

TOWN OF MILLVILLE, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Millville, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Millville, Massachusetts, as of and for the year ended June 30, 2020, 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. 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.

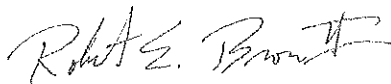
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Millville, Massachusetts, as of June 30, 2020, and the respective changes in financial position and and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and Worcester Regional Retirement System schedules - Town's proportionate share of the net pension liability, Town's contributions, Other Post-Employment Benefit schedules - Town's Net OPEB Liability and Related Ratios, Town's contribution, and notes to required supplementary information on pages 3 – 12, 61 – 62, 63 – 64 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



November 9, 2021

Management's Discussion and Analysis

As management of the Town of Millville (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, 2020. We encourage readers to consider this information in addition to the statements and notes.

The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Users of these financial statements, such as investors and rating agencies, rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of one government compared to others.

Financial Highlights

The combined total net position of the Town exceeded the combined total liabilities by \$7.97 million, an increase of \$453,588 or 6.04% more than the combined net position for the previous fiscal year. A total of \$6.75 million or 84.74% of this sum represents the Town's investment in capital assets. A total of \$2.08 million or 26.16% is legally reserved or designated for specific future uses by the Town. A total of \$(0.86) million or -10.90% is unrestricted and undesignated.

Total revenues for the year for all funds was approximately \$8.04 million, as presented below:

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	% change
Property taxes	\$ 5,142,056	\$ 4,983,973	3.17%
Motor vehicle excise	445,771	403,266	10.54%
Nonrestricted grants and contributions	520,543	520,157	0.07%
Charges for services	255,095	202,301	26.10%
Operating grants and contributions	282,064	143,580	96.45%
Capital grants and contributions	1,322,967	272,352	385.76%
Sale of town property	-	836,000	-100.00%
Unrestricted investment income and other	66,741	73,944	-9.74%
Total revenues	\$ 8,035,237	\$ 7,435,573	8.06%

Total expenses for the year for all funds was \$7.58 million, as presented below:

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	% change
General government	\$ 954,994	\$ 874,332	9.23%
Public safety	1,031,392	995,515	3.60%
Education	4,179,792	4,102,214	1.89%
Public works	442,702	712,962	-37.91%
Human services	193,358	75,646	155.61%
Culture and recreation	113,962	39,382	189.38%
Employee benefits	644,564	596,059	8.14%
State and county assessments	18,398	23,985	-23.29%
Interest	2,487	6,025	-58.72%
Total expenses	<u>\$ 7,581,649</u>	<u>\$ 7,426,120</u>	<u>2.09%</u>

Overview of the Financial Statements

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

The government-wide financial statements provide both short-term and long-term information about the Town. The fund financial statements focus on the individual parts of the Town government, reporting the operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison, and improve the Town's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Millville's finances, in a manner similar to private sector business.

Statement of Net position – Presents all of the government's assets and liabilities, with the difference being reported as "net position". The amount of net position is widely considered a good measure of the Town's financial health. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the Town's infrastructure and changes in the property tax base, to assess the overall health of the Town.

Statement of Activities – Presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

In the government-wide statements, financial information is presented in a single column in order to summarize the Town's programs or activities. The types of activities presented are referred to as:

Governmental Activities – Taxes and intergovernmental revenues primarily support the functions of the government and are reported in this section. Most of the Town's basic services are reported here including general government, public safety, education, public works, human services, culture, recreation, debt service, state/county charges and assessments, insurance, and employee benefits.

Fund Financial Statements

Traditional readers of government financial statements will find the fund financial statement presentation to be most familiar. 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 of Millville, like most other local governments, uses a fund accounting system to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories:

Governmental Funds – Most of the basic services provided by the Town are financed through 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 funds 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. This information is useful in evaluating the Town's near-term financing requirements. This approach reflects the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds financial statements is narrower than that of 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. This comparison will assist the reader in understanding the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town maintains two (2) major governmental funds, the General Fund and Title V, that are presented separately in the governmental funds financial statements. The remaining non-major funds are combined into a single, aggregated presentation.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for governmental activities operations.

Notes to Basic 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.

Government-Wide Financial Analysis

Statement of Net position

Net position may serve over time as a useful indicator of a government's financial position. The Town's total net position as of June 30, 2020 were \$7.97 million, all of which relates to governmental activities.

The largest portion of the Town's net position (84.74%) reflects its investment in capital assets (land, building and improvements, machinery and equipment, vehicles, infrastructure, and lease hold improvements); less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

A modest amount of the Town's net position (26.16%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (10.90%).

Total current assets within the governmental activities were \$4.45 million and included cash & investments of \$3.29 million and receivables net of allowances of \$1.16 million.

Total current liabilities within the governmental activities were \$0.41 million, and included accounts payable of \$181,970 and bonds and notes payable of \$156,979. Noncurrent liabilities within the governmental activities included \$320,520 of general obligation bonds payable, \$324,864 of landfill postclosure care costs, \$2.66 million of net pension liability, and \$547,453 of postemployment benefits payable.

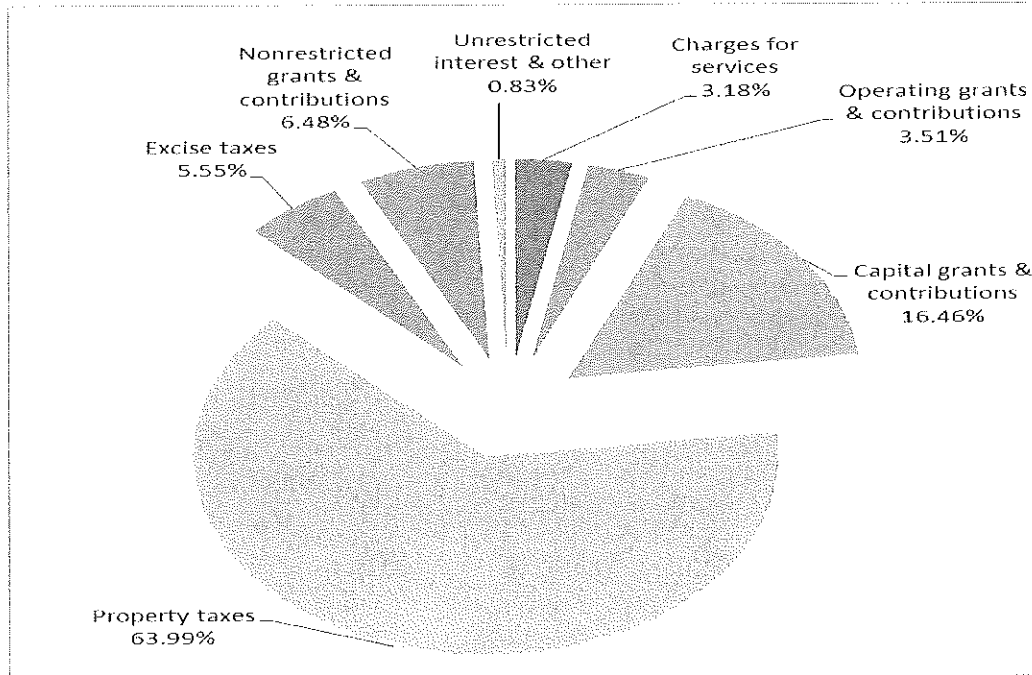
Presented below is a summary of the Town's net position as of June 30, 2020:

