870,989 |

B. Risk Financing

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

The Town is part of a premium-based, self-insurance group which insures for general and personal liability, and worker’s compensation, through the Southeastern MASS Health Group. Additionally, the Town is entirely self-insured for employees’ unemployment benefits. The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town’s experience history. All other insurance is carried through conventional carriers.

C. Other Postemployment Benefits

The Town administers a single employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

With respect to OPEB plan reporting, GASB issued GASB Statement No.’s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 addresses disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the measurement date under GASB 75 is the same as the plan year-end date. When a different measurement date is used different assumptions and calculations will result.

For the year ended June 30, 2019, the Town elected to use a measurement date that was the same as the plan year-end date; thus, the majority of the same disclosures are used and will not be repeated.

GASB Statement No. 75

OPEB Plan disclosures that impact the Town’s net OPEB liability using a measurement date of June 30, 2019, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of the actuarial valuation date of July 1, 2017:

| | |
|--------------------|------------|
| Active employees | 83 |
| Inactive employees | 29 |
| Total | <u>112</u> |

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. For healthcare coverage, retirees contribute 25% of premiums. Retirees contribute 50% of life insurance benefit premiums. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2019, the Town’s average contribution rate was approximately 8% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2019, using an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the Town at June 30, 2019 were as follows:

| | |
|---|---------------------|
| Total OPEB Liability | \$ 7,002,598 |
| Plan fiduciary net position | <u>(1,104,938)</u> |
| Net OPEB liability | <u>\$ 5,897,660</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 15.78% |

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|---|
| Investment Rate of Return | 6.80%, net of OPEB plan investment expenses, including inflation. |
| Municipal Bond Rate | 2.79% as of June 30, 2019 |
| Discount Rate | 5.75%, net of OPEB plan investment expense, including inflation. |
| Inflation | 2.75% annually as of June 30, 2019 and for future periods |
| Health Care Trend Rate | 5.0% annually as of June 30, 2019 and for future periods |
| Salary Increases | 3.0% annually as of June 30, 2019 and for future periods |
| Actuarial Cost Method | Individual entry age normal |
| Pre-Retirement Mortality | RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females |
| Post-Retirement Mortality | RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females |
| Disabled Mortality | RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2012 for males and females |

Discount Rate – The discount rate used to measure the total OPEB liability was 5.75%. The only key change in assumptions from the prior valuation was an increase of this discount rate from 5.00%.

Long Term Expected Rate of Return – 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 OPEB Plan investment expense and

inflation) are developed for each major asset class. The rate reported of 6.80% in the current year represents no change in this assumption from the previous year.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

| Asset Class | Target Allocation | Expected Investment Rate of Return |
|--|----------------------|--|
| Domestic equity - large cap | 20.00% | 4.00% |
| Domestic equity - small/mid cap | 10.00% | 6.00% |
| International equity - developed markets | 10.00% | 4.50% |
| International equity - emerging markets | 5.00% | 7.00% |
| Domestic fixed income | 25.00% | 2.00% |
| International fixed income | 10.00% | 3.00% |
| Alternatives | 20.00% | 6.50% |
| Real estate | 0.00% | 6.25% |
| Cash | 0.00% | 0.00% |
| | <u>100.00%</u> | |
| Real rate of return | | 4.30% |
| Inflation assumption | | 2.75% |
| Total nominal rate of return | | 7.05% |
| Investment expense | | <u>-0.25%</u> |
| Net investment return | | <u>6.80%</u> |

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

| | Healthcare Trend Rate | | |
|--------------------|------------------------|----------------------------------|------------------------|
| | 1% Decrease (4.00%) | Current Trend Rate (5.00%) | 1% Increase (6.00%) |
| Net OPEB Liability | \$ 4,517,646 | \$ 5,897,660 | \$ 7,664,245 |
| | Discount Rate | | |
| | 1% Decrease (3.75%) | Current Discount Rate (4.75%) | 1% Increase (5.75%) |
| Net OPEB Liability | \$ 7,057,821 | \$ 5,897,660 | \$ 4,974,563 |

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2019:

