

TOWN OF AUBURN, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2019

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Auburn, 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 Auburn, Massachusetts, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Auburn, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Auburn, Massachusetts, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other postemployment benefit plan schedules as listed on the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Auburn, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2020, on our consideration of the Town of Auburn, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Auburn, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 18, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Auburn, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$49,776,077 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$47,985,135, an increase of \$1,790,942 (4%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$36,292,001, an increase of \$4,664,018 (15%) in comparison with prior year.
- The General Fund's total fund balance increased \$1,657,097 (9%) to \$20,578,228. The ending General fund balance is 29% of revenues and transfers in, and 30% of expenditures and transfers out.
- Total liabilities of the Town increased by \$2,280,624 (2%) to \$119,634,102 during the fiscal year. This net change resulted mainly from net increases in the warrants and accounts payable of \$509,196, in the other post employment benefits (OPEB) liability of \$839,151 and in the pension liability of \$4,535,401; and net decreases in the bond anticipation notes of \$2,181,290 and in the bonds and leases payable of \$1,672,202.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$13,903,276. The key factors that attributed to the free cash amount for fiscal year 2019 were unexpended/unencumbered appropriations of \$1,344,200, excess over budget state and local receipts of \$875,600 and prior year free cash not appropriated of \$11,523,800.
- The Town's enterprise fund certified free cash is as follows:
 - Cable Access \$ 336,020.
 - Pakachoag golf course \$ 143,417.
 - Sewer fund \$ 1,253,261.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Auburn's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources with the net 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions 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*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include sewer and pakachoag golf course activities.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

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

Proprietary funds. The Town maintains two types of proprietary 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 pakachoag golf course activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

Notes to the 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.

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2019	2018	Change
Assets:			
Current assets	\$ 53,508,271	\$ 50,203,702	\$ 3,304,569
Capital assets	103,779,259	105,218,395	(1,439,136)
Total assets	157,287,530	155,422,097	1,865,433
Deferred Outflows of Resources	6,486,929	6,336,400	150,529
Liabilities:			
Current liabilities (excluding debt and leases)	6,200,917	5,718,107	482,810
Current debt and lease	4,998,892	7,071,957	(2,073,065)
Noncurrent liabilities (excluding debt and leases)	72,357,182	67,452,678	4,904,504
Noncurrent debt and lease	31,348,106	33,059,848	(1,711,742)
Total liabilities	114,905,097	113,302,590	1,602,507
Deferred Inflows of Resources	5,687,998	7,167,899	(1,479,901)
Net Position:			
Net Investment in Capital Assets	67,432,261	65,086,590	2,345,671
Restricted	10,424,343	10,215,772	208,571
Unrestricted	(34,675,240)	(34,014,354)	(660,886)
Total net position	\$ 43,181,364	\$ 41,288,008	\$ 1,893,356

	Business-Type Activities		
	2019	2018	Change
Assets:			
Current assets	\$ 2,815,601	\$ 2,430,452	\$ 385,149
Noncurrent assets (excluding capital assets)	99,448	114,086	(14,638)
Capital assets	7,855,778	8,087,376	(231,598)
Total assets	10,770,827	10,631,914	138,913
Deferred Outflows of Resources	713,147	236,978	476,169
Liabilities:			
Current liabilities (excluding debt and leases)	240,022	84,695	155,327
Current debt	264,565	254,685	9,880
Noncurrent liabilities (excluding debt and leases)	2,430,916	1,839,440	591,476
Noncurrent debt	1,793,502	1,872,067	(78,565)
Total liabilities	4,729,005	4,050,887	678,118
Deferred Inflows of Resources	160,256	120,878	39,378
Net Position:			
Net investment in capital assets	5,797,711	5,960,624	(162,913)
Restricted	256,770	439,958	(183,188)
Unrestricted	540,232	296,545	243,687
Total net position	\$ 6,594,713	\$ 6,697,127	\$ (102,414)