Statement of Net Position			
	Governmental		
	Activities		
	FY 2020	FY 2019	Increase (Decrease)
Assets:			
Current assets	\$ 4,450,226	\$ 4,521,511	\$ (71,285)
Noncurrent assets (excluding capital)	336,483	278,037	58,446
Capital Assets (net of accumulated deprec)	7,121,435	6,303,424	818,011
Total assets	11,908,144	11,102,972	805,172
Deferred Outflow of Resources:	583,850	683,750	(99,900)
Liabilities:			
Current liabilities (excluding debt)	251,373	286,317	(34,944)
Noncurrent liabilities (excluding debt)	3,567,517	3,409,951	157,566
Current debt	156,979	50,274	106,705
Noncurrent debt	320,520	370,594	(50,074)
Total liabilities	4,296,389	4,117,136	179,253
Deferred Inflow of Resources:	228,602	156,171	72,431
Net Position:			
Net investment in capital assets	6,750,841	5,882,556	868,285
Restricted	2,084,280	2,183,193	(98,913)
Unrestricted	(868,118)	(552,334)	(315,784)
Total net position	\$ 7,967,003	\$ 7,513,415	\$ 453,588

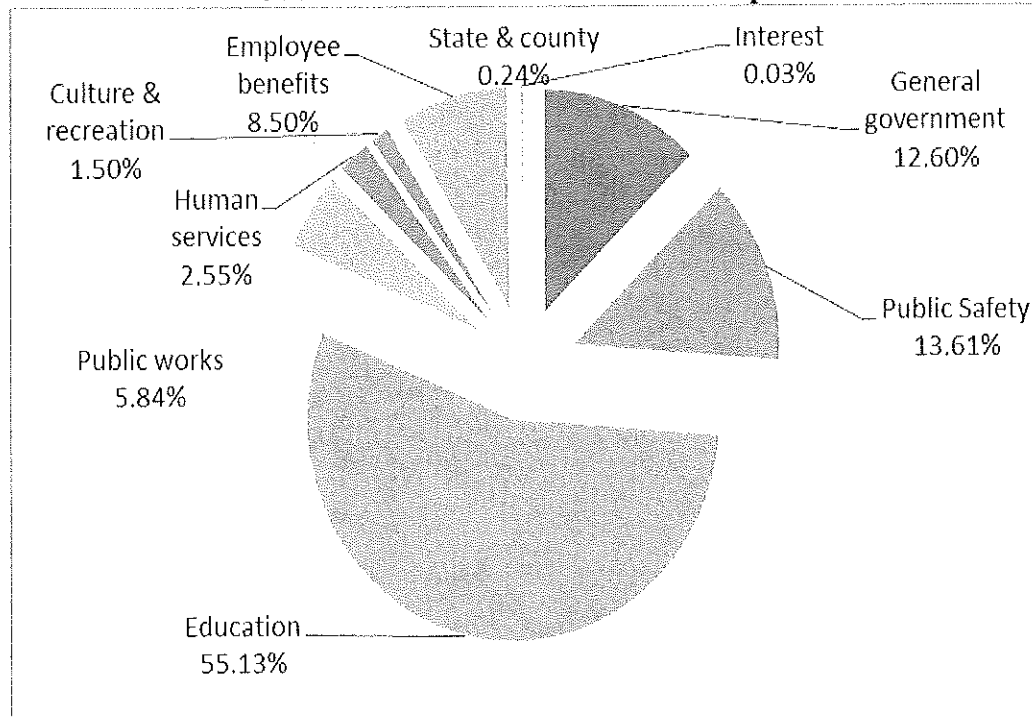
Presented below are the components that contributed to the change in net position:

Changes in Net Position			
	Governmental Activities		Increase/ (Decrease)
	FY 2020	FY 2019	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 255,095	\$ 202,301	\$ 52,794
Operating grants and contributions	282,064	143,580	138,484
Capital grants and contributions	1,322,967	272,352	1,050,615
<i>General Revenues:</i>			
Real Estate and personal property taxes	5,142,056	4,983,973	158,083
Motor vehicle excise taxes	445,771	403,266	42,505
Nonrestricted grants and contributions	520,543	520,157	386
Sale of town property	-	836,000	(836,000)
Unrestricted investment income & other	66,741	73,944	(7,203)
Total Revenues	<u>8,035,237</u>	<u>7,435,573</u>	<u>599,664</u>
Expenses:			
General Government	954,994	874,332	80,662
Public Safety	1,031,392	995,515	35,877
Education	4,179,792	4,102,214	77,578
Public Works	442,702	712,962	(270,260)
Human Services	193,358	75,646	117,712
Culture and Recreation	113,962	39,382	74,580
Employee Benefits	644,564	596,059	48,505
State and County Assessments	18,398	23,985	(5,587)
Interest	2,487	6,025	(3,538)
Total Expenses	<u>7,581,649</u>	<u>7,426,120</u>	<u>155,529</u>
Change in Net Position	453,588	9,453	444,135
Net Position - beginning	<u>7,513,415</u>	<u>7,503,962</u>	
Net Position - ending	<u>\$ 7,967,003</u>	<u>\$ 7,513,415</u>	

Governmental Activities – FY2020 Revenues



Governmental Activities – FY2020 Expenses



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the Town of Millville'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 financial requirements. In particular, undesignated fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$3.46 million, a decrease of \$251,991 in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$1,751,505, while total fund balance was \$2,219,318. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total general fund expenditures.

Fiduciary Funds

The Town's fiduciary funds provide the same type of information found in the government-wide financial statements, but in more detail. This reflects activities on resources held for the benefit of parties outside the government.

General Fund Budgetary Highlights

The original general fund budget was increased by \$204,592 to the original final budget of approximately \$6.83 million.

Total revenues were over budgetary amounts by \$54,643, and total expenditures were less than budgetary amounts by \$107,745. Most revenue types actuals were over budget estimates by modest amounts, with the exception of real estate and personal property taxes and intergovernmental. Most departments realized modest budget savings; with general government returning \$43,460, education returning \$23,988 and public safety returning \$20,047.

Capital Asset and Debt Management

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2020 amount to \$7,121,435 (net of accumulated depreciation). This investment includes land, building and improvements, machinery and equipment, vehicles, infrastructure, and lease hold improvements. The total increase in the Town's investment for the fiscal year was approximately \$0.82 million, largely attributable to infrastructure improvements.

	Capital Assets (Net of Depreciation)	
	Governmental Activities	
	FY 2020	FY 2019
Land	\$ 854,738	\$ 854,738
Building and Improvements	3,579,770	3,853,309
Leasehold Improvements	231,224	273,264
Machinery and Equipment	4,476	13,428
Vehicles	51,892	107,494
Infrastructure	2,399,335	1,201,191
Total Capital Assets	<u>\$ 7,121,435</u>	<u>\$ 6,303,424</u>

Additional information on the Town's capital assets can be found in the *Notes to the Financial Statements* (**Notes 1.G** and **Note 5** – Capital assets).

Debt

At the end of the fiscal year the Town had a total bonded debt outstanding of \$370,594. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources.

The Town did not issue bonds during FY2020.

Outstanding Debt at Year End		
Governmental Activities	Outstanding June 30, 2020	Outstanding June 30, 2019
Title V	\$ 68,250	\$ 73,500
Title V	105,266	115,792
Title V	70,000	80,000
Title V	28,832	38,296
Title V	10,200	20,600
Title V	88,046	92,680
Total Governmental Activities	\$ 370,594	\$ 420,868

At the end of the fiscal year the Town had \$895,000 of loans authorized and unissued.

Additional information on the Town's debt service can be found in the *Notes to the Financial Statements* (**Note 7** – Short-term financing and **Note 8** – Long-term debt).

Economic Factors and Next Year's Budget and Rates

The Town's per capita income was \$32,128, compared with \$42,429 for the state.

The unemployment rate for the Town (2020) was 5.48%, compared with state rate of 6.93%.

The average 2020 single family home in Millville was valued at \$297,612, with an average annual tax bill of \$4,783. FY2020 was a property revaluation year. Overall property values increased by 3.00% as compared with FY2019.

The Town has a balanced budget for FY2021 and expects minimal growth for FY2022 operations.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town of Millville's finances. Questions concerning the information provided in this report or requests for additional information should be addressed to the Office of the Town Accountant, 290 Main Street, Millville, MA 01529.

TOWN OF MILLVILLE, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>PRIMARY GOVERNMENT</u>
	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
CURRENT:	
CASH AND SHORT-TERM INVESTMENTS	\$ 3,162,930
INVESTMENTS	124,330
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	
REAL ESTATE AND PERSONAL PROPERTY TAXES	175,770
TAX LIENS	355,049
MOTOR VEHICLE EXCISE TAXES	87,008
DEPARTMENTAL AND OTHER	34,316
INTERGOVERNMENTAL	466,661
SPECIAL ASSESSMENTS	44,162
NONCURRENT:	
SPECIAL ASSESSMENTS	336,483
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	7,121,435
TOTAL ASSETS	<u>11,908,144</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
RELATED TO POST EMPLOYMENT BENEFITS	35,976
RELATED TO PENSIONS	547,874
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>583,850</u>
<u>LIABILITIES</u>	
CURRENT:	
ACCOUNTS PAYABLE	181,970
OTHER LIABILITIES	29,927
BONDS AND NOTES PAYABLE	156,979
LANDFILL POSTCLOSURE CARE COSTS	18,048
COMPENSATED ABSENCES	21,428
NONCURRENT:	
BONDS AND NOTES PAYABLE	320,520
LANDFILL POSTCLOSURE CARE COSTS	324,864
COMPENSATED ABSENCES	39,823
NET PENSION LIABILITY	2,655,377
POSTEMPLOYMENT BENEFITS	547,453
TOTAL LIABILITIES	<u>4,296,389</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
RELATED TO POST EMPLOYMENT BENEFITS	47,195
RELATED TO PENSIONS	181,407
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>228,602</u>
<u>NET POSITION</u>	
NET INVESTMENT IN CAPITAL ASSETS	6,750,841
RESTRICTED FOR:	
PERMANENT FUNDS:	
EXPENDABLE	15,215
NONEXPENDABLE	106,677
OTHER PURPOSES	1,962,388
UNRESTRICTED	(868,118)
TOTAL NET POSITION	<u>\$ 7,967,003</u>

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	PROGRAM REVENUES					NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES:						
GENERAL GOVERNMENT	\$ 954,994	\$ 19,441	\$ 145,354	\$ -	\$ (790,199)	
PUBLIC SAFETY	1,031,392	112,611	48,200	-	(870,581)	
EDUCATION	4,179,792	-	3,065	-	(4,176,727)	
PUBLIC WORKS	442,702	-	-	1,322,967	880,265	
HUMAN SERVICES	193,358	123,022	29,907	-	(40,429)	
CULTURE & RECREATION	113,962	21	55,538	-	(58,403)	
EMPLOYEE BENEFITS	644,564	-	-	-	(644,564)	
STATE & COUNTY ASSESSMENTS	18,398	-	-	-	(18,398)	
INTEREST	2,487	-	-	-	(2,487)	
TOTAL PRIMARY GOVERNMENT	\$ 7,581,649	\$ 255,095	\$ 282,064	\$ 1,322,967	\$ (5,721,523)	

See accompanying notes to the basic financial statements

(continued)

**TOWN OF MILLVILLE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2020**

	<u>PRIMARY GOVERNMENT</u>
	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
CHANGES IN NET ASSETS:	
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (5,721,523)
GENERAL REVENUES:	
REAL ESTATE AND PERSONAL PROPERTY TAXES,	
NET OF TAX REFUNDS PAYABLE	5,085,367
TAX LIENS	56,689
MOTOR VEHICLE EXCISE TAXES	445,771
PENALTIES AND INTEREST ON TAXES	38,789
GRANTS AND CONTRIBUTIONS NOT RESTRICTED	
TO SPECIFIC PROGRAMS	520,543
UNRESTRICTED INVESTMENT INCOME	5,387
MISCELLANEOUS	22,565
TOTAL GENERAL REVENUES	<u>6,175,111</u>
CHANGE IN NET POSITION	453,588
NET POSITION:	
BEGINNING OF YEAR	<u>7,513,415</u>
END OF YEAR	<u>\$ 7,967,003</u>

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	GENERAL	TITLE V	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CASH AND SHORT-TERM INVESTMENTS	\$ 2,243,423	\$ 672,570	\$ 246,937	\$ 3,162,930
INVESTMENTS	124,330	-	-	124,330
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	175,770	-	-	175,770
TAX LIENS	355,049	-	-	355,049
MOTOR VEHICLE EXCISE TAXES	87,008	-	-	87,008
DEPARTMENTAL AND OTHER	-	-	34,316	34,316
INTERGOVERNMENTAL	13,719	-	452,942	466,661
SPECIAL ASSESSMENTS	-	380,645	-	380,645
TOTAL ASSETS	\$ 2,999,299	\$ 1,053,215	\$ 734,195	\$ 4,786,709
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 167,863	\$ -	\$ 14,107	\$ 181,970
OTHER LIABILITIES	14,312	-	15,615	29,927
NOTES PAYABLE	-	106,905	-	106,905
TOTAL LIABILITIES	182,175	106,905	29,722	318,802
DEFERRED INFLOWS OF RESOURCES:				
UNAVAILABLE REVENUE	597,806	380,645	34,316	1,012,767
FUND BALANCES:				
NONSPENDABLE	-	-	106,677	106,677
RESTRICTED	-	565,665	601,600	1,167,265
COMMITTED	216,773	-	-	216,773
ASSIGNED	251,040	-	-	251,040
UNASSIGNED	1,751,505	-	(38,120)	1,713,385
TOTAL FUND BALANCES	2,219,318	565,665	670,157	3,455,140
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 2,999,299	\$ 1,053,215	\$ 734,195	\$ 4,786,709

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2020

	GENERAL	TITLE V	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES,				
NET OF TAX REFUNDS	\$ 5,049,934	\$ -	\$ -	\$ 5,049,934
MOTOR VEHICLE EXCISE TAXES	422,437	-	-	422,437
PENALTIES AND INTEREST ON TAXES	38,789	-	-	38,789
INTERGOVERNMENTAL	531,504	-	1,498,082	2,029,586
CHARGES FOR SERVICES	-	59,176	10,290	69,466
INVESTMENT INCOME	8,962	2,822	2,771	14,555
CONTRIBUTIONS & DONATIONS	-	-	3,956	3,956
DEPARTMENTAL	189,737	-	43,120	232,857
TOTAL REVENUES	6,241,363	61,998	1,558,219	7,861,580
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	810,936	-	77,895	888,831
PUBLIC SAFETY	943,318	-	30,184	973,502
EDUCATION	3,922,857	-	-	3,922,857
PUBLIC WORKS	357,689	-	1,312,124	1,669,813
HUMAN SERVICES	61,989	103,700	6,782	172,471
CULTURE & RECREATION	11,047	-	101,538	112,585
EMPLOYEE BENEFITS	302,353	-	-	302,353
STATE & COUNTY ASSESSMENTS	18,398	-	-	18,398
DEBT SERVICE:				
PRINCIPAL	50,274	-	-	50,274
INTEREST	2,487	-	-	2,487
TOTAL EXPENDITURES	6,481,348	103,700	1,528,523	8,113,571
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(239,985)	(41,702)	29,696	(251,991)
OTHER FINANCING SOURCES (USES)				
OPERATING TRANSFERS IN	46,044	-	-	46,044
OPERATING TRANSFERS OUT	-	(45,640)	(404)	(46,044)
TOTAL OTHER FINANCING SOURCES (USES)	46,044	(45,640)	(404)	-
NET CHANGE IN FUND BALANCES	(193,941)	(87,342)	29,292	(251,991)
FUND BALANCES AT BEGINNING OF YEAR	2,413,259	653,007	640,865	3,707,131
FUND BALANCES AT END OF YEAR	\$ 2,219,318	\$ 565,665	\$ 670,157	\$ 3,455,140

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

TOTAL GOVERNMENTAL FUND BALANCES		\$ 3,455,140
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		7,121,435
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		1,012,767
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		
BONDS AND NOTES PAYABLE	(370,594)	
NET PENSION LIABILITY	(2,655,377)	
DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS	547,874	
DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS	(181,407)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(547,453)	
DEFERRED OUTFLOWS OF RESOURCES - RELATED TO POSTEMPLOYMENT BENEFITS	35,976	
DEFERRED INFLOWS OF RESOURCES - RELATED TO POSTEMPLOYMENT BENEFITS	(47,195)	
COMPENSATED ABSENCES	(61,251)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(342,912)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(3,622,339)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 7,967,003</u>

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (251,991)**

GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.

CAPITAL OUTLAY	1,312,124	
DEPRECIATION EXPENSE	<u>(494,113)</u>	
 NET EFFECT OF REPORTING CAPITAL ASSETS		 818,011

REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE 173,657

THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.

DEBT SERVICE PRINCIPAL PAYMENTS	<u>50,274</u>	
 NET EFFECT OF REPORTING LONG-TERM DEBT		 50,274

SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.

NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(5,524)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	5,848	
NET CHANGE IN NET PENSION LIABILITY	(145,215)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS	(110,110)	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS	(42,878)	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(19,141)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO POSTEMPLOYMENT BENEFITS	10,210	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO POSTEMPLOYMENT BENEFITS	<u>(29,553)</u>	
 NET EFFECT OF RECORDING LONG-TERM LIABILITIES		 <u>(336,363)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 453,588**

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2020

	PRIOR YEAR CARRYFORWARD ARTICLES & ENCUMBRANCES	CURRENT YEAR INITIAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL BUDGETARY AMOUNTS	CURRENT YEAR CARRYFORWARD ARTICLES & ENCUMBRANCES	VARIANCE OVER (UNDER)
REVENUES:							
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ -	\$ 5,122,050	\$ 5,122,050	\$ 5,122,050	\$ 5,049,934	\$ -	\$ (72,116)
MOTOR VEHICLE EXCISE TAXES	-	395,000	395,000	395,000	422,437	-	27,437
PENALTIES & INTEREST ON TAXES	-	28,000	28,000	28,000	38,789	-	10,789
INTERGOVERNMENTAL	-	534,606	534,606	534,606	529,017	-	(5,589)
INVESTMENT INCOME	-	1,800	1,800	1,800	5,387	-	3,587
DEPARTMENTAL	-	70,000	70,000	70,000	160,535	-	90,535
TOTAL REVENUES	-	6,151,456	6,151,456	6,151,456	6,206,099	-	\$4,643
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	13,401	934,392	947,793	891,166	810,936	36,770	43,460
PUBLIC SAFETY	69,372	949,991	1,019,363	1,080,716	943,318	117,351	20,047
EDUCATION	59,935	3,861,391	3,921,326	3,946,845	3,922,867	-	23,988
PUBLIC WORKS	-	312,274	312,274	449,116	357,689	89,000	2,427
HUMAN SERVICES	-	67,000	67,000	67,000	61,989	760	4,251
CULTURE & RECREATION	-	22,925	22,925	22,925	11,047	-	11,878
EMPLOYEE BENEFITS	-	266,430	266,430	303,935	302,353	-	1,582
STATE & COUNTY ASSESSMENTS	-	20,144	20,144	20,144	18,398	-	1,746
DEBT SERVICE:							
PRINCIPAL	-	45,640	45,640	45,640	50,274	-	(4,634)
TOTAL EXPENDITURES	142,708	6,480,187	6,622,895	6,827,487	6,478,861	243,881	104,745
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(142,708)	(328,731)	(471,439)	(676,031)	(272,762)	(243,881)	159,388
OTHER FINANCING SOURCES (USES):							
OPERATING TRANSFERS IN	-	45,640	45,640	45,640	46,044	-	404
NET CHANGE IN FUND BALANCE	(142,708)	(283,091)	(425,799)	(630,391)	(226,718)	(243,881)	159,792
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	1,442,432	1,442,432	1,442,432	1,442,432	1,442,432	-	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 1,299,724	\$ 1,159,341	\$ 1,016,633	\$ 812,041	\$ 1,215,714	\$ (243,881)	\$ 159,792

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	POSTEMPLOYMENT BENEFITS TRUST	AGENCY FUNDS
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 42,745	\$ 165,782
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE	-	98,274
OTHER LIABILITIES	-	67,508
TOTAL LIABILITIES	-	<u>\$ 165,782</u>
<u>NET POSITION</u>		
NET POSITION - HELD IN TRUST FOR OPEB	<u>\$ 42,745</u>	

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2020

	POSTEMPLOYMENT BENEFITS TRUST
<u>ADDITIONS:</u>	
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	\$ 221
<u>DEDUCTIONS:</u>	-
CHANGE IN NET POSITION	221
NET POSITION AT BEGINNING OF YEAR	42,524
NET POSITION AT END OF YEAR	\$ 42,745

See accompanying notes to the basic financial statements

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Millville, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by an elected five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Administrator whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government's financial reporting entity.

Joint Ventures

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint ventures:

Name	Purpose	Address	Annual Assessment
Blackstone Millville Regional School District	To provide grades K-12 education	175 Lincoln Street Blackstone, MA 01504	\$ 3,303,766
Blackstone Valley Regional Vocational Technical High School	To provide vocational education	65 Pleasant Street Upton, MA 01568	\$ 347,520

The Blackstone Millville Regional School District (the District) is governed by an eight (8) member school committee. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 30.21% equity interest in the joint venture.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

The Blackstone Valley Regional Vocational Technical High School (the **BVRVTHS**) is governed by a thirteen (13) member school committee. The Town of Millville has one (1) representative on the **BVRVTHS** school committee. The Town is indirectly liable for debt and other expenditures of the **BVRVTHS** and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the **BVRVTHS** at the above address. The Town has an equity interest of approximately 3.0% in the joint venture.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges. The Town does not have any *business-type activities* as of June 30, 2020.

Fund Financial Statements

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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. If 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 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- b. If 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 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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 have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- a. *Charges to customers* or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- b. *Grants and contributions* that is restricted to meeting the operational requirements of a particular function or segment.
- c. *Grants and contributions* that is restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means 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 due, and the non-current portion of compensated absences, landfill postclosure care costs, net pension liability, and postemployment benefits which are recognized when the obligations are expected to be liquidated with current expendable available resources.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Title V fund* is a special revenue fund used to account for the Title V Betterments.
- 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:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held by the Town in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

- The *Agency fund* is used to account for assets held in a purely custodial capacity.
- The *Postemployment Benefits Trust fund* is used to account for assets held to fund future Postemployment Benefits of current and retired employees.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and short term investments 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 reported at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 3 – Fair Market Value of Investments.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements, proprietary and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1 and February 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental and Other

Departmental and other receivables consist primarily of ambulance receivables and are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Special Assessments

Governmental activities special assessments consist primarily of Title V receivables which are recorded as receivables in the fiscal year accrued. Since the receivables are secured via the lien process, these assets are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, vehicles, buildings and improvements, leasehold improvements, machinery and equipment, and infrastructure (e.g., roadways, and similar items), are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings and Improvements	10-40
Leasehold Improvements	8
Machinery and Equipment	5-10
Vehicles	5-15
Infrastructure	10-20

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the fiscal year of purchase for the various funds.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

K. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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 (expenditure) until then. The Town reported deferred outflows of resources related to post-employment benefits and pensions in this category.

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 so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows of resources related to postemployment benefits, and pensions in this category.

Governmental Funds Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

- a. *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net position has been “restricted” for the following:

- *Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- *Permanent funds – nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
- *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town uses the following criteria for fund balance policies and procedures:

- When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balance is available; the least restricted amount will be considered to have been spent.

M. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (*MGL*).

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

O. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

Government-Wide Financial Statements

The total amount to be paid in future years is presented in the governmental activities column of the government-wide statement of net position. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2020 is recorded in the governmental fund financial statements.

P. Pensions

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

Q. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

R. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from estimates that were used.

S. Total Column

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not comparable to the consolidated financial information.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund. The budgets for all departments and operations of the Town are prepared under the direction of the Town Administrator. The Town Administrator shall submit to the Board of Selectmen a written proposed budget for Town government for the ensuing fiscal year, including the budget as proposed by the School Department. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2020 approved budget authorized \$6,480,187 in current year appropriations and other amounts to be raised and \$142,708 in encumbrances, appropriations carried over from previous fiscal years. Supplemental appropriations of \$204,592 were approved at one Special Town Meetings during fiscal year 2020.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis	\$ (226,718)
Basis of accounting differences:	
Net stabilization fund activity	32,777
Increase in revenue for on-behalf payments - MCWT	2,487
Increase in expenditures for on-behalf payments - MCWT	<u>(2,487)</u>
Net change in fund balance - GAAP basis	<u><u>\$ (193,941)</u></u>

C. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds from long-term debt during fiscal year 2021.

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

Deposits

- *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits "in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a formal deposit policy for custodial credit risk. The Town carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), and the Depositor's Insurance Fund (DIF). The Town also carries deposits that are uninsured and uncollateralized.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

The following table illustrates how much of the Town's bank deposits are insured, and how much of the Town's bank deposits are uninsured and uncollateralized as of June 30, 2020:

Total bank balances		<u><u>\$ 3,467,116</u></u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	912,679	
Depositors Insurance Fund (DIF)	<u>2,060,931</u>	
Total bank balances covered by deposit insurance		2,973,610
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>493,506</u>	
Total bank balances subject to custodial credit risk		<u>493,506</u>
Total bank balances		<u><u>\$ 3,467,116</u></u>

Investments

Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

a) Credit Risk

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

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Presented below is the actual rating as of year-end for the investment type of the Town.

<u>Investment type</u>	<u>Fair value</u>	<u>Minimum Legal Rating</u>	<u>Unrated</u>
Certificate of Deposit	<u>\$ 124,330</u>	<u>N/A</u>	<u>\$ 124,330</u>

b) Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the certificate of deposit because it is fully insured by Federal Deposit Insurance Corporation (FDIC). The Town does not have a policy for custodial credit risk.

c) Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. . Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>
		<u>1-5</u>
Certificate of Deposit	<u>\$ 124,330</u>	<u>\$ 124,330</u>

d) Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investment is in the following security:

<u>Issuer</u>	<u>Percentage of Total Investment</u>
Dean Bank - Certificate of Deposit	100.00%

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by the major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurement as of June 30, 2020.

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificate of Deposit	\$ 124,330	\$ 124,330	\$ -	\$ -
Investments measured at amortized cost				
Massachusetts Municipal Depository Trust - (MMDT)	43,227			
Total Investments	\$ 167,557			

Certificate of Deposit classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Massachusetts Municipal Depository Trust (MMDT) investments are valued at amortized cost. Under the amortized cost method an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – RECEIVABLES

The receivables at June 30, 2020 for the Town's individual major and nonmajor governmental funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 183,070	\$ (7,300)	\$ 175,770
Tax Liens	486,695	(131,646)	355,049
Motor vehicle excise taxes	108,608	(21,600)	87,008
Title V special assessments	380,645	-	380,645
Ambulance	171,580	(137,264)	34,316
Intergovernmental	466,661	-	466,661
Total	<u>\$ 1,797,259</u>	<u>\$ (297,810)</u>	<u>\$ 1,499,449</u>

Governmental funds report deferred Inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred Inflows of resources reported in the governmental funds were as follows:

Deferred Inflows of Resources Analysis

Deferred Inflows	General Fund	Title V Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 497,079	\$ -	\$ -	\$ 497,079
Deferred Other Revenue	87,008	380,645	34,316	501,969
Deferred Intergovernmental Revenue	13,719	-	-	13,719
Total	<u>\$ 597,806</u>	<u>\$ 380,645</u>	<u>\$ 34,316</u>	<u>\$ 1,012,767</u>

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 854,738	\$ -	\$ -	\$ 854,738
<i>Capital assets being depreciated:</i>				
Buildings and improvements	11,721,123	-	-	11,721,123
Leasehold improvements	336,325	-	-	336,325
Machinery and equipment	495,840	-	-	495,840
Vehicles	1,469,923	-	-	1,469,923
Infrastructure	1,921,565	1,312,124	-	3,233,689
Total capital assets being depreciated	15,944,776	1,312,124	-	17,256,900
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(7,867,814)	(273,539)	-	(8,141,353)
Leasehold improvements	(63,061)	(42,040)	-	(105,101)
Machinery and equipment	(482,412)	(8,952)	-	(491,364)
Vehicles	(1,362,430)	(55,602)	-	(1,418,032)
Infrastructure	(720,373)	(113,980)	-	(834,353)
Total accumulated depreciation	(10,496,090)	(494,113)	-	(10,990,203)
Total capital assets being depreciated, net	5,448,686	818,011	-	6,266,697
Total governmental activities capital assets, net	\$ 6,303,424	\$ 818,011	\$ -	\$ 7,121,435

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	
General government	\$ 66,163
Public safety	57,890
Education	256,935
Public works	85,013
Human services	26,735
Culture and recreation	<u>1,377</u>
Total depreciation expense - governmental activities	<u><u>\$ 494,113</u></u>

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2020, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>	
	General Fund	
Nonmajor Governmental Funds	\$ 404	(2)
Title V Major Governmental Fund	<u>45,640</u>	(1)
Total	<u><u>\$ 46,044</u></u>	

(1) Represents budgeted transfers to General Fund

(2) Represents other transfers

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth through the issuance of State Aid anticipation notes (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures/expenses for short-term borrowings are accounted for in the general fund.

The following is a summary of changes in short-term debt for the year ended June 30, 2020:

Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
MWPAT Interim Loan	0.00%	6/30/2020	\$ -	\$ 106,905	\$ -	\$ 106,905

Short-term loans are general obligations of the Town and maturity dates are governed by statute.

NOTE 8 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit however require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The following is a summary of the changes in long-term debt for the year ended June 30, 2020:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
Title V	0.00%	\$ 73,500	\$ -	\$ (5,250)	\$ 68,250
Title V	0.00%	115,792	-	(10,526)	105,266
Title V	0.00%	80,000	-	(10,000)	70,000
Title V	Var.	38,296	-	(9,464)	28,832
Title V	Var.	20,600	-	(10,400)	10,200
Title V	0.00%	92,680	-	(4,634)	88,046
Total		<u>\$ 420,868</u>	<u>\$ -</u>	<u>\$ (50,274)</u>	<u>\$ 370,594</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 50,074	\$ 1,473	\$ 51,547
2022	40,094	726	40,820
2023	40,094	242	40,336
2024	30,410	-	30,410
2025	30,411	-	30,411
2026-2030	122,055	-	122,055
2031-2035	38,920	-	38,920
2036-2039	18,536	-	18,536
Total	<u>\$ 370,594</u>	<u>\$ 2,441</u>	<u>\$ 373,035</u>

**TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 420,868	\$ -	\$ (50,274)	\$ 370,594	\$ 50,074
Compensated absences	55,727	5,524	-	61,251	21,428
Landfill postclosure care costs	348,760	-	(5,848)	342,912	18,048
OPEB (Note 12)	528,312	19,141	-	547,453	-
Net pension liability (Note 13)	2,510,162	145,215	-	2,655,377	-
Total governmental activities long-term liabilities	<u>\$ 3,863,829</u>	<u>\$ 169,880</u>	<u>\$ (56,122)</u>	<u>\$ 3,977,587</u>	<u>\$ 89,550</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

Loans Authorized and Unissued

As of June 30, 2020, the Town has loans authorized and unissued as follows:

Description	Date Authorized	Amount
Title V	5/1/2007	\$ 95,000
Title V	5/10/2008	200,000
Millville Elementary Water	5/12/2010	300,000
Title V	11/14/2011	300,000
Total		<u>\$ 895,000</u>

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2020:

Agency	Total Long- Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Blackstone-Millville Regional School District			
Bonds	\$ 2,735,000	30.21%	\$ 826,244
Statehouse Note	2,000,000	30.21%	604,200
Blackstone Valley Regional Vocational Technical High School:			
Bonds	<u>1,885,000</u>	3.00%	<u>56,550</u>
Totals	<u>\$ 6,620,000</u>		<u>\$ 1,486,994</u>

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has classified its governmental fund balances with the following hierarchy.

	General Fund	Title V Fund	Nonmajor Governmental Funds	TOTAL
Fund Balances				
Nonspendable				
Permanent Fund Principal	\$ -	\$ -	\$ 106,677	\$ 106,677
Restricted For:				
General Government	-	-	172,335	172,335
Public Safety	-	-	286,593	286,593
Human Services	-	-	18,345	18,345
Culture & Recreation	-	-	96,448	96,448
Employee Benefits	-	-	12,664	12,664
Title V	-	565,665	-	565,665
Expendable Trust Fund	-	-	15,215	15,215
	-	565,665	601,600	1,167,265
Committed To:				
Continuing Appropriations				
General Government	13,401	-	-	13,401
Public Safety	114,372	-	-	114,372
Public Works	89,000	-	-	89,000
	216,773	-	-	216,773
Assigned To:				
Encumbered For:				
General Government	23,369	-	-	23,369
Public Safety	2,978	-	-	2,978
Human Services	760	-	-	760
Subsequent Years Expenditures	12,796	-	-	12,796
Ambulance Stabilization Fund	210,805	-	-	210,805
Capital Improvements Stabilization Fund	332	-	-	332
	251,040	-	-	251,040
Unassigned				
General Fund	1,337,537	-	-	1,337,537
General Stabilization Fund	413,968	-	-	413,968
Nonmajor Governmental Funds	-	-	(38,120)	(38,120)
	1,751,505	-	(38,120)	1,713,385
Total Governmental Fund Balances	\$ 2,219,318	\$ 565,665	\$ 670,157	\$ 3,455,140

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – STABILIZATION FUND

The Town has established three funds where the Town has set aside amounts for emergency and capital needs. These funds consist of the following;

- The *Stabilization fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$413,968 as of June 30, 2020. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- The *Ambulance Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment and Ambulance vehicles, and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. The ambulance stabilization fund balance is \$210,805 as of June 30, 2020. This fund was established under MGL Chapter 40 sub-section 5B.
- The *Capital Improvements Stabilization Fund* is used to account for funds put aside to maintain equipment replacement and facilities maintenance per the Town's comprehensive fiscal policies. The Capital Improvements Stabilization Fund balance is \$332 as of June 30, 2020. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under MGL Chapter 40, section 5B.

NOTE 11 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. The fully insurable value of the Town buildings is \$19,616,552.

The Town has two contributory health care options for its employees. There are 6 employees and 0 retirees who participate in the Town's health care programs. The Town contributes 25% of the premium costs for active employees and 75% of the premium costs for retirees.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2020.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The GASB Standards for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the following disclosures in the financial statements related to the retiree medical benefits:

Plan Description. The Town of Millville's postemployment benefits other than pensions plan is a single-employer, defined benefit, healthcare plan administered by the Town of Millville. The plan provides medical and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General Laws Chapter 32B to provide 50% of the premium cost of retirees' health and life insurance costs.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended through local bylaw. For the fiscal year 2020 total Town premiums plus implicit costs for the retiree medical program was \$ 0.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. As of June 30, 2020, the balance of this fund totaled \$42,745.

GASB Statement #75 – OPEB Plan Financial Reporting

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Measurement Date - GASB #75 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by a actuarial valuation as of July 1, 2019.

Plan Membership – The following table represents the Plan's membership at June 30, 2020:

Active Members	7
Inactive members currently receiving benefits	<u>0</u>
Total	<u><u>7</u></u>

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2020:

Total OPEB Liability	\$ 590,198
Less: OPEB plan's fiduciary net position	<u>(42,745)</u>
Net OPEB Liability	<u><u>\$ 547,453</u></u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	7.24%
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Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan's net OPEB liability calculated using the discount rate of 2.66% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.66%) or 1 percentage-point higher (3.66%) than the current rate.

	<u>1% Decrease (1.66%)</u>	<u>Discount Rate (2.66%)</u>	<u>1% Increase (3.66%)</u>
Net OPEB liability	\$ 698,252	\$ 590,198	\$ 482,144

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 8% decreasing to 5.00% as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage-point lower or 1 percentage-point higher.

	<u>1% Decrease (7.00% decreasing to 4.00%)</u>	<u>Healthcare Cost Trend Rates (8.00% decreasing to 5.00%)</u>	<u>1% Increase (9.00% decreasing to 6.00%)</u>
Net OPEB liability	\$ 452,682	\$ 590,198	\$ 763,716

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Significant Actuarial Methods and Assumptions – The plan’s total OPEB liability, and actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2020 to be in accordance with GASB statements #75.

Asset Valuation	Market Value
Actuarial Cost Method	Entry Age Normal
Healthcare cost trend rates	8.00 % Decreasing to 5.00% ultimate
Discount rate	2.66%
Salary increases	3.00% annually
Mortality Rate	RP-2006 Mortality Table with MP-2019 projection
Inflation	3% per anum

Discount Rate – The discount rate used to measure the total OPEB liability was 2.66% as of June 30, 2020, and 2.79% as of June 30, 2019.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 570,836	\$ 42,524	\$ 528,312
Charges for the year			
Service cost	22,976	-	22,976
Interest on Total OPEB Liability	15,926	-	15,926
Difference between expected and actual experience	(33,614)	-	(33,614)
Expected Investment Income	-	221	(221)
Changes in assumptions	14,074	-	14,074
Net Changes	19,362	221	19,141
Balance at June 30, 2019	<u>\$ 590,198</u>	<u>\$ 42,745</u>	<u>\$ 547,453</u>

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Deferred Outflows/Inflows of Resources

At June 30, 2020 the Town reported deferred outflows and inflows of resources related to other postemployment benefits of \$35,976 and \$47,195 respectively.

The balances of deferred outflows and inflows as of June 30, 2020 consist of the following:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Difference between expected and actual experience	\$ 7,617	\$ (47,195)	\$ (39,578)
Changes of Assumptions	28,359	-	28,359
Total Deferred Outflows (Inflows) of Resources	<u>\$ 35,976</u>	<u>\$ (47,195)</u>	<u>\$ (11,219)</u>

The Town's net deferred inflows/outflows of resources related to other postemployment benefits will be recognized in future years other postemployment benefits are as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2021	\$ (197)
2022	(197)
2023	(197)
2024	(197)
2025	(197)
Thereafter	<u>(10,234)</u>
Total Deferred Inflows/Outflows Recognized in Future Years	<u>\$ (11,219)</u>

Changes of Assumption – The discount rate decreased from 2.79% to 2.66%

Changes in Plan Provisions - None

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – PENSION PLANS

A. Plan Descriptions

The Town is a member of the Worcester Regional Retirement System (The System), a cost-sharing multiple-employer, contributory defined benefit pension plan covering eligible employees of the 99 member units deemed eligible by the system. Chapter 32 of the Massachusetts General Law assigns authority to establish and amend benefit provisions of the system. Substantially all employees are members of the system. The system is a contributory defined benefit plan and membership in the system is mandatory upon commencement of employment for all permanent full time employees.

The System issues a publically available audited financial report that may be obtained by contacting the system at 23 Midstate Drive, Suite 106 Midstate Office Park, Auburn, Massachusetts 01501. The report can also be obtained online at <http://worcesterregionalretirement.org/>.

B. Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are with certain minor exceptions, uniform from system to system. For employees who become members prior to April 2, 2012, the annual amount of retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period. The employees final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement. For employees who become members on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%. An employee's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five-years of creditable service prior to retirement. Employees become vested after ten years of creditable service.

Employees who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including whether or not disability is work related, the employees' age, years of creditable service, level of compensation, and veterans' status.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Cost-of living adjustments granted between 1981 and 1997, and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited in to the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the system and all costs are borne by the system.

C. Contributions

Worcester Regional Retirement System

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross regular compensation. Members joining the system after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year December 31, 2019 which was \$181,637 and 25.34% of covered payroll, actuarially determined as an amount that when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2020 the Town reported a liability of \$2,655,377 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, updated procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members actuarially determined. At December 31, 2019, the Town's proportion was 0.30%.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2020 the Town recognized pension expense of \$479,842. At June 30, 2020 the Town reported deferred outflows and inflows of resources related to pensions of \$547,874 and \$181,407 respectively.

The balances of deferred outflows and inflows as June 30, 2020 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Net Differences between expected and actual experience	\$ 7,798	\$ (15,909)	\$ (8,111)
Changes of Assumptions	148,415	-	148,415
Changes in proportionate share of contributions	391,661	(92,564)	299,097
Net difference between projected and actual investment earnings	-	(72,934)	(72,934)
Total Deferred Outflows (Inflows) of Resources	<u>\$ 547,874</u>	<u>\$ (181,407)</u>	<u>\$ 366,467</u>

The Town's net deferred outflows/inflows of resources related to pensions will be recognized in future pension expense is as follows:

Year ended June 30	Amount
2020	\$ 199,091
2021	81,969
2022	68,656
2023	(16,212)
2024	32,963
Totals	<u>\$ 366,467</u>

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

E. Actuarial assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2019.

Valuation date	January 1, 2018
Actuarial cost method	Entry age normal
Amortization method	Payment increases 4% per year
Asset valuation method	market value
Inflation rate	2.4% per year
Salary increases	Group 1: 4.25% - 6% based on service Group 4: 4.75% - 7% based on service
Mortality rates:	Based on the RP-2000 mortality table (base year 2009) with full generational mortality improvement using scale BB. For disabled lives, the mortality rates were based on the RP – 2000 mortality table (base year 2012) with full generational mortality improvement using scale BB.
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

F. Long-Term Expected Rate of Return

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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39%	4.68%
Fixed income	23%	1.90%
Private equity	13%	8.50%
Real estate	10%	3.70%
Timber/Natural Resources	4%	4.30%
Portfolio completion strategies	11%	3.40%
Total	<u>100%</u>	

For the year ended December 31, 2019 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was 16.55%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

G. Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2019 was 7.65%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with sections 22D and 22F of Chapter 32 of Massachusetts General Laws. 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.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

H. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the system, as of December 31, 2019 calculated using the discount rate of 7.65%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
The Towns proportionate share of the net pension liability	\$ 3,240,252	\$ 2,655,377	\$ 2,161,468

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did not expend more than \$750,000 of federal awards during the period ended June 30, 2020. These programs may still be subject to financial and compliance audits. Accordingly, the amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

The Town's landfill was closed in August 1979 by order of the Massachusetts Department of Environmental Protection (DEP). The DEP approved the capping construction of the landfill which was completed in July 2008. The Town is responsible for post-closure monitoring of the site for thirty years (19 years remaining), and the estimated liability has been recorded in the Statement of Net position, "Governmental Activities". The \$342,912 reported as landfill post-closure liability at June 30, 2020 is based on what it would cost to perform all post-closure care at June 30, 2020 Actual costs may be higher due to inflation, changes in technology or changes in regulations.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 – SUBSEQUENT EVENTS

In October of 2020 the Town of Millville entered into a Revised Regional School Agreement with The Town of Blackstone (the Members) and the Blackstone Millville Regional School District (BMR). In addition to amending and outlining District governance, reporting, and allocation of operating and capital costs, the revised agreement includes provisions under district dissolution whereby each member town would be responsible for its undefined share of obligations including Debt, Unfunded Pensions, and Unfunded Other Post Employment Benefits (“OPEB”).

As of June 30, 2020 BMR’s Long Term Debt was \$2,735,000

As of June 30, 2020 BMR’s Unfunded OPEB Obligation was \$33,956,408

As of June 30, 2020 BMR’s Unfunded Pension Obligation was \$7,697,213

In addition at the state level, the unfunded MTRS Pension Obligation on behalf of active and retired BMR teachers was \$39,029,044 with the Commonwealth of Massachusetts paying a contribution of \$4,732,949 on behalf of the BMR active and retired employees in FY 2020.

NOTE 16 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state’s Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it closed its doors to the public, departments remained operational and employees continued to perform their daily duties in-person or remotely.

In Fiscal Year 2021 the Town has incurred unanticipated costs specifically related to the pandemic. On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment of funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19. The Commonwealth and communities throughout the Commonwealth were awarded a portion of the federal funding. In addition to the funding from the CARES Act, there are several other federal and state grants available to help offset these unanticipated costs.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2020, the following GASB pronouncements were implemented:

The GASB issued **Statement #84**, *Fiduciary Activities*, was implemented in 2020. Management's current assessment is that this pronouncement did not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #90**, *Majority Equity Interests – an Amendment of GASB Statements No.14 and No.61*, was implemented in 2020. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #95**, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was implemented in 2020. Management's current assessment is that this pronouncement did not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #96**, *Subscription-Based Information Technology Arrangements*, was implemented in 2020. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

Future GASB Pronouncements:

The GASB issued **Statement #87**, *Leases*, which is required to be implemented in 2021. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #91**, *Conduit Debt Obligations* – which is required to be implemented for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The primary objectives of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. . Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #92**, *Omnibus 2020*, which is required to be implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #93**, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

TOWN OF MILLVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

The GASB issued **Statement #94**, *Public-Private and Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Service Code 457 Deferred Compensation Plans*, which is required to be implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF MILLVILLE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2020**

Schedule of the Town's Proportionate Share of the Net Pension Liability

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	0.30%	0.28%	0.29%	0.25%	0.25%	0.16%
Town's proportionate share of the net pension liability	\$ 2,655,377	\$ 2,510,162	\$ 2,389,622	\$ 2,082,447	\$ 1,805,189	\$ 932,782
Town's covered-employee payroll	\$ 716,932	\$ 679,493	\$ 682,493	\$ 590,854	\$ 550,696	\$ 529,515
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	370.38%	369.42%	350.13%	352.45%	327.80%	176.16%
Plan fiduciary net position as a percentage of the total pension liability	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF MILLVILLE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2020**

SCHEDULE OF TOWN'S CONTRIBUTION

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Actuarially determined contribution	\$ 181,637	\$ 154,122	\$ 148,282	\$ 120,768	\$ 114,409	\$ 61,947
Contribution in relation to the actuarially determined contribution	(181,637)	(154,122)	(148,282)	(120,768)	(114,409)	(61,947)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 716,932	\$ 679,493	\$ 682,493	\$ 590,854	\$ 550,696	\$ 529,515
Contribution as a percentage of covered - employee payroll	25.34%	22.68%	21.73%	20.44%	20.78%	11.70%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF MILLVILLE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2020**

Schedule of the Town's Net OPEB Liability and Related Ratios

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability			
Service Cost	\$ 22,976	\$ 22,339	\$ 20,458
Interest	15,926	15,891	14,524
Differences between expected and actual experience	(33,614)	(19,602)	10,881
Changes of assumptions	14,074	18,957	-
Net Change in total OPEB liability	19,362	37,585	45,863
Total OPEB liability-beginning	570,836	533,251	487,388
Total OPEB liability-ending (a)	<u>590,198</u>	<u>570,836</u>	<u>533,251</u>
 Plan fiduciary net position			
Contributions-employer	-	20,000	-
Net investment income	221	24	-
Net change in plan fiduciary net position	221	20,024	-
Plan fiduciary net position - beginning	42,524	22,500	22,500
Plan fiduciary net position - ending (b)	<u>42,745</u>	<u>42,524</u>	<u>22,500</u>
 Town's net OPEB liability-ending (a)-(b)	 <u>\$ 547,453</u>	 <u>\$ 528,312</u>	 <u>\$ 510,751</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 7.24%	 7.45%	 4.22%
 Covered-employee payroll	 \$ 298,118	 \$ 240,000	 \$ 240,000
 Plan's net OPEB liability as a percentage of covered-employee payroll	 183.64%	 220.13%	 212.81%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available

See notes to required supplementary information.

**TOWN OF MILLVILLE MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2020**

Schedule of the Town's Contribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 60,604	\$ 58,116	\$ 53,158
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>(20,000)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ 60,604</u>	<u>\$ 38,116</u>	<u>\$ 53,158</u>
Covered-employee payroll	\$ 298,118	\$ 240,000	\$ 240,000
Contributions as a percentage of covered- employee payroll	0.00%	8.33%	0.00%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

TOWN OF MILLVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

Pension Plan Schedules

A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability; the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contribution

Governmental employers are required to pay an annual appropriation as established by PERAC (Public Employees Retirement Administration Commission). The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1, and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Changes in Plan Provisions – None

Other Postemployment Benefits Schedules

A. Schedule of the Town's Net OPEB Liability and Related Ratios

The Schedule of the Town's Net OPEB Liability and Related Ratios presents multi-year trend information on changes in the plan's total OPEB liability, changes in the plan's net position, and ending net OPEB liability. It also demonstrates the plan's net position as a percentage of the total liability and the plan's net OPEB liability as a percentage of covered-employee payroll.

B. Schedule of the Town's Contribution

The Schedule of the Town's contributions includes the Town's annual required contribution to the plan, along with the contribution made in relation to the actuarially determined contribution. The Town is not required to fully fund this contribution.

C. Changes in Provisions - None