

TOWN OF STONEHAM, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019



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TOWN OF STONEHAM, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Select Board
Town of Stoneham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stoneham, Massachusetts, as of and for the year ended June 30, 2019 (except for the Stoneham Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2018), and the related notes to the financial statements, which collectively comprise the Town of Stoneham, Massachusetts' 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.

Auditors' Responsibility

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

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

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

Honorable Select Board
Town of Stoneham, Massachusetts

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stoneham, Massachusetts, as of June 30, 2019 (except for the Stoneham Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2018), and the respective changes in financial position and, where applicable, cash flows thereof 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 (located on pages 3 through 11) and general fund budgetary comparison and certain pension and other post-employment benefits information (located on pages 63 through 70) 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020 on our consideration of the Town of Stoneham, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stoneham, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
March 23, 2020

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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

Financial Highlights

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$72,204,472 (net position).
- The Town's total net position decreased \$5,144,626.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$8,943,194, or 11.8%, of total general fund expenditures and transfers out.
- The Town's total outstanding bonded debt (excluding unamortized premiums) decreased by \$2,899,494, or 9.7%, during the fiscal year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements, consisting of the following:

1. General Fund – schedule of revenues, expenditures and changes in fund balance – non-GAAP budgetary basis - budget and actual
2. Other post-employment benefits schedule
3. Pension plan schedules

Government-wide financial statements

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

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

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

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's sewer and water operations.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect 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 this comparison between governmental funds and governmental activities.

The Town maintains over 280 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and highway projects fund (capital project), both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The governmental funds basic financial statements can be found on pages 15-18 of this report.

Proprietary funds

The Town maintains one type of proprietary fund representing the Town's enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water operations, both of which are considered to be major funds.

The proprietary funds basic financial statements can be found on pages 19-21 of this report.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Fiduciary funds

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

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The fiduciary funds basic financial statements can be found on pages 22-23 of this report.

Notes to the 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. The notes to the basic financial statements can be found on pages 24-61 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the general fund schedule of revenues, expenditures and changes in fund balance (budget and actual) and certain pension and other post-employment benefits information, which can be found on pages 63-70.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$72,204,472 at the close of the fiscal year and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current Assets	\$ 18,162,035	\$ 20,577,806	\$ 8,492,953	\$ 8,202,485	\$ 26,654,988	\$ 28,780,291
Noncurrent Assets (Excluding Capital Assets)	1,735,855	2,823,846	-	-	1,735,855	2,823,846
Capital Assets (Net)	87,209,822	87,737,376	13,743,326	12,978,013	100,953,148	100,715,389
Total Assets	107,107,712	111,139,028	22,236,279	21,180,498	129,343,991	132,319,526
Deferred Outflows of Resources	15,924,866	758,878	416,789	21,746	16,341,655	780,624
Liabilities						
Current Liabilities (Excluding Debt)	6,197,337	1,792,350	198,066	34,558	6,395,403	1,826,908
Noncurrent Liabilities (Excluding Debt)	173,967,539	155,796,066	4,561,253	4,466,796	178,528,792	160,262,862
Current Debt	3,619,022	4,024,472	390,886	422,445	4,009,908	4,446,917
Noncurrent Debt	22,498,584	25,037,606	1,502,254	1,650,639	24,000,838	26,688,245
Total Liabilities	206,282,482	186,650,494	6,652,459	6,574,438	212,934,941	193,224,932
Deferred Inflows of Resources	4,828,797	6,742,150	126,380	192,914	4,955,177	6,935,064
Net Position						
Net Investment in Capital Assets	61,427,454	58,675,298	13,436,521	10,904,929	74,863,975	69,580,227
Restricted	3,534,024	6,728,680	-	-	3,534,024	6,728,680
Unrestricted	(153,040,179)	(146,898,716)	2,437,708	3,529,963	(150,602,471)	(143,368,753)
Total Net Position	\$ (88,078,701)	\$ (81,494,738)	\$ 15,874,229	\$ 14,434,892	\$ (72,204,472)	\$ (67,059,846)

The largest portion of the Town's net position, \$74,863,975, reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$3,534,024, represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$150,602,471.

The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and total other post-employment benefits liabilities. The Town has \$2,437,708 that may be used to support business-type activities.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Changes in Net position

For the fiscal year ended June 30, 2019, the Town's total net position decreased \$5,144,626, compared to an increase of \$1,093,195 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 5,815,276	\$ 5,808,817	\$ 10,557,592	\$ 11,475,310	\$ 16,372,868	\$ 17,284,127
Operating Grants and Contributions	15,329,466	14,287,293	52,757	-	15,382,223	14,287,293
Capital Grants and Contributions	635,517	1,146,746	1,304,747	-	1,940,264	1,146,746
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	50,396,137	48,766,330	-	-	50,396,137	48,766,330
Motor Vehicle and Other Excise Taxes	3,934,458	3,797,312	-	-	3,934,458	3,797,312
Meals Tax	379,451	354,222	-	-	379,451	354,222
Penalties and Interest on Taxes	214,033	158,288	-	-	214,033	158,288
Payments in Lieu of Taxes	60,324	67,900	-	-	60,324	67,900
to Specific Programs	4,245,401	4,103,361	-	-	4,245,401	4,103,361
Unrestricted Investment Income	315,759	61,399	-	37,170	315,759	98,569
Total Revenues	81,325,822	78,551,668	11,915,096	11,512,480	93,240,918	90,064,148
Expenses						
General Government	6,423,563	5,056,516	-	-	6,423,563	5,056,516
Public Safety	16,176,897	14,813,377	-	-	16,176,897	14,813,377
Education	55,820,584	50,922,199	-	-	55,820,584	50,922,199
Public Works	5,977,631	5,807,074	-	-	5,977,631	5,807,074
Health and Human Services	1,385,723	1,291,153	-	-	1,385,723	1,291,153
Culture and Recreation	2,427,735	1,986,345	-	-	2,427,735	1,986,345
Debt Service - Interest	955,047	997,903	-	-	955,047	997,903
Sewer	-	-	5,364,425	4,783,305	5,364,425	4,783,305
Water	-	-	3,853,939	3,313,081	3,853,939	3,313,081
Total Expenses	89,167,180	80,874,567	9,218,364	8,096,386	98,385,544	88,970,953
Change in Net Position Before Transfers	(7,841,358)	(2,322,899)	2,696,732	3,416,094	(5,144,626)	1,093,195
Transfers, Net	1,257,395	575,375	(1,257,395)	(575,375)	-	-
Change in Net Position	(6,583,963)	(1,747,524)	1,439,337	2,840,719	(5,144,626)	1,093,195
Net Position - Beginning of Year	(81,494,738)	(79,747,214)	14,434,892	11,594,173	(67,059,846)	(68,153,041)
Net Position - End of Year	<u>\$ (88,078,701)</u>	<u>\$ (81,494,738)</u>	<u>\$ 15,874,229</u>	<u>\$ 14,434,892</u>	<u>\$ (72,204,472)</u>	<u>\$ (67,059,846)</u>

Governmental activities decreased the Town's net position by \$6,583,963. In the prior year, governmental activities decreased the Town's net position by \$1,747,524. The key element of this change was the increase in the Town's OPEB expense of approximately \$5,461,000.

Business-type activities increased the Town's net position by \$1,439,337. In the prior year, business-type activities increased the Town's net position by \$2,840,719. The key elements of this change related to decreases in transfers in of \$400,000 along with increases in transfers out of approximately \$282,000.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Fund Financial Statement Analysis

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$13,598,077, a decrease of \$2,316,055 in comparison with the prior year. \$8,510,521 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$1,133,078
- Restricted - \$2,989,809
- Committed - \$828,163
- Assigned - \$136,506

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$8,943,194, while total fund balance was \$10,056,586. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 11.8% of total general fund expenditures and transfers out, while total fund balance represents 13.3% of that same amount.

The fund balance of the Town's general fund increased \$223,122 during fiscal year 2019. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$2,490,000; and used approximately \$3,619,000 of reserves to fund the fiscal year 2019 budget.

Financial highlights of the Town's other major governmental fund is as follows:

The fund balance of the highway projects fund (capital projects) increased \$6,016 during the current fiscal year. The fund recognized \$575,416 of intergovernmental revenues and expenditures totaled \$569,400.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer and water enterprise funds at the end of the year amounted to \$1,589,255 and \$848,453, respectively. The sewer enterprise fund had an increase in net position for the year of \$680,948 and the water enterprise fund had an increase in net position for the year of \$758,389. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF STONEHAM, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

General Fund Budgetary Highlights

The original General Fund budgeted expenditures (including transfers out) totaled \$71,477,638. During the year, supplemental appropriations totaling \$245,000 were authorized. The following table summarizes the increase:

Purpose of Increase/Decrease	Amount	Funding Source
Snow and Ice	\$ 175,000	Transfer from Stabilization
Purchasing Agent for the Town and School	45,000	Overlay Surplus
Lindenwood Cemetary	25,000	Overlay Surplus
Total Net Increase	<u>\$ 245,000</u>	

Capital Assets and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$100,953,148 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total net increase in the investment in capital assets for the current fiscal year was \$237,759.

Major capital asset events that occurred during the current fiscal year include the following:

- Stoneham Arena building improvements (approximately \$1,800,000)
- Various road improvements (approximately \$1,260,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 6,258,486	\$ 6,258,486	\$ 215,801	\$ 215,801	\$ 6,474,287	\$ 6,474,287
Construction in Progress	-	323,451	-	-	-	323,451
Land Improvements	609,812	676,741	-	-	609,812	676,741
Buildings and Improvements	66,045,281	66,598,285	712,091	736,478	66,757,372	67,334,763
Machinery, Vehicles and Equipment	2,673,072	2,998,531	65,907	102,215	2,738,979	3,100,746
Infrastructure	11,623,171	10,881,882	12,749,527	11,923,519	24,372,698	22,805,401
Total Capital Assets	<u>\$ 87,209,822</u>	<u>\$ 87,737,376</u>	<u>\$ 13,743,326</u>	<u>\$ 12,978,013</u>	<u>\$ 100,953,148</u>	<u>\$ 100,715,389</u>

Additional information on the Town's capital assets can be found in Note 5 of this report.

**TOWN OF STONEHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$26,983,590, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 25,090,450	\$ 27,810,000	\$ -	\$ -	\$ 25,090,450	\$ 27,810,000
MWRA Notes	-	-	1,893,140	2,073,084	1,893,140	2,073,084
Total Bond and Notes	<u>\$ 25,090,450</u>	<u>\$ 27,810,000</u>	<u>\$ 1,893,140</u>	<u>\$ 2,073,084</u>	<u>\$ 26,983,590</u>	<u>\$ 29,883,084</u>

The Town's total outstanding bonded debt (excluding unamortized premiums) decreased by \$2,899,494, or 9.7%, during the fiscal year.

The Town's most recent bond ratings from Moody's Investors Services and Standard and Poor's were Aaa. Additional information on the Town's long-term debt can be found in Notes 8 and 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The FY2020 budget process started with the financial forecast presentation in October of 2018. The forecast predicted a \$1M deficit for FY2020 due to increased cost pressures from rising health insurance, contributory pension, and increased contractual operating costs. Decreased new growth due to a slowdown in construction and forecasted state aid increase of only 1% further challenged the development of FY2020 budget. The Town Accountant's Office presented to departments guidelines for developing their FY2020 budgets to address these challenges. The guidelines limited departments to no more than a 2% increase in budget from FY2019. The Town Accountant's Office then performed a thorough review over the past six months, and this budget is the result of those efforts. The finance team, in collaboration with department heads, review expenses, revenue forecasts, and other concerns that will impact the budget. This is done over many weeks and many reiterations of the budget.

As required by law, this budget is structurally balanced. The budget consists of total anticipated expenditures of \$71.6 million. This is an increase of 1.9% over FY2019, which includes General Government, Education, State Assessments, Offsets, and Overlay Reserve. General Government increased by 8.03%, which includes shared services like pension and health insurance, and vocational education. Education increased by 4.76% over FY2019, for a combined increase of 5.91%.

Additional resources towards Economic Development, Police, Traffic, Dispatch, Fire, Public Works, Council on Aging, Library and Arena are proposed in this document. However, demands on other departments continue to grow and a further discussion of community priorities needs to take place during the budget review process.

The Town and School Department have taken some important steps to progress through the MSBA process including the formation of the Stoneham High School Building Committee in FY2019. Included in this document is a \$750,000.00 Capital Request for the New High School Project Feasibility Study. This money would be used towards MSBA requirements for anticipated costs for the Project Manager, Architect and Feasibility Study. Throughout the budget development process, the future needs for this important project were considered and we look forward to the opportunities that lay ahead.

**TOWN OF STONEHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

The Town and School Department also continues to evaluate and consider ways to share services and improve operations. Included in this budget is a proposed Facilities Department and Procurement Office between both Town and School. The proposed Facilities Department will oversee all School and Town Buildings and 4.5 new positions are being proposed in FY2020. Additional staffing reviews will take place in subsequent years with the goal of having a full service Facilities Department by year 2024. This is a critical investment to maintain our current and planned building infrastructure.

The Town's new Fiscal Guidelines & Policies manual was adopted in FY2019 and we have already begun the hard work of implementing these policies in FY2020 and beyond. The efforts that were put into that project are seen throughout this document.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 35 Central Street, Stoneham, Massachusetts 02180.

**TOWN OF STONEHAM, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,926,478	2,889,696	\$ 7,816,174
Restricted Cash and Cash Equivalents	4,359,653	1,586,335	5,945,988
Investments	6,172,405	-	6,172,405
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	806,295	-	806,295
Tax, Trash and Utility Liens	333,774	103,384	437,158
Motor Vehicle and Other Excise Taxes	333,011	-	333,011
User Charges	-	3,913,538	3,913,538
Departmental and Other	142,428	-	142,428
Intergovernmental	1,087,991	-	1,087,991
Total Current Assets	<u>18,162,035</u>	<u>8,492,953</u>	<u>26,654,988</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Intergovernmental	1,735,855	-	1,735,855
Capital Assets not being Depreciated	6,258,486	215,801	6,474,287
Capital Assets, Net of Accumulated Depreciation	<u>80,951,336</u>	<u>13,527,525</u>	<u>94,478,861</u>
Total Noncurrent Assets	<u>88,945,677</u>	<u>13,743,326</u>	<u>102,689,003</u>
Total Assets	<u>107,107,712</u>	<u>22,236,279</u>	<u>129,343,991</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	5,987,374	156,703	6,144,077
Related to Pension	9,937,492	260,086	10,197,578
Total Deferred Outflows of Resources	<u>15,924,866</u>	<u>416,789</u>	<u>16,341,655</u>
LIABILITIES			
Current Liabilities:			
Warrants Payable	609,727	58,057	667,784
Accrued Payroll	276,552	27,442	303,994
Tax Refunds Payable	190,400	-	190,400
Other Liabilities	653,584	-	653,584
Accrued Interest	200,569	-	200,569
Compensated Absences	95,517	3,403	98,920
Short Term Notes Payable	334,550	-	334,550
Total OPEB Liability	4,170,988	109,164	4,280,152
Bonds and Notes Payable	<u>3,284,472</u>	<u>390,886</u>	<u>3,675,358</u>
Total Current Liabilities	<u>9,816,359</u>	<u>588,952</u>	<u>10,405,311</u>
Noncurrent Liabilities:			
Compensated Absences	859,654	30,634	890,288
Net Pension Liability	32,857,784	859,962	33,717,746
Total OPEB Liability	140,250,101	3,670,657	143,920,758
Bonds and Notes Payable	<u>22,498,584</u>	<u>1,502,254</u>	<u>24,000,838</u>
Total Noncurrent Liabilities	<u>196,466,123</u>	<u>6,063,507</u>	<u>202,529,630</u>
Total Liabilities	<u>206,282,482</u>	<u>6,652,459</u>	<u>212,934,941</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	3,969,377	103,887	4,073,264
Related to Pension	859,420	22,493	881,913
Total Deferred Inflows of Resources	<u>4,828,797</u>	<u>126,380</u>	<u>4,955,177</u>
NET POSITION			
Net Investment in Capital Assets	61,427,454	13,436,521	74,863,975
Restricted for:			
Other Post Employment Benefits	148,723	-	148,723
Permanent Funds:			
Expendable	372,406	-	372,406
Nonexpendable	1,133,078	-	1,133,078
Other Specific Purposes	1,879,817	-	1,879,817
Unrestricted	<u>(153,040,179)</u>	<u>2,437,708</u>	<u>(150,602,471)</u>
Total Net Position	<u>\$ (88,078,701)</u>	<u>\$ 15,874,229</u>	<u>\$ (72,204,472)</u>

**TOWN OF STONEHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 6,423,563	\$ 548,052	\$ 1,120,021	\$ -	\$ (4,755,490)
Public Safety	16,176,897	956,302	329,059	-	(14,891,536)
Education	55,820,584	1,959,167	13,289,035	60,101	(40,512,281)
Public Works	5,977,631	1,537,303	22,957	575,416	(3,841,955)
Health and Human Services	1,385,723	94,790	482,701	-	(808,232)
Culture and Recreation	2,427,735	719,662	85,693	-	(1,622,380)
Debt Service-Interest	955,047	-	-	-	(955,047)
Total Governmental Activities	<u>89,167,180</u>	<u>5,815,276</u>	<u>15,329,466</u>	<u>635,517</u>	<u>(67,386,921)</u>
Business-Type Activities:					
Sewer	5,364,425	5,822,695	41,777	827,500	1,327,547
Water	3,853,939	4,734,897	10,980	477,247	1,369,185
Total Business-Type Activities	<u>9,218,364</u>	<u>10,557,592</u>	<u>52,757</u>	<u>1,304,747</u>	<u>2,696,732</u>
Total Primary Governments	<u>\$ 98,385,544</u>	<u>\$ 16,372,868</u>	<u>\$ 15,382,223</u>	<u>\$ 1,940,264</u>	<u>\$ (64,690,189)</u>

**TOWN OF STONEHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	\$ (67,386,921)	\$ 2,696,732	\$ (64,690,189)
General Revenues:			
Real Estate and Personal Property Taxes	50,396,137	-	50,396,137
Motor Vehicle and Other Excise Taxes	3,934,458	-	3,934,458
Meals Tax	379,451	-	379,451
Penalties and Interest on Taxes	214,033	-	214,033
Payments in Lieu of Taxes	60,324	-	60,324
Grants and Contributions Not Restricted to Specific Programs	4,245,401	-	4,245,401
Unrestricted Investment Income	315,759	-	315,759
Transfers, Net	1,257,395	(1,257,395)	-
Total General Revenues and Transfers	60,802,958	(1,257,395)	59,545,563
CHANGE IN NET POSITION	(6,583,963)	1,439,337	(5,144,626)
Net Position - Beginning of Year	(81,494,738)	14,434,892	(67,059,846)
NET POSITION - END OF YEAR	<u>\$ (88,078,701)</u>	<u>\$ 15,874,229</u>	<u>\$ (72,204,472)</u>

**TOWN OF STONEHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

ASSETS	General	Highway Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 4,926,478	\$ -	\$ -	\$ 4,926,478
Investments	6,172,405	-	-	6,172,405
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	806,295	-	-	806,295
Tax and Trash Liens	320,664	-	13,110	333,774
Motor Vehicle and Other Excise Taxes	333,011	-	-	333,011
Departmental and Other	-	-	142,428	142,428
Intergovernmental	2,823,846	-	-	2,823,846
Restricted Assets:				
Cash and Cash Equivalents	148,723	3,938	4,206,992	4,359,653
Total Assets	<u>\$ 15,531,422</u>	<u>\$ 3,938</u>	<u>\$ 4,362,530</u>	<u>\$ 19,897,890</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Warrants Payable	\$ 279,564	\$ -	\$ 330,163	\$ 609,727
Accrued Payroll	271,826	-	4,726	276,552
Other Liabilities	653,584	-	-	653,584
Tax Refunds Payable	190,400	-	-	190,400
Short-Term Notes Payable	-	-	334,550	334,550
Total Liabilities	<u>1,395,374</u>	<u>-</u>	<u>669,439</u>	<u>2,064,813</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>4,079,462</u>	<u>-</u>	<u>155,538</u>	<u>4,235,000</u>
FUND BALANCES				
Nonspendable	-	-	1,133,078	1,133,078
Restricted	148,723	3,938	2,837,148	2,989,809
Committed	828,163	-	-	828,163
Assigned	136,506	-	-	136,506
Unassigned	8,943,194	-	(432,673)	8,510,521
Total Fund Balances	<u>10,056,586</u>	<u>3,938</u>	<u>3,537,553</u>	<u>13,598,077</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,531,422</u>	<u>\$ 3,938</u>	<u>\$ 4,362,530</u>	<u>\$ 19,897,890</u>

See accompanying Notes to Financial Statements.

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

	General	Highway Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real Estate and Personal Property Taxes	\$ 50,321,892	\$ -	\$ -	\$ 50,321,892
Motor Vehicle and Other Excise Taxes	3,875,503	-	-	3,875,503
Meals Tax	379,451	-	-	379,451
Tax and Trash Liens	296,300	-	55,363	351,663
Payments in Lieu of Taxes	60,324	-	-	60,324
Intergovernmental	16,575,640	575,416	3,198,201	20,349,257
Penalties and Interest on Taxes	206,954	-	7,079	214,033
Licenses and Permits	888,646	-	-	888,646
Fines and Forfeitures	69,435	-	-	69,435
Departmental and Other	1,374,478	-	4,256,184	5,630,662
Contributions	-	-	136,831	136,831
Investment Income	255,571	-	60,188	315,759
Total Revenues	<u>74,304,194</u>	<u>575,416</u>	<u>7,713,846</u>	<u>82,593,456</u>
EXPENDITURES				
Current:				
General Government	2,606,624	-	2,301,949	4,908,573
Public Safety	8,393,370	-	513,605	8,906,975
Education	30,354,466	-	4,802,436	35,156,902
Public Works	2,671,178	569,400	2,183,704	5,424,282
Health and Human Services	682,462	-	265,576	948,038
Culture and Recreation	1,388,056	-	1,648,652	3,036,708
Pension Benefits	12,584,018	-	-	12,584,018
Employee Benefits	9,643,410	-	-	9,643,410
State and County Charges	1,814,909	-	-	1,814,909
Debt Service:				
Principal	3,465,000	-	-	3,465,000
Interest	1,023,541	-	-	1,023,541
Total Expenditures	<u>74,627,034</u>	<u>569,400</u>	<u>11,715,922</u>	<u>86,912,356</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(322,840)</u>	<u>6,016</u>	<u>(4,002,076)</u>	<u>(4,318,900)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Bonds and Notes	-	-	745,450	745,450
Transfers In	1,394,832	-	938,870	2,333,702
Transfers Out	(848,870)	-	(227,437)	(1,076,307)
Total Other Financing Sources (Uses)	<u>545,962</u>	<u>-</u>	<u>1,456,883</u>	<u>2,002,845</u>
NET CHANGE IN FUND BALANCES	223,122	6,016	(2,545,193)	(2,316,055)
Fund Balances - Beginning of Year	<u>9,833,464</u>	<u>(2,078)</u>	<u>6,082,746</u>	<u>15,914,132</u>
FUND BALANCES - END OF YEAR	<u>\$ 10,056,586</u>	<u>\$ 3,938</u>	<u>\$ 3,537,553</u>	<u>\$ 13,598,077</u>

See accompanying Notes to Financial Statements.

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

Total Governmental Fund Balances	\$ 13,598,077
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	87,209,822
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	4,235,000
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(200,569)
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, Net	(25,783,056)
Compensated Absences	(955,171)
Net Pension Liability	(32,857,784)
Total OPEB Liability	(144,421,089)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to OPEB. This amount represents the net deferrals.	2,017,997
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to pensions. This amount represents the net deferrals.	<u>9,078,072</u>
Net Position of Governmental Activities	<u><u>\$ (88,078,701)</u></u>

See accompanying Notes to Financial Statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$ (2,316,055)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital Outlays	3,230,969
Depreciation	(3,758,522)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 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 inflows of resources.</p>	
	(1,267,633)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of material premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(745,450)
Bond Maturities	3,465,000
Net Amortization of Bond Premiums	49,472
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	19,022
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated Absences	23,534
Net Pension Liability	(12,097,928)
Total OPEB Liability	(10,265,713)
<p>In the statement of activities, deferred outflows and inflows of resources related to OPEB are amortized and recognized as OPEB expense. This amount represents the net change in deferred outflows and inflows of resources related to OPEB.</p>	
	3,852,042
<p>In the statement of activities, deferred outflows and inflows of resources related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions.</p>	
	13,227,299
Changes in Net Position of Governmental Activities	\$ (6,583,963)

See accompanying Notes to Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,648,037	1,241,659	\$ 2,889,696
Restricted Cash and Cash Equivalents	1,421,652	164,683	1,586,335
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	2,262,915	1,650,623	3,913,538
Utility Liens	53,029	50,355	103,384
Total Current Assets	<u>5,385,633</u>	<u>3,107,320</u>	<u>8,492,953</u>
Noncurrent Assets:			
Capital Assets not being Depreciated	215,801	-	215,801
Capital Assets, Net of Accumulated Depreciation	6,329,555	7,197,970	13,527,525
Total Noncurrent Assets	<u>6,545,356</u>	<u>7,197,970</u>	<u>13,743,326</u>
Total Assets	<u>11,930,989</u>	<u>10,305,290</u>	<u>22,236,279</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	83,254	73,449	156,703
Related to Pension	138,180	121,906	260,086
Total Deferred Outflows of Resources	<u>221,434</u>	<u>195,355</u>	<u>416,789</u>
LIABILITIES			
Current Liabilities:			
Warrants Payable	34,813	23,244	58,057
Accrued Payroll	14,384	13,058	27,442
Compensated Absences	1,476	1,927	3,403
Total OPEB Liability	57,997	51,167	109,164
Long-Term Bonds and Notes Payable	79,700	311,186	390,886
Total Current Liabilities	<u>188,370</u>	<u>400,582</u>	<u>588,952</u>
Noncurrent Liabilities:			
Compensated Absences	13,288	17,346	30,634
Net Pension Liability	456,886	403,076	859,962
Total OPEB Liability	1,950,172	1,720,485	3,670,657
Long-Term Bonds and Notes Payable	430,950	1,071,304	1,502,254
Total Noncurrent Liabilities	<u>2,851,296</u>	<u>3,212,211</u>	<u>6,063,507</u>
Total Liabilities	<u>3,039,666</u>	<u>3,612,793</u>	<u>6,652,459</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	55,194	48,693	103,887
Related to Pension	11,950	10,543	22,493
Total Deferred Inflows of Resources	<u>67,144</u>	<u>59,236</u>	<u>126,380</u>
NET POSITION			
Net Investment in Capital Assets	7,456,358	5,980,163	13,436,521
Unrestricted	1,589,255	848,453	2,437,708
Total Net Position	<u>\$ 9,045,613</u>	<u>\$ 6,828,616</u>	<u>\$ 15,874,229</u>

See accompanying Notes to Financial Statements.

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

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
OPERATING REVENUES			
Charges for Services	\$ 5,822,695	\$ 4,734,897	\$ 10,557,592
OPERATING EXPENSES			
Cost of Service and Administration	645,125	654,216	1,299,341
MWRA Assessment	4,616,824	3,112,992	7,729,816
Pension and OPEB Benefits Adjustments	(121,990)	(117,982)	(239,972)
Depreciation	224,466	204,714	429,180
Total Operating Expenses	5,364,425	3,853,939	9,218,364
OPERATING INCOME	458,270	880,958	1,339,228
NONOPERATING REVENUES			
Investment Income	41,777	10,980	52,757
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	500,047	891,938	1,391,985
Capital Contributions	827,500	477,247	1,304,747
Transfers Out	(646,599)	(610,796)	(1,257,395)
Total Capital Contributions and Transfers	180,901	(133,549)	47,352
CHANGE IN NET POSITION	680,948	758,389	1,439,337
Fund Net Position - Beginning of Year	8,364,665	6,070,227	14,434,892
NET POSITION - END OF YEAR	<u>\$ 9,045,613</u>	<u>\$ 6,828,616</u>	<u>\$ 15,874,229</u>

See accompanying Notes to Financial Statements.

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

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 5,762,402	\$ 4,848,918	\$ 10,611,320
Payments to Vendors	(4,715,369)	(3,295,413)	(8,010,782)
Payments to Employees	(523,701)	(458,314)	(982,015)
Net Cash Provided by Operating Activities	<u>523,332</u>	<u>1,095,191</u>	<u>1,618,523</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	<u>(646,599)</u>	<u>(610,796)</u>	<u>(1,257,395)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	242,500	-	242,500
Capital Contributions	827,500	477,247	1,304,747
Acquisition and Construction of Capital Assets	(574,703)	(619,790)	(1,194,493)
Principal Payments on Bonds and Notes	(73,258)	(349,186)	(422,444)
Net Cash Used by Capital and Related Financing Activities	<u>422,039</u>	<u>(491,729)</u>	<u>(69,690)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	<u>41,777</u>	<u>10,980</u>	<u>52,757</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	340,549	3,646	344,195
Cash and Cash Equivalents - Beginning of Year	<u>2,729,140</u>	<u>1,402,696</u>	<u>4,131,836</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
(Includes \$1,421,652 and \$164,683 in the Water and Sewer enterprise funds, respectively)	<u>\$ 3,069,689</u>	<u>\$ 1,406,342</u>	<u>\$ 4,476,031</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income	\$ 458,270	\$ 880,958	\$ 1,339,228
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	224,466	204,714	429,180
Net Pension Liability	(130,706)	(117,422)	(248,128)
Total OPEB Liability	8,716	(560)	8,156
Effect of Changes in Operating Assets and Liabilities:			
User Charges	(73,903)	103,649	29,746
Utility Liens	13,610	10,371	23,981
Warrants Payable	31,961	17,786	49,747
Accrued Payroll	2,435	4,161	6,596
Compensated Absences	(11,517)	(8,466)	(19,983)
Total Adjustments	<u>65,062</u>	<u>214,233</u>	<u>279,295</u>
Net Cash Provided by Operating Activities	<u>\$ 523,332</u>	<u>\$ 1,095,191</u>	<u>\$ 1,618,523</u>

See accompanying Notes to Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	Pension Trust Fund (as of December 31, 2018)	Private Purpose Trust Funds	Agency Funds
ASSETS	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents	\$ 79,968	\$ 1,477,203	\$ 240,329
Investments:			
Equity Mutual Funds	35,960,814	-	-
Fixed Income Securities	16,140,333	-	-
External Investment Pool (PRIT)	35,873,721	-	-
Interest and Dividends	48,525	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Other	<u>21,179</u>	<u>-</u>	<u>-</u>
Total Assets	<u>88,124,540</u>	<u>1,477,203</u>	<u>240,329</u>
LIABILITIES			
Warrants Payable	2,437	-	24,657
Accrued Payroll	-	-	36,220
Liabilities Due Depositors	<u>-</u>	<u>-</u>	<u>179,452</u>
Total Liabilities	<u>2,437</u>	<u>-</u>	<u>\$ 240,329</u>
NET POSITION			
Restricted for Pension Benefits and Other Purposes	<u>\$ 88,122,103</u>	<u>\$ 1,477,203</u>	

See accompanying Notes to Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019**

	<u>Pension Trust Fund (Year Ended December 31, 2018)</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Employer	\$ 6,578,380	\$ -
Plan Members	1,497,813	-
Private Donations	<u>-</u>	<u>38,435</u>
Total Contributions	<u>8,076,193</u>	<u>38,435</u>
Net Investment Income:		
Net Appreciation in Fair Value of Investments	(6,554,064)	-
Interest	<u>2,481,963</u>	<u>59,846</u>
Total Investment Income	(4,072,101)	59,846
Less: Investment Expense	<u>(562,256)</u>	<u>-</u>
Net Investment Income	<u>(4,634,357)</u>	<u>59,846</u>
Intergovernmental	<u>100,363</u>	<u>-</u>
Total Additions	<u>3,542,199</u>	<u>98,281</u>
DEDUCTIONS		
Administration	261,640	-
Retirement Benefits, Including Reimbursements and Refunds	7,710,463	-
Scholarships Awarded	<u>-</u>	<u>54,872</u>
Total Deductions	<u>7,972,103</u>	<u>54,872</u>
CHANGE IN NET POSITION	(4,429,904)	43,409
Net Position - Beginning of Year	<u>92,552,007</u>	<u>1,433,794</u>
NET POSITION - END OF YEAR	<u><u>\$ 88,122,103</u></u>	<u><u>\$ 1,477,203</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Stoneham, Massachusetts (Town) is a municipal corporation that is governed by an elected five member Select Board and an appointed Town Administrator.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions, and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

Fiduciary Fund Component Unit

The Town has included the Stoneham Contributory Retirement System (System) as a component unit (blended) in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary fund component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees and their respective beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, a fourth member appointed by the Board of Selectmen and a fifth member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 35 Central Street, Stoneham, Massachusetts 02180.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

Northeast Metropolitan Regional Vocational High School

The Town is a member of the Northeast Metropolitan Regional Vocational High School District (District) which serves the members students seeking an education in academic and technical studies. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town's fiscal year 2018 assessment totaled \$970,535. Separate audited financial statements may be obtained by contacting the District Treasurer at 30 Log Bridge Road, Middleton, MA 01949.

C. Implementation of New Accounting Principles

For the year ended June 30, 2019, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

The implementation of these GASB Statements had no reporting impact for the Town.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees.

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. Fiduciary funds are reported by fund type.

D. Measurement Focus, Basis of Accounting and Basis of 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 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:

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

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

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements

Governmental funds financial statements are reported using the flow of 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., 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 unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *highway projects fund* is a special revenue fund used to account for and report costs incurred with the construction and reconstruction of Town owned roadways. Costs charged to the fund are subjected to reimbursement by the Commonwealth of Massachusetts. The fund does not have a legally adopted budget.

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

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

Proprietary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *sewer enterprise fund* is used to account for sewer activities.

The *water enterprise fund* is used to account for water activities.

Fiduciary funds 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 in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist of bid deposits and payroll withholdings. Agency funds do not present the results of operations or have a measurement focus.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value, net asset value (NAV), or amortized cost, as further discussed in Note 3.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes, and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed in accordance with Massachusetts General Law (MGL) on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

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 to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

User Charges (Sewer and Water)

User charges are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer and water liens are processed in accordance with MGL and are included as a lien on the property owner's tax bill. Sewer and water charges are recorded as receivables when levied.

Departmental and Other

Departmental and other receivables consist primarily of uncollected trash fees and police details and are recorded as receivables in the fiscal year accrued.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. Grant revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

H. Allowance for Uncollectible Amounts

Government-Wide and Fund Financial Statements

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

At June 30, 2019, the allowances for uncollectible amounts for personal property taxes, motor vehicle and other excise taxes, and departmental and other receivables are immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer)
- Trash liens
- Utility liens (water and sewer)

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

J. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings, machinery, vehicles and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements and the proprietary fund 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 acquisition value at the date of donation.

All purchases and construction costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life
Buildings	10 - 40
Land Improvements	15 - 40
Machinery, Vehicles and Equipment	5 - 20
Infrastructure	10 - 60

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 acquiring fund in the fiscal year of the purchase.

L. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within 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 and business-type activities are reported in the statement of net position as "internal balances".

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables (Continued)

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.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

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 and business-type activities are reported in the statement of activities as “Transfers, net”.

Fund Financial Statements

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

N. Deferred Outflows of Resources

Government-Wide and Fund Financial Statements

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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statements of net position.

O. Deferred Inflows of Resources

Government-Wide and Fund Financial Statements

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 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.

Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statement of net position.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net position)

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been “restricted” for the following:

Other post-employment benefits (OPEB) represent restrictions for current and future retirees’ health and life insurance benefits.

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.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding borrowings attributable to those assets.

Unrestricted net position is the difference between total net position and net investment in capital assets and restricted net position.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, only authorized assignments for noncontractual encumbrances can be made by individual department heads.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Unassigned — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are deferred and amortized (through interest expense) over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium/discount.

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. 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.

R. Investment Income

Government-Wide and Fund Financial Statements

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 Law (MGL).

Investment income from the proprietary funds is retained in the proprietary funds.

S. Compensated Absences

Government-Wide and Proprietary Fund Financial Statements

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws, and executive policies.

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Compensated Absences (Continued)

Governmental Funds Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

T. Pensions

Government-Wide and Proprietary Fund Financial Statements

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by 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.

U. Other Post-Employment Benefits

Government-Wide and Proprietary Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 10, the Town provides health and life insurance coverage for current and future retirees and their spouses.

V. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

W. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

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

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases to the original budget subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are noncontinuing 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.

Generally, expenditures may not exceed the level of spending (salaries, expenses, and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the General Fund in conformity with the guidelines described above. The original fiscal year 2019 approved budget for the General Fund authorized \$71,477,638 in appropriations. During fiscal year 2019, supplemental appropriations totaling \$245,000 were authorized.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-GAAP Budgetary Basis – Budget and Actual, presented in the accompanying Required Supplementary Information, presents comparison of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

B. FUND DEFICITS

At June 30, 2019, the following fund deficits exist in the governmental funds:

Fund	Amount	Funding Source
FY18 ATM Capital Articles	\$ 334,341	Issuance of long-term debt
Green Communities LED Lighting Grant	98,332	State Grant
Total Deficits	<u>\$ 432,673</u>	

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2019, the Town incurred expenditures in excess of appropriations for State and County charges.

NOTE 3 DEPOSITS AND INVESTMENTS

Town (Excluding the Pension Trust Fund)

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. Treasury or Agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds, private purpose trust funds, and the pension trust fund are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2019, \$2,368,760 of the Town's bank balance of \$8,147,498 was uninsured and uncollateralized. The carrying value of Town's deposits totaled \$8,145,847 at June 30, 2019.

Investments Summary

The Town's investments at June 30, 2019 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Treasuries	\$ 2,053,840	\$ 2,053,840	\$ -
Money Market Mutual Funds	2,052,657	2,052,657	-
Certificates of Deposit	2,674,311	487,823	2,186,488
External Investment Pool (MMDT)	5,281,190	5,281,190	-
Total Debt Securities	12,061,998	\$ 9,875,510	\$ 2,186,488
<u>Other Investments:</u>			
Equity Securities	1,444,253		
Total Investments	\$ 13,506,252		

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town has a policy that the fixed income portion of the portfolio shall have an average maturity of not more than 10 years.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2019, the Town was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. As of June 30, 2019, the Town's investments in money market mutual funds, certificates of deposit, and external investment pools were unrated by a nationally recognized statistical rating organization.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. As of June 30, 2019, the Town was not exposed to concentration of credit risk.

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2019, the Town was not exposed to foreign currency risk.

Investments – Fair Value Measurements

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

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Total Amount	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)
Investments by Fair Value Level:				
U.S. Treasuries	\$ 2,053,840	\$ -	\$ 2,053,840	\$ -
Money Market Mutual Funds	2,052,657	2,052,657	-	-
Certificates of Deposit	2,674,311	-	2,674,311	-
Equity Securities	1,444,253	1,444,253	-	-
Total Investments by Fair Value Level	8,225,061	\$ 3,496,910	\$ 4,728,151	\$ -
Investments measured at Amortized Cost:				
External Investment Pool (MMDT)	5,281,190			
Total Investments	\$ 13,506,252			

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

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Pension Trust Fund (The System)

A portion of the System's investments include participation in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2018, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$79,916 as of December 31, 2018.

Investment Summary

The System's investments at December 31, 2018 are presented below. All investments are presented by investment type, with debt securities presented by maturity:

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Total Amount</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Fixed Income Mutual Funds	\$ 16,140,333	\$ 16,140,333
<u>Other Investments:</u>		
Equity Mutual Funds	35,960,814	
PRIT Investments	35,873,721	
Total Other Investments	71,834,535	
Total Investments	\$ 87,974,868	

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

The Pension System does not have an investment policy for custodial credit risk. At December 31, 2018, the System's investments in PRIT totaling \$35,873,721 are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book entry-form. At December 31, 2018, the System's other investments totaling \$52,101,147 are not subject to custodial credit risk exposure because they are registered in the name of the System.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2018, the investments in mutual bond funds and external investments pools were unrated by a nationally recognized statistical rating organization.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. As of December 31, 2018, the System was not exposed to concentration of credit risk.

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2018, the System was not exposed to foreign currency risk.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	Fair Value	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)
Investments by Fair Value Level:				
Equity Mutual Funds	\$ 35,960,814	\$ 35,960,814	\$ -	\$ -
Fixed Income Mutual Funds	16,140,333	16,140,333	-	-
Total Investments by Fair Value Level	<u>52,101,147</u>	<u>\$ 52,101,147</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the NAV:				
External Investment Pool (PRIT)	<u>35,873,721</u>			
Total Investments	<u>\$ 87,974,868</u>			

PRIT investments measured at the net asset value (NAV) per share or its equivalent. The PRIT fund is an external investment pool that is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The fair value of the PRIT pooled fund is based on unit value (NAV) as reported by management of the PRIT fund. Investments can be redeemed on a monthly basis with 24 hours' notice.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2019, receivables for the governmental funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real Estate and Personal Property Taxes	\$ 806,295	\$ -	\$ 806,295
Tax and Trash Liens	333,774	-	333,774
Motor Vehicle and Other Excise Taxes	333,011	-	333,011
Departmental and Other	142,428	-	142,428
Intergovernmental	2,823,846	-	2,823,846
Total	<u>\$ 4,439,354</u>	<u>\$ -</u>	<u>\$ 4,439,354</u>

At June 30, 2019, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer	\$ 2,262,915	\$ -	\$ 2,262,915
Water	1,650,623	-	1,650,623
Utility Liens	103,384	-	103,384
Total	<u>\$ 4,016,922</u>	<u>\$ -</u>	<u>\$ 4,016,922</u>

Stoneham Central Middle School

The Massachusetts School Building Authority (MSBA) provides contract assistance to the Town for the completed Stoneham Central Middle School construction project. The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2019, \$1,148,092 of such assistance was received and is reported as revenue in the General Fund. \$2,979,838 will be received in future fiscal years. Of this amount, \$155,992 represents reimbursement of long-term interest costs, and \$2,823,846 represents reimbursement of approved construction costs. Accordingly, a \$2,823,846 intergovernmental receivable and corresponding deferred inflow have been reported on the General Fund balance sheet. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 6,258,486	\$ -	\$ -	\$ 6,258,486
Construction in Progress	323,451	-	(323,451)	-
Total Capital Assets Not Being Depreciated	6,581,937	-	(323,451)	6,258,486
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	788,383	-	-	788,383
Buildings	109,161,489	2,004,689	-	111,166,178
Machinery, Vehicles and Equipment	7,670,962	292,325	-	7,963,287
Infrastructure	18,254,520	1,257,406	-	19,511,926
Total Capital Assets Being Depreciated	135,875,354	3,554,420	-	139,429,774
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(111,642)	(66,929)	-	(178,571)
Buildings	(42,563,204)	(2,557,693)	-	(45,120,897)
Machinery, Vehicles and Equipment	(4,672,432)	(617,783)	-	(5,290,215)
Infrastructure	(7,372,637)	(516,117)	-	(7,888,755)
Total Accumulated Depreciation	(54,719,915)	(3,758,522)	-	(58,478,438)
Total Capital Assets Being Depreciated, Net	81,155,439	(204,102)	-	80,951,336
Total Governmental Activities Capital Assets, Net	\$ 87,737,376	\$ (204,102)	\$ (323,451)	\$ 87,209,822
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Sewer Enterprise:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 215,801	\$ -	\$ -	\$ 215,801
<u>Capital Assets Being Depreciated:</u>				
Buildings and Improvements	1,600,441	-	-	1,600,441
Machinery, Vehicles and Equipment	293,190	-	-	293,190
Infrastructure	6,271,121	574,703	-	6,845,824
Total Capital Assets Being Depreciated	8,164,752	574,703	-	8,739,455
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(864,844)	(23,799)	-	(888,643)
Machinery, Vehicles and Equipment	(190,975)	(36,308)	-	(227,283)
Infrastructure	(1,129,615)	(164,359)	-	(1,293,974)
Total Accumulated Depreciation	(2,185,434)	(224,466)	-	(2,409,900)
Total Capital Assets Being Depreciated, Net	5,979,318	350,237	-	6,329,555
Total Sewer Enterprise Capital Assets, Net	\$ 6,195,119	\$ 350,237	\$ -	\$ 6,545,356

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Water Enterprise:				
<u>Capital Assets Being Depreciated:</u>				
Buildings	\$ 26,438	\$ -	\$ -	\$ 26,438
Machinery, Vehicles and Equipment	6,180	-	-	6,180
Infrastructure	8,551,137	619,790	-	9,170,927
Total Capital Assets Being Depreciated	<u>8,583,755</u>	<u>619,790</u>	<u>-</u>	<u>9,203,545</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	(25,557)	(588)	-	(26,145)
Machinery, Vehicles and Equipment	(6,180)	-	-	(6,180)
Infrastructure	(1,769,124)	(204,126)	-	(1,973,250)
Total Accumulated Depreciation	<u>(1,800,861)</u>	<u>(204,714)</u>	<u>-</u>	<u>(2,005,575)</u>
Total Water Enterprise Capital Assets, Net	<u>\$ 6,782,894</u>	<u>\$ 415,076</u>	<u>\$ -</u>	<u>\$ 7,197,970</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 12,978,013</u>	<u>\$ 765,313</u>	<u>\$ -</u>	<u>\$ 13,743,326</u>

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

Governmental Activities:

General Government	\$ 9,792
Public Safety	612,081
Education	2,285,395
Public Works	628,068
Culture and Recreation	223,186
Total Depreciation Expense - Governmental Activities	<u>\$ 3,758,522</u>

Business-Type Activities:

Sewer	\$ 224,466
Water	204,714
Total Depreciation Expense - Business-Type Activities	<u>\$ 429,180</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2019, are summarized below:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Fund	Total
General Fund	\$ -	\$ 848,870	\$ 848,870 (1)
Nonmajor Governmental Funds	137,437	90,000	227,437 (2)
Sewer Enterprise Fund	646,599	-	646,599 (3)
Water Enterprise Fund	610,796	-	610,796 (4)
	\$ 1,394,832	\$ 938,870	\$ 2,333,702

- (1) Represents budgeted transfers from the general fund to nonmajor capital projects funds for a new High School roof replacement (\$275,000), FY18 Capital Articles (\$100,000), and transportation network (\$6,870). Also represents budgeted transfers to special revenue funds to subsidize waste and recycling (\$467,000).
- (2) Represents transfers of nonmajor special revenue funds to the capital projects fund for arena renovations (\$90,000) as well as closeouts of nonmajor special revenue funds to the general fund (\$137,437).
- (3) Represents budgeted transfers from the sewer enterprise fund to the general fund for indirect costs.
- (4) Represents budgeted transfers from the water enterprise fund to the general fund for indirect costs.

NOTE 7 SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund and Enterprise Funds, respectively.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 SHORT-TERM DEBT (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2019, is as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
BAN	Golf Course Irrigation Replacement	12/21/17	12/21/18	2.25%	\$ 510,000	\$ -	\$ (510,000)	\$ -
BAN	Golf Course Irrigation Replacement	12/21/18	12/20/19	3.30%	-	410,000	(75,450)	334,550
BAN	Various Projects	12/21/18	12/20/19	2.55%	-	670,000	(670,000)	-
Total					<u>\$ 510,000</u>	<u>\$ 1,080,000</u>	<u>\$ (1,255,450)</u>	<u>\$ 334,550</u>

Subsequent Events

On December 20, 2019, the Town issued \$1,435,000 of general obligation bonds, of which \$75,450 was used to retire a portion of the golf course irrigation replacement BAN as of June 30, 2019, and \$670,000 was used to retire the various projects BAN outstanding as of June 30, 2019. Accordingly, \$745,450 of these BAN's have been reclassified to long-term debt at June 30, 2019.

On December 20, 2019, the Town repaid \$50,000 of golf course irrigation replacement BAN's and renewed \$284,550 of BAN's with an interest rate of 2.24 percent and a maturity date of December 18, 2020.

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 27,810,000	\$ 745,450	\$ (3,465,000)	\$ 25,090,450	\$ 3,235,000
Unamortized Bond Premiums	742,078	-	(49,472)	692,606	49,472
Total Bonds and Notes Payable	28,552,078	745,450	(3,514,472)	25,783,056	3,284,472
Compensated Absences	978,705	-	(23,534)	955,171	95,517
Total	<u>\$ 29,530,783</u>	<u>\$ 745,450</u>	<u>\$ (3,538,006)</u>	<u>\$ 26,738,227</u>	<u>\$ 3,379,989</u>
Business-Type Activities:					
Bonds and Notes Payable	\$ 2,073,084	\$ 242,500	\$ (422,444)	\$ 1,893,140	\$ 390,886
Compensated Absences	54,020	-	(19,983)	34,037	3,403
Total	<u>\$ 2,127,104</u>	<u>\$ 242,500</u>	<u>\$ (442,427)</u>	<u>\$ 1,927,177</u>	<u>\$ 394,289</u>

The governmental activities long-term liabilities are generally liquidated by the General Fund. The business-type long-term liabilities are liquidated by the sewer and water enterprise funds.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2019, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
General Obligation Refunding Bonds 2010	11/15/20	2.25-5.00%	\$ 3,580,000	\$ -	\$ (1,370,000)	\$ 2,210,000
General Obligation Bonds 2010	06/01/21	2.00-5.00%	590,000	-	(60,000)	530,000
General Obligation Bonds 2011	06/15/31	2.00-4.00%	1,270,000	-	(125,000)	1,145,000
General Obligation Refunding Bonds 2012	06/15/23	2.00-4.00%	3,260,000	-	(735,000)	2,525,000
General Obligation Bonds 2013	02/15/33	2.00-4.00%	14,040,000	-	(710,000)	13,330,000
General Obligation Refunding Bonds 2016	12/15/26	2.00-3.00%	459,000	-	(120,000)	339,000
General Obligation Bonds 2016	12/15/26	2.00-3.00%	1,661,000	-	(235,000)	1,426,000
General Obligation Bonds 2017	06/30/42	3.00-4.00%	1,440,000	-	(65,000)	1,375,000
General Obligation Bonds 2018	12/15/31	3.00-4.00%	1,510,000	-	(45,000)	1,465,000
General Obligation Bonds 2020	12/15/29	4.00-5.00%	-	745,450	-	745,450
Total Governmental Funds			<u>\$ 27,810,000</u>	<u>\$ 745,450</u>	<u>\$ (3,465,000)</u>	<u>\$ 25,090,450</u>

Debt service requirements (gross) for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 3,235,000	\$ 877,003	\$ 4,112,003
2021	3,260,450	772,937	4,033,387
2022	2,140,000	662,188	2,802,188
2023	1,925,000	581,162	2,506,162
2024	1,460,000	504,587	1,964,587
2025	1,345,000	445,462	1,790,462
2026	1,390,000	425,386	1,815,386
2027	1,365,000	370,188	1,735,188
2028	1,395,000	315,538	1,710,538
2029	1,420,000	264,461	1,684,461
2030	1,465,000	217,836	1,682,836
2031	1,460,000	140,538	1,600,538
2032	1,310,000	97,363	1,407,363
2033	1,340,000	57,988	1,397,988
2034	180,000	16,249	196,249
2035	55,000	12,726	67,726
2036	55,000	11,076	66,076
2037	55,000	9,422	64,422
2038	45,000	7,636	52,636
2039	45,000	6,174	51,174
2040	45,000	4,712	49,712
2041	50,000	3,250	53,250
2042	50,000	1,624	51,624
Total	<u>\$ 25,090,450</u>	<u>\$ 5,805,506</u>	<u>\$ 30,895,956</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Sewer Enterprise Fund

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Sewer - MWRA	6/30/2026	0.00%	\$ 341,408	\$ -	\$ (73,258)	\$ 268,150
Sewer - MWRA	6/30/2029	0.00%	-	242,500	-	242,500
Total Sewer Enterprise Fund			<u>\$ 341,408</u>	<u>\$ 242,500</u>	<u>\$ (73,258)</u>	<u>\$ 510,650</u>

Debt service requirements for the sewer enterprise fund bonds and notes payable in future years are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 79,700	\$ -	\$ 79,700
2021	74,700	-	74,700
2022	69,700	-	69,700
2023	54,700	-	54,700
2024	54,700	-	54,700
2025	54,700	-	54,700
2026	49,700	-	49,700
2027	24,250	-	24,250
2028	24,250	-	24,250
2029	24,250	-	24,250
Total	<u>\$ 510,650</u>	<u>\$ -</u>	<u>\$ 510,650</u>

Bonds and Notes Payable – Water Enterprise Fund

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Water - MWRA	6/30/26	0.00%	<u>\$ 1,731,676</u>	<u>\$ -</u>	<u>\$ (349,186)</u>	<u>\$ 1,382,490</u>

Debt service requirements (gross) for principal and interest for Water Enterprise Fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 311,186	\$ -	\$ 311,186
2021	286,786	-	286,786
2022	197,786	-	197,786
2023	174,785	-	174,785
2024	144,147	-	144,147
2025	133,900	-	133,900
2026	133,900	-	133,900
Total	<u>\$ 1,382,490</u>	<u>\$ -</u>	<u>\$ 1,382,490</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Authorized and Unissued Debt

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2019, the Town had the following authorized and unissued debt:

Purpose	Amount
Middle School Construction	\$ 1,096,232
Sewer (Phase 10)	610,500
Golf Course Irrigation Replacement	510,500
Drainage Study	100,000
School Feasibility Study	28,325
Total	\$ 2,345,557

NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – The Town provides lifetime healthcare insurance coverage for its retirees and their spouses (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. The Plan does not issue a stand-alone financial report.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be negotiated between the Town and Union representatives. The required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 15 - 25% and 85 - 75%, respectively. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Employees Covered by Benefit Terms - At June 30, 2019 the following employees were covered by benefit terms:

Active Employees	522
Inactive Members Entitled to But Not Receiving Benefits	12
Retired Employees and Spouses	449
Total	983

Total OPEB Liability

The Town's Total OPEB liability of \$148,200,910 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017, which has been rolled forward to the June 30, 2019 measurement date.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The significant methods and assumptions used to measure the total OPEB liability are as follows:

Discount Rate:	3.5% (Bond Buyer 20 Bond Index for 20-year Municipal GO Bond as of June 30, 2019)
Healthcare/Medical Cost Trend Rate:	
Commercial Managed Care Plan	7.50% decreasing to an ultimate level of 5.0%
Commercial Indemnity Plan	8.50% decreasing to an ultimate level of 5.0%
Medicare Managed Care Plan	6.50% decreasing to an ultimate level of 5.0%
Medicare Indemnity Plan	7.50% decreasing to an ultimate level of 5.0%
Actives Mortality:	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality ad scale MP-2016
Retirees Mortality:	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016
Disabled Mortality:	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$	137,978,660
Changes for the year:		
Service cost		4,713,064
Interest		5,439,349
Differences between expected and actual experience		(3,292,643)
Benefit payments		(4,280,152)
Changes of Assumptions		<u>7,642,632</u>
Net Changes		<u>10,222,250</u>
Balance at June 30, 2019	\$	<u><u>148,200,910</u></u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB Liability	\$ 174,223,238	\$ 148,200,910	\$ 127,620,785

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 122,816,054	\$ 148,200,910	\$ 181,655,348

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$10,545,276. At June 30, 2019, the Town reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$	2,647,027
Changes of assumptions	6,144,077		1,426,237
Total	\$ 6,144,077	\$	4,073,264

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

Year Ended June 30	Amount
2020	\$ 392,863
2021	392,863
2022	392,863
2023	806,931
2024	85,293
Total	\$ 2,070,813

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 FUND BALANCE

The constraints on fund balances in the Governmental Funds Balance Sheet are detailed as follows:

	<u>General</u>	<u>Highway Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 1,133,078	\$ 1,133,078
Restricted:				
OPEB	148,723	-	-	148,723
Highway Projects	-	3,938	-	3,938
Town Gift and Grant Funds	-	-	168,386	168,386
Town Other Funds	-	-	1,162,619	1,162,619
School Lunch	-	-	76,501	76,501
School Gift and Grant Funds	-	-	169,747	169,747
School Other Funds	-	-	151,151	151,151
Receipts Reserved for Appropriation	-	-	24,530	24,530
Capital Projects	-	-	516,114	516,114
Cemeteries	-	-	162,235	162,235
Libraries	-	-	34,509	34,509
Other Permanent Funds	-	-	371,356	371,356
Sub-Total - Restricted	<u>148,723</u>	<u>3,938</u>	<u>2,837,148</u>	<u>2,989,809</u>
Committed:				
Capital Stabilization	215,782	-	-	215,782
Subsequent Year's Expenditures	100,000	-	-	100,000
Continuing Appropriations	<u>512,381</u>	<u>-</u>	<u>-</u>	<u>512,381</u>
Sub-Total - Committed	<u>828,163</u>	<u>-</u>	<u>-</u>	<u>828,163</u>
Assigned:				
Encumbrances	<u>136,506</u>	<u>-</u>	<u>-</u>	<u>136,506</u>
Sub-Total -Assigned	<u>136,506</u>	<u>-</u>	<u>-</u>	<u>136,506</u>
Unassigned	<u>8,943,194</u>	<u>-</u>	<u>(432,673)</u>	<u>8,510,521</u>
Total	<u>\$ 10,056,586</u>	<u>\$ 3,938</u>	<u>\$ 3,537,553</u>	<u>\$ 13,598,077</u>

NOTE 12 STABILIZATION FUNDS

The Town maintains general and capital stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization funds require two-thirds vote of Town Meeting. Investment income is retained by the funds.

The balance of the general and capital stabilization funds at June 30, 2019 total \$3,916,847, and \$215,782, respectively, and are reported as unassigned and committed fund balances in the general fund, respectively.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 PENSION PLAN

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Stoneham Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

As of the most recent actuarial valuation, the System's membership consisted of the following:

Active Members	284
Inactive Members	91
Retirees and Beneficiaries currently receiving benefits	281
Total	656

The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, a fourth member appointed by the Select Board and a fifth member appointed by the Retirement Board's members.

Benefits Provided - The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to MGL Chapter 32, up to a maximum of 80% of the average of a member's three (if hired before April 1, 2012) or five (if hired on or after April 1, 2012) highest consecutive years' regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55 (if hired before April 1, 2012) or 60 (if hired on or after April 1, 2012), with 10 years of service. Normal retirement for most employees occurs at age 65 (if hired before April 1, 2012) or 67 (if hired on or after April 1, 2012), except for certain hazardous duty and public safety employees who attain normal retirement at age 55 (if hired before April 1, 2012) or 57 (if hired on or after April 1, 2012).

Contributions – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2018, active member contributions totaled \$1,497,813 and employer contributions totaled \$6,578,380. Contributions to the System from the Town were \$6,409,652 for the year ended June 30, 2019.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The components of the net pension liability of the System at December 31, 2018, were as follows:

Total Pension Liability	\$ 122,743,592
Plan Fiduciary Net Position	(88,122,103)
	<hr/>
Net Pension Liability	<u>\$ 34,621,489</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.79%

At June 30, 2019, the Town reported a liability of \$33,717,746 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 that was rolled forward to the December 31, 2018 measurement date. The Town's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2018, actuarially determined. At December 31, 2018, the Town's proportion was 97.44%, compared to a proportion of 97.38% as of December 31, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$5,187,498. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 5,896,442	\$ -
Changes in Assumptions	4,280,098	-
Changes in Proportion	21,038	25,196
Differences between expected and actual experience	-	856,717
	<hr/>	<hr/>
Total	<u>\$ 10,197,578</u>	<u>\$ 881,913</u>

The net amount reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 2,767,104
2021	1,822,152
2022	2,085,738
2023	2,640,671
	<hr/>
Total	<u>\$ 9,315,665</u>

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 PENSION PLAN (CONTINUED)

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 rolled forward to the December 31, 2018 measurement date:

Actuarial cost method:	Entry age normal
Asset valuation method:	Market value
Investment rate of return:	7.25% (prior year actuarial valuation was 7.75%)
Interest rate credited to annuity savings:	2.00%
Salary increases:	4.25% ultimate rate, plus the following steps: Group 4 – 3.75% base rate plus 4.50% steps for years 1 - 5; Others – 3.75% base rate plus 2.00% steps for years 1 - 8.
Cost of living adjustment:	3.0% on the first \$13,000 in benefits
Mortality rates:	RP-2014 mortality table projected with Generational Mortality, using MP-2016, with a base year of 2006 (sex-distinct). Prior valuation used RP-2000 projected from 2000 Generational Mortality, Scale BB. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. In-service death is assumed to be 45% accidental for group 1 and 2 and 90% accidental for group 4.
Retirement rates:	General Employees (Group 1 and 2) - Ages 55 - 70. Police and Fire (Group 4) - Ages 50 - 65.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 PENSION PLAN (CONTINUED)

Investment Policies and Rates of Return

Deposits and investments made by the System are governed by Chapter 32 of the MGL.

For the year ended December 31, 2018, the annual money-weighted rate of return on System investments, net of investment expense, was -4.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	26.40%	5.12%
International Equities	20.20%	5.37%
Core Bonds	13.10%	1.76%
Hedge Equity	10.40%	3.59%
Real Estate	10.00%	3.99%
Private Equity	6.00%	7.63%
Value-Added Fixed Income	5.30%	3.58%
Portfolio Completion (PCS)	2.90%	4.41%
Emerging Equities	2.40%	6.46%
Timberland	1.00%	4.65%
20+ Yr. Treasury STRIPS	0.80%	1.22%
Short-Term Fixed Income	0.50%	1.72%
Totals	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments 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 STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
System's Net Pension Liability	\$ 47,280,431	\$ 34,621,489	\$ 23,864,630

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's Proportionate Share of the Net Pension Liability	\$ 46,045,022	\$ 33,717,746	\$ 23,242,715

Legally Required Reserve Accounts – The balance in the System's legally required reserves as of December 31, 2018 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 15,736,920	Active members' contribution balance
Annuity Reserve Fund	4,714,150	Retired members' contribution account
Military Service Fund	48,098	Military leave of absense contribution balance
Pension Reserve Fund	67,531,099	Amounts appropriated to fund future retirement
Pension Fund	91,836	Remaining Net Position
Total	<u>\$ 88,122,103</u>	

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Plan description - Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be found at:
<http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

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

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

Contributions - The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2.0% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2019. The Commonwealth's net pension liability associated with the Town was \$60,912,021.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

The MTRS' net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$6,172,551 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

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

Investment rate of return – 7.35%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

Mortality Rates - Pre-retirement reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). Post-retirement reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct). Disability is assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct)

Other - 3.5% interest rate credited to the annuity savings fund; 3.0% cost of living increase on the first \$13,000 per year.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 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	39.0%	5.0%
Portfolio Completion Strategies	13.0%	3.7%
Core Fixed Income	12.0%	0.9%
Private Equity	12.0%	6.6%
Real Estate	10.0%	3.8%
Value Added Fixed Income	10.0%	3.8%
Timber/Natural Resources	4.0%	3.4%
Totals	<u>100.0%</u>	

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

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

Pension plan fiduciary net position - Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

NOTE 15 COMMITMENTS

The Town is entering into, or is planning to enter into, various construction projects totaling approximately \$2,350,000.

Other significant commitments include encumbrances and continuing appropriations totaling \$648,887 for the General Fund as of June 30, 2019.

NOTE 16 CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2019, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

NOTE 17 SUBSEQUENT EVENT

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 17 SUBSEQUENT EVENT (CONTINUED)

During the period from January 1, 2020 through March 23, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended June 30, 2019 (year ended December 31, 2018 for the System) as these events occurred subsequent to year end and are still developing.

NOTE 18 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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**TOWN OF STONEHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-GAAP BUDGETARY BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 50,707,154	\$ -	\$ 50,707,154
Motor Vehicle and Other Excise Taxes	-	3,600,000	-	3,600,000
Hotel/Motel Tax	-	355,000	-	355,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	60,000	-	60,000
Intergovernmental	-	9,914,888	-	9,914,888
Penalties and Interest on Taxes	-	160,000	-	160,000
Licenses and Permits	-	735,000	-	735,000
Fines and Forfeitures	-	55,500	-	55,500
Departmental and Other	-	1,577,999	-	1,577,999
Investment Income	-	20,000	-	20,000
Total Revenues	<u>-</u>	<u>67,185,541</u>	<u>-</u>	<u>67,185,541</u>
EXPENDITURES				
Current:				
General Government	247,611	2,584,167	45,000	2,876,778
Public Safety	58	8,710,257	-	8,710,315
Education	67,212	30,430,903	-	30,498,115
Public Works	80,626	2,677,350	200,000	2,957,976
Health and Human Services	-	711,498	-	711,498
Culture and Recreation	47,672	1,425,081	-	1,472,753
Pension Benefits	-	6,411,467	-	6,411,467
Employee Benefits	71,469	9,875,017	-	9,946,486
State and County Charges	-	1,804,482	-	1,804,482
Debt Service:				
Principal	-	3,465,000	-	3,465,000
Interest	-	1,023,546	-	1,023,546
Total Expenditures	<u>514,648</u>	<u>69,118,768</u>	<u>245,000</u>	<u>69,878,416</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(514,648)</u>	<u>(1,933,227)</u>	<u>(245,000)</u>	<u>(2,692,875)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,257,395	175,000	1,432,395
Transfers Out	-	(2,358,870)	-	(2,358,870)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,101,475)</u>	<u>175,000</u>	<u>(926,475)</u>
NET CHANGE IN FUND BALANCE	(514,648)	(3,034,702)	(70,000)	(3,619,350)
Fund Balance - Beginning of Year	<u>6,890,460</u>	<u>6,890,460</u>	<u>6,890,460</u>	<u>6,890,460</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,375,812</u>	<u>\$ 3,855,758</u>	<u>\$ 6,820,460</u>	<u>\$ 3,271,110</u>

See accompanying notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 50,471,376	\$ -	\$ 50,471,376	\$ (235,778)
3,875,503	-	3,875,503	275,503
379,451	-	379,451	24,451
296,300	-	296,300	296,300
60,324	-	60,324	324
10,403,089	-	10,403,089	488,201
206,954	-	206,954	46,954
888,646	-	888,646	153,646
69,435	-	69,435	13,935
1,374,478	-	1,374,478	(203,521)
138,883	-	138,883	118,883
<u>68,164,439</u>	<u>-</u>	<u>68,164,439</u>	<u>978,898</u>
2,606,624	205,580	2,812,204	64,574
8,393,370	16,909	8,410,279	300,036
30,354,466	135,424	30,489,890	8,225
2,671,178	178,168	2,849,346	108,630
682,462	-	682,462	29,036
1,388,056	70,904	1,458,960	13,793
6,411,467	-	6,411,467	-
9,693,410	41,902	9,735,312	211,174
1,814,909	-	1,814,909	(10,427)
3,465,000	-	3,465,000	-
1,023,541	-	1,023,541	5
<u>68,504,483</u>	<u>648,887</u>	<u>69,153,370</u>	<u>725,046</u>
<u>(340,044)</u>	<u>(648,887)</u>	<u>(988,931)</u>	<u>1,703,944</u>
1,569,832	-	1,569,832	137,437
<u>(2,358,870)</u>	<u>-</u>	<u>(2,358,870)</u>	<u>-</u>
<u>(789,038)</u>	<u>-</u>	<u>(789,038)</u>	<u>137,437</u>
(1,129,082)	(648,887)	(1,777,969)	1,841,381
6,890,460	-	6,890,460	-
<u>\$ 5,761,378</u>	<u>\$ (648,887)</u>	<u>\$ 5,112,491</u>	<u>\$ 1,841,381</u>

**TOWN OF STONEHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE

**SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND
RELATED RATIOS (PLAN) (1)**

	2019	2018
<u>Total OPEB liability</u>		
Service cost	\$ 4,713,064	\$ 4,851,472
Interest	5,439,349	4,923,108
Differences between expected and actual experience	(3,292,643)	-
Changes of assumptions	7,642,632	(2,346,390)
Benefit payments	(4,280,152)	(4,230,108)
Net change in total OPEB liability	10,222,250	3,198,082
Total OPEB liability - beginning	137,978,660	134,780,578
Total OPEB liability - ending	\$ 148,200,910	\$ 137,978,660

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

PENSION PLAN SCHEDULES

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND
RELATED RATIOS (SYSTEM) (1)**

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<u>Total Pension Liability</u>					
Service Cost	\$ 2,139,709	\$ 2,047,568	\$ 1,959,395	\$ 1,892,280	\$ 1,810,794
Interest	8,742,692	8,513,362	8,358,786	8,240,349	8,016,557
Changes in benefit terms	-	-	(2,284,697)	-	-
Change in Assumptions	5,107,777	-	1,365,326	-	-
Difference between expected and actual experience	(110,760)	-	-	-	-
Benefit Payments, including refunds of member contributions	<u>(7,610,099)</u>	<u>(7,777,887)</u>	<u>(7,206,972)</u>	<u>(6,760,615)</u>	<u>(7,373,458)</u>
Net Change in Total Pension Liability	8,269,319	2,783,043	2,191,838	3,372,014	2,453,893
Total Pension Liability - Beginning	<u>114,474,273</u>	<u>111,691,230</u>	<u>109,499,392</u>	<u>106,127,378</u>	<u>103,673,485</u>
Total Pension Liability - Ending (a)	<u>\$ 122,743,592</u>	<u>\$ 114,474,273</u>	<u>\$ 111,691,230</u>	<u>\$ 109,499,392</u>	<u>\$ 106,127,378</u>
<u>Plan Fiduciary Net Position</u>					
Contributions - Employer	\$ 6,578,380	\$ 6,099,564	\$ 5,690,889	\$ 5,276,670	\$ 4,892,601
Contributions - Member	1,497,813	1,469,429	1,376,935	1,323,924	1,394,426
Net Investment Income	(4,634,357)	13,113,308	6,476,051	427,356	5,239,667
Benefit Payments, including refunds of member contributions and net of transfers (to)/from other systems	(7,610,100)	(7,777,887)	(7,206,972)	(6,760,615)	(7,373,458)
Administrative Expense	<u>(261,640)</u>	<u>(250,143)</u>	<u>(282,419)</u>	<u>(239,647)</u>	<u>(229,368)</u>
Net Change in Plan Fiduciary Net Position	(4,429,904)	12,654,271	6,054,484	27,688	3,923,868
Plan Fiduciary Net Position - Beginning	<u>92,552,007</u>	<u>79,897,736</u>	<u>73,843,252</u>	<u>73,815,564</u>	<u>69,891,696</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 88,122,103</u>	<u>\$ 92,552,007</u>	<u>\$ 79,897,736</u>	<u>\$ 73,843,252</u>	<u>\$ 73,815,564</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 34,621,489</u>	<u>\$ 21,922,266</u>	<u>\$ 31,793,494</u>	<u>\$ 35,656,140</u>	<u>\$ 32,311,814</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.79%	80.85%	71.53%	67.44%	69.55%
Covered Payroll	\$ 15,393,845	\$ 15,158,456	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Net Pension Liability as a Percentage of Covered Payroll	224.9%	144.6%	219.9%	259.1%	246.9%

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

PENSION PLAN SCHEDULES

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM) (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 6,578,380	\$ 6,099,564	\$ 5,690,889	\$ 5,276,670	\$ 4,892,601
Contributions in Relation to the Actuarially Determined Contribution	<u>(6,578,380)</u>	<u>(6,099,564)</u>	<u>(5,690,889)</u>	<u>(5,276,670)</u>	<u>(4,892,601)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 15,393,845	\$ 15,158,456	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Contributions as a Percentage of Covered Payroll	42.73%	40.24%	39.36%	38.34%	37.39%

(1) Data is being accumulated annually to present 10 years of the reported information.

SCHEDULE OF INVESTMENT RETURNS (SYSTEM) (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-4.97%	16.28%	8.92%	0.50%	7.56%

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

PENSION PLAN SCHEDULES

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (SYSTEM)
(1)(2)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Proportion of the Net Pension Liability	97.4400%	97.3800%	97.2900%	97.2600%	97.8700%
Town's Proportionate Share of the Net Pension Liability	\$ 33,717,745	\$ 21,354,750	\$ 30,932,526	\$ 34,690,539	\$ 31,622,155
Town's Covered Payroll	\$ 14,979,862	\$ 14,759,994	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	225.09%	144.68%	213.96%	252.07%	241.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.88%	80.85%	71.53%	67.44%	69.55%

- (1) Data is being accumulated annually to present 10 years of the reported information.
(2) The amounts presented were determined as of December 31 within the applicable fiscal year.

SCHEDULE OF TOWN'S CONTRIBUTIONS (SYSTEM) (1)(2)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Required Contribution	\$ 6,409,652	\$ 5,943,258	\$ 5,538,241	\$ 5,135,261	\$ 4,788,848
Contributions in Relation to the Actuarially Required Contribution	<u>(6,409,652)</u>	<u>(5,943,258)</u>	<u>(5,538,241)</u>	<u>(5,135,261)</u>	<u>(4,788,848)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Town's Covered Payroll	\$ 14,979,862	\$ 14,759,994	\$ 14,457,252	\$ 13,401,725	\$ 13,086,805
Contributions as a Percentage of Covered Payroll	42.79%	40.27%	38.31%	38.32%	36.59%

- (1) Data is being accumulated annually to present 10 years of the reported information.
(2) The amounts presented were determined as of December 31 within the applicable fiscal year.

**TOWN OF STONEHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

PENSION PLAN SCHEDULES

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (MTRS)
(1)(2)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the Town's Net Pension Liability	<u>60,912,021</u>	<u>58,054,777</u>	<u>56,983,323</u>	<u>52,804,623</u>	<u>41,542,919</u>
Total	<u>\$ 60,912,021</u>	<u>\$ 58,054,777</u>	<u>\$ 56,983,323</u>	<u>\$ 52,804,623</u>	<u>\$ 41,542,919</u>
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 6,172,551	\$ 6,059,346	\$ 5,812,673	\$ 4,282,925	\$ 2,886,186
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	54.84%	54.25%	52.73%	55.38%	61.64%

(1) Data is being accumulated annually to present 10 years of the reported information.

(2) The amounts presented were determined as of June 30 of the previous year.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE A BUDGETARY-GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts 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, 2019, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 68,164,439	\$ 69,153,370	\$ (789,038)	\$ 5,112,491
<u>Adjustments and Reclassifications</u>				
To record 60-day receipts	40,916	-	-	204,256
To record tax refunds payable	(190,400)	-	-	(190,400)
To record MTRS on-behalf payments	6,172,551	6,172,551	-	-
Stabilization fund activities	108,128	-	1,335,000	3,916,847
Capital stabilization fund activities	7,384	-	-	215,782
To record encumbrances and continuing appropriations	-	(648,887)	-	648,887
Activities restricted for OPEB	1,176	(50,000)	-	148,723
	<u>1,176</u>	<u>(50,000)</u>	<u>-</u>	<u>148,723</u>
GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 74,304,194</u>	<u>\$ 74,627,034</u>	<u>\$ 545,962</u>	<u>\$ 10,056,586</u>

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