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|---------------------------------------|--------------------------------|---------------------------------------|------------------------------------|
| Balances at June 30, 2018 | \$ 7,349,482 | \$ 856,328 | \$ 6,493,154 |
| Changes for the year: | | | |
| Service cost | 236,912 | - | 236,912 |
| Interest | 374,438 | - | 374,438 |
| Change in assumptions | (760,556) | - | (760,556) |
| Net investment income | - | 63,610 | (63,610) |
| Employer contributions | - | 382,678 | (382,678) |
| Benefit payments withdrawn from trust | - | (197,678) | 197,678 |
| Benefit payments | (197,678) | - | (197,678) |
| Net changes | (346,884) | 248,610 | (595,494) |
| Balances at June 30, 2019 | <u>\$ 7,002,598</u> | <u>\$ 1,104,938</u> | <u>\$ 5,897,660</u> |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Town recognized OPEB expense of \$491,584. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between actual and expected experience | \$ 275,556 | \$ - |
| Differences between actual and expected earnings | - | 5,262 |
| Change in assumptions | - | 651,905 |
| Totals | <u>\$ 275,556</u> | <u>\$ 657,167</u> |

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

| June 30, | Amount |
|------------|---------------------|
| 2020 | \$ (55,349) |
| 2021 | (55,349) |
| 2022 | (55,347) |
| 2023 | (53,377) |
| 2024 | (53,539) |
| Thereafter | (108,650) |
| Total | <u>\$ (381,611)</u> |

GASB Statement No. 74

OPEB Plan disclosures that impact the Town's net OPEB liability using a reporting date of June 30, 2019 are summarized in this section except disclosures under GASB 74 that are identical to GASB 75 are not repeated.

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2019, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2019.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

E. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$147,600 has been recorded as a governmental activities' liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Implementation of New GASB Pronouncements

Current Year Implementations –

In November 2016, the GASB issued GASB Statement No. 83, Certain Asset Retirement Obligations. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement were effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). This did not have a material impact on the financial statements.

In April 2018, the GASB issued GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement were effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). This did not have a material impact on the financial statements.

Future Implementations –

In January 2017, the GASB issued GASB Statement No. 84, Fiduciary Activities. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, Leases. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatement

The Town updated its beginning net OPEB liability which caused an increase in the Town's governmental activities net position reported at June 30, 2018.

The impact is illustrated in the table below:

| | Governmental Activities |
|--|----------------------------|
| Net position at June 30, 2018, as reported | \$ 6,827,212 |
| Restate net OPEB liability | <u>252,549</u> |
| Net position at June 30, 2018, as restated | <u>\$ 7,079,761</u> |

TOWN OF DIGHTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2019

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| | Year Ended June 30 | | | | |
|---|--------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Town's proportion of the net pension liability (asset) | 1.763% | 1.765% | 1.765% | 1.765% | 1.939% |
| Town's proportionate share of the net pension liability (asset) | \$ 5,508,579 | \$ 5,508,579 | \$ 5,893,833 | \$ 5,939,429 | \$ 5,636,255 |
| Town's covered-employee payroll | \$ 3,860,253 | \$ 4,036,032 | \$ 3,203,947 | \$ 3,392,553 | \$ 2,798,717 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 142.70% | 136.49% | 183.96% | 175.07% | 201.39% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.48% | 68.56% | 64.17% | 62.90% | 67.10% |

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

| | Year Ended June 30 | | | | |
|--|--------------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Actuarially determined contribution | \$ 690,701 | \$ 664,690 | \$ 711,360 | \$ 654,571 | \$ 589,292 |
| Contributions in relation to the actuarially determined contribution | <u>690,701</u> | <u>664,690</u> | <u>711,360</u> | <u>654,571</u> | <u>589,292</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 3,860,253 | \$ 4,036,032 | \$ 3,203,947 | \$ 3,392,553 | \$ 2,798,717 |
| Contributions as a percentage of covered-employee payroll | 17.89% | 16.47% | 22.20% | 19.29% | 21.06% |

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF DIGHTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2019**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

| | June 30, | | |
|---|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 |
| Total OPEB liability: | | | |
| Service cost | \$ 236,912 | \$ 258,833 | \$ 178,192 |
| Interest | 374,438 | 354,324 | 340,861 |
| Difference between expected and actual plan experience | - | 738,063 | - |
| Changes in assumptions | (760,556) | - | - |
| Benefit payments | (197,678) | (180,427) | (177,877) |
| Net change in total OPEB liability | (346,884) | 1,170,793 | 341,176 |
| Total OPEB liability - beginning of year | 7,349,482 | 6,178,689 | 5,837,513 |
| Total OPEB liability - end of year (a) | <u>\$ 7,002,598</u> | <u>\$ 7,349,482</u> | <u>\$ 6,178,689</u> |
| Plan fiduciary net position: | | | |
| Contributions - employer | \$ 382,678 | \$ 365,427 | \$ 352,877 |
| Net investment income | 63,610 | 35,119 | 44,066 |
| Benefit payments | (197,678) | (180,427) | (177,877) |
| Administrative expenses | - | - | - |
| Other | - | - | - |
| Net change in Plan fiduciary net position | 248,610 | 220,119 | 219,066 |
| Plan fiduciary net position - beginning of year (a) | 856,328 | 636,209 | 417,143 |
| Plan fiduciary net position - end of year (b) | <u>\$ 1,104,938</u> | <u>\$ 856,328</u> | <u>\$ 636,209</u> |
| Net OPEB liability - end of year (a) - (b) | <u>\$ 5,897,660</u> | <u>\$ 6,493,154</u> | <u>\$ 5,542,480</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 15.78% | 11.65% | 10.30% |
| Covered payroll | \$ 4,880,140 | \$ 4,612,325 | \$ 4,600,000 |
| Net OPEB liability as a percentage of covered payroll | 120.85% | 140.78% | 120.49% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF DIGHTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2019**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

| | | June 30, | |
|--|---|--------------|--------------|
| | 2019 | 2018 | 2017 |
| Actuarially-determined contribution | \$ 631,295 | \$ 602,210 | \$ 540,658 |
| Contributions in relation to the actuarially-determined contribution | (382,678) | (365,427) | (352,877) |
| Contribution deficiency (excess) | \$ 248,617 | \$ 236,783 | \$ 187,781 |
| Covered-employee payroll | \$ 4,880,140 | \$ 4,612,325 | \$ 4,600,000 |
| Contribution as a percentage of covered payroll | 7.84% | 7.92% | 7.67% |
| Valuation Date | July 1, 2017 | July 1, 2017 | July 1, 2014 |
| Amortization Period | 30 years | 30 years | 30 years |
| Investment rate of return | 6.80% | 6.80% | 6.53% |
| Municipal Bond Rate | 2.79% | 3.45% | 3.13% |
| Single Equivalent Discount Rate | 5.75% | 5.00% | 5.75% |
| Inflation | 2.75% | 2.75% | 2.75% |
| Healthcare cost trend rates | 5.00% | 5.00% | 5.00% |
| Salary increases | 3.00% | 3.00% | 3.00% |
| Actuarial Cost Method | Individual Entry Age Normal (for all years presented) | | |
| Asset Valuation Method | Market Value of Assets as of Reporting Date (for all years presented) | | |

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

| | June 30, 2019 | June 30, 2018 | June 30, 2017 |
|---|------------------|------------------|------------------|
| Annual money-weighted rate of return, net of investment expense | 6.65% | 4.83% | 8.76% |

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF DIGHTON, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019**

| | Budgeted Amounts | | Actual | | Actual | Variance |
|---|--------------------|--------------------|-------------------|---------------------|---------------------|---------------------|
| | Original | Final | Budgetary | Encumbrances | Budgetary | Positive |
| | Budget | Budget | Amounts | | Adjusted | (Negative) |
| REVENUES | | | | | | |
| Real estate and personal property taxes, net | \$ 17,369,230 | \$ 17,531,486 | \$ 17,384,322 | \$ - | \$ 17,384,322 | \$ (147,164) |
| Intergovernmental | 904,979 | 904,979 | 894,111 | - | 894,111 | (10,868) |
| Motor vehicle and other excises | 1,100,119 | 1,100,119 | 1,380,320 | - | 1,380,320 | 280,201 |
| License and permits | 242,640 | 242,640 | 265,500 | - | 265,500 | 22,860 |
| Departmental and other revenue | 409,772 | 409,772 | 554,322 | - | 554,322 | 144,550 |
| Penalties and interest on taxes | 88,615 | 88,615 | 98,610 | - | 98,610 | 9,995 |
| Fines and forfeitures | 1,550 | 1,550 | 13,529 | - | 13,529 | 11,979 |
| Investment income | 23,000 | 23,000 | 68,038 | - | 68,038 | 45,038 |
| Total Revenues | <u>20,139,905</u> | <u>20,302,161</u> | <u>20,658,752</u> | <u>-</u> | <u>20,658,752</u> | <u>356,591</u> |
| EXPENDITURES | | | | | | |
| General government | 2,121,943 | 2,177,390 | 1,650,317 | 332,666 | 1,982,983 | 194,407 |
| Public safety | 4,227,811 | 4,274,249 | 3,435,711 | 404,998 | 3,840,709 | 433,540 |
| Education | 11,874,270 | 11,874,270 | 11,520,636 | 349,000 | 11,869,636 | 4,634 |
| Public works | 1,574,673 | 1,798,955 | 1,669,483 | 138,611 | 1,808,094 | (9,139) |
| Health and human services | 443,490 | 447,679 | 376,038 | 2,092 | 378,130 | 69,549 |
| Culture and recreation | 415,580 | 424,722 | 346,479 | 50,433 | 396,912 | 27,810 |
| State and county tax assessments | 167,863 | 167,863 | 167,863 | - | 167,863 | - |
| Pension and other fringe benefits | 1,784,383 | 1,784,287 | 1,714,373 | - | 1,714,373 | 69,914 |
| Debt service | 425,287 | 425,287 | 425,287 | - | 425,287 | - |
| Total Expenditures | <u>23,035,300</u> | <u>23,374,702</u> | <u>21,306,187</u> | <u>\$ 1,277,800</u> | <u>22,583,987</u> | <u>790,715</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 1,152,396 | 1,172,396 | 1,172,396 | | 1,172,396 | - |
| Transfers out | <u>(185,000)</u> | <u>(185,000)</u> | <u>(235,932)</u> | | <u>(235,932)</u> | <u>(50,932)</u> |
| Total Other Financing Sources (Uses) | <u>967,396</u> | <u>987,396</u> | <u>936,464</u> | | <u>936,464</u> | <u>(50,932)</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE | | | | | | |
| | <u>(1,927,999)</u> | <u>(2,085,145)</u> | <u>\$ 289,029</u> | | <u>\$ (988,771)</u> | <u>\$ 1,096,374</u> |
| Other Budgetary Items: | | | | | | |
| Undesignated surplus (free cash) | 1,770,447 | 1,927,593 | | | | |
| Prior year snow and ice deficit | (179,704) | (179,704) | | | | |
| Prior year encumbrances | <u>337,256</u> | <u>337,256</u> | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | | | | |

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

TOWN OF DIGHTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2019

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and Finance Committee and approved by the Town Meeting members at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2019, Town Meeting approved a minor amount of additional appropriations and transfers from the original approved budget.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2019, is as follows:

| | Basis of Accounting Differences | Fund Perspective Differences | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| Revenues on a budgetary basis | | | \$ 20,682,507 |
| Stabilization investment income | \$ - | \$ 43,459 | 43,459 |
| Unemployment trust investment income | - | 1,785 | 1,785 |
| Intergovernmental receivable adjustment | (23,170) | - | (23,170) |
| Revenues on a GAAP basis | <u>\$ (23,170)</u> | <u>\$ 45,244</u> | <u>\$ 20,704,581</u> |
| Expenditures on a budgetary basis | | | \$ 21,306,187 |
| Indirect costs treated as transfers for budget | \$ (44,934) | \$ - | (44,934) |
| Unemployment trust expenditures | - | 4,208 | 4,208 |
| Other postemployment benefit trust transfers | - | 185,000 | 185,000 |
| Expenditures on a GAAP basis | <u>\$ (44,934)</u> | <u>\$ 189,208</u> | <u>\$ 21,450,461</u> |
| Other financing sources (uses) on a budgetary basis | | | \$ 936,464 |
| Stabilization transfers | \$ - | \$ (424,000) | (424,000) |
| Other postemployment benefit trust transfers | - | 185,000 | 185,000 |
| Indirect costs treated as transfers for budget | (44,934) | - | (44,934) |
| Other financing sources (uses) on a GAAP basis | <u>\$ (44,934)</u> | <u>\$ (239,000)</u> | <u>\$ 652,530</u> |



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Board of Selectmen
Town of Dighton, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dighton, Massachusetts (the "Town"), 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 and have issued our report thereon dated February 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
February 11, 2020