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2019	2018	Change
Program Revenues:			
Charges for services	\$ 6,774,199	\$ 6,242,985	\$ 531,214
Operating grants and contributions	20,550,538	19,186,679	1,363,859
Capital grants and contributions	932,187	940,729	(8,542)
General Revenues:			
Property taxes	42,335,296	41,177,408	1,157,888
Motor vehicle excise and other taxes	3,240,333	3,230,617	9,716
Hotel room occupancy and meals taxes	1,143,581	1,238,584	(95,003)
Penalties and interest on taxes	266,242	269,730	(3,488)
Nonrestricted grants	1,849,043	2,089,999	(240,956)
Unrestricted investment income	382,035	66,212	315,823
Total revenues	77,473,454	74,442,943	3,030,511
Expenses:			
General government	3,830,512	3,476,090	354,422
Public safety	9,341,694	8,840,819	500,875
Public works	5,286,304	4,609,570	676,734
Education	33,375,558	32,751,760	623,798
Health and human services	956,650	923,470	33,180
Culture and recreation	1,346,736	1,229,163	117,573
Employee benefits and insurance	19,837,145	18,509,646	1,327,499
State assessments	684,949	637,674	47,275
Interest	1,258,363	1,348,087	(89,724)
Total expenses	75,917,911	72,326,279	3,591,632
Contributions to permanent funds	26,850	30,990	(4,140)
Transfers	310,963	284,594	26,369
Change in net position	1,893,356	2,432,248	(538,892)
Net position - beginning of year	41,288,008	38,855,760	2,432,248
Net position - end of year	\$ 43,181,364	\$ 41,288,008	\$ 1,893,356

	Business-Type Activities		
	2019	2018	Change
Program Revenues:			
Charges for services	\$ 3,094,572	\$ 3,029,665	\$ 64,907
Operating grants and contributions	41,678	9,597	32,081
Total revenues	3,136,250	3,039,262	96,988
Expenses:			
Sewer	2,554,857	2,776,937	(222,080)
Pakachoag Golf Course	372,844	349,209	23,635
Total expenses	2,927,701	3,126,146	(198,445)
Transfers	(310,963)	(284,594)	(26,369)
Change in net position	(102,414)	(371,478)	269,064
Net position - beginning of year	6,697,127	7,068,605	(371,478)
Net position - end of year	\$ 6,594,713	\$ 6,697,127	\$ (102,414)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,776,077 at the close of fiscal year 2019.

Net position of \$73,229,972 represents its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets 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 its 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 net position \$10,681,113, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$34,135,008).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The Town is able to report positive balances in all three categories of net position for the business-type activities.

The governmental activities net position increased by \$1,893,356 (5%) during the current fiscal year. The significant reasons for the increase in net position are attributed to net increases in the governmental funds of \$4,664,018, in debt and leases of \$1,603,517 and in the deferred outflow/(inflow) of resources related to OPEB of 656,711 and to pensions of \$973,719; and to decreases as a result of the depreciation expense (normally spread out over the useful life of the asset) for the year of \$5,114,943 exceeding the acquisition of \$3,675,807 in new capital assets and in recognizing this year's net pension liability of \$4,431,034.

There was a decrease of \$102,414 (2%) in net position reported in the business-type activities. Of this, there were decreases of \$69,851 attributed to the sewer fund and of \$32,563 attributed to the pakachoag golf course fund.

There was a decrease of \$217,264 (2%) in net position reported in the internal service fund. This was attributed to operating expenditures exceeding operating revenues by \$312,872 and interest earned of \$95,608.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$36,292,001, an increase of \$4,664,018 (15%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$1,027,004 (3%).
- Restricted fund balance – \$8,963,812 (25%).
- Committed fund balance – \$6,369,832 (17%).
- Assigned fund balance – \$1,881,741 (5%).
- Unassigned fund balance – \$18,049,612 (50%).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$20,578,228 increasing \$1,657,097 (9%) from the prior year. Of the \$20,578,228, the unassigned amount is \$18,049,612 (88%), the assigned amount is \$1,881,741 (9%) and the restricted amount is \$646,875 (3%). General fund revenues were \$1,917,176 (3%) more than the prior fiscal year and expenditures also increased by \$2,939,014 (5%). Other activities in the General Fund were net transfers in from other funds of \$1,479,150.

The main components of the increases in general fund revenues as compared to the prior year related to increases in property taxes in the amount of \$900,268 (2%), in intergovernmental receipts of \$998,444 (8%), and in investment income of \$315,823 (477%); and decreases in excise and other taxes of \$128,652 (3%) and in licenses, permits and fees of \$132,249 (10%).

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in General government expenditures of \$213,755 (7%).
- Increase in Public safety expenditures of \$456,840 (6%).
- Increase in Public works expenditures of \$557,795 (15%).
- Increase in Education expenditures of \$1,200,879 (5%).
- Increase in Employee benefits and insurance expenditures of \$327,052 (2%).

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund has accumulated a balance of \$6,597,338 and shows a decrease of \$69,851 (1%) in total operations. This is attributed to operating revenues exceeding the operating costs by \$224,098, interest income of \$18,633, special assessments and other revenue of \$19,831, interest expense of \$58,379 and net transfers to the general fund of \$274,034. Operating revenues increased by \$100,096 (4%) while operating expenses decreased by \$219,938 (8%) from the prior year.

The *Pakachoag Golf Course Fund* accounts for the financing and operations of the Town's golf course. The fund has accumulated a deficit balance of \$2,625 and shows a decrease of \$32,563 (109%) in total operations. This decrease is attributed to operating costs exceeding the operating revenues by \$4,679, interest income of \$9,045 and net transfers to the general fund of \$36,929.

Internal Service Fund

The activity of the internal service fund represents the health insurance fund. The fund has accumulated a fund balance of \$8,704,157. The fund decreased by \$217,264 (2%) in total operations. This is the result of contributions from the employees and employer for \$7,705,747, other revenue of \$1,468,032, expenses of \$9,486,651 and interest earned of \$95,608. Operating revenues increased by \$1,365,863 (17%) and operating expenses also increased by \$2,546,533 (37%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2019 was \$65,297,638. This was an increase of \$3,478,721 (6%) over the previous year's budget.

There was an increase between the original budget and the total final amended budget. The change is attributed to funds voted from available funds at the special town meeting in October 2018 for various budget operating line items.

General fund expenditures were less than budgeted by \$2,872,951. Of the \$2,872,951 in under budget expenditures, \$1,528,741 has been carried over to fiscal year 2020.

There was a negative variance in state assessments of \$25,354 due to lower assessments in the special education of \$12,376, in the school choice sending tuitions of \$5,483 and in charter school sending tuitions of \$7,495 than actual payments.

The variance with the final budget was a positive \$2,300,707 consisting of a revenue surplus of \$956,497 and an appropriation surplus of \$1,344,210.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to \$103,779,259 and \$7,855,778, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Police vehicle and equipment purchases for \$605,535.
- Communications Center radio equipment purchase for \$251,206.
- Fire Department vehicle and equipment purchases for \$795,362.
- Cemetery vehicle purchase for \$18,504.

- Highway vehicle purchases for \$207,990.
- Road and street improvements for \$1,627,834.
- Franklin Field playground equipment purchase for \$100,000.
- Various school improvements for \$53,310.
- High School infrastructure improvements for \$255,362.
- School equipment purchase for \$16,066.

The major capital event during the current fiscal year in the business-type fund included the following:

- Sewer infrastructure improvements for \$383,189.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2019, totaled \$34,652,702, of which \$24,023,000 is for school projects, \$2,445,000 is for land acquisitions, \$241,000 for department equipment, \$468,702 for Dam repairs and road improvements and \$7,475,000 is for various other projects.

The business-type fund has \$1,927,000 in long-term sewer debt.

The Town also has capital leases in the governmental type fund for the financing of the police department, fire department, highway vehicles and equipment, and a park vehicle. The last lease is due in 2023. The Town currently owes \$1,848,873 on the leases consisting of \$1,694,296 in principal and \$154,577 in interest.

The Town has a capital lease in the business-type fund for financing of the golf course carts and other equipment. The lease is due in 2021. The Town currently owes \$136,533 on the lease consisting of \$131,067 in principal and \$5,466 in interest.

Please refer to notes 3D, 3F, 3G and 3H for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Auburn operates under the "Representative Meeting" concept where each registered voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2019 do not reflect the fiscal year 2020 Town Meeting action with the exception of the fund balance (overlay surplus) and stabilization amounts used to fund the 2020 budget.

The Annual Town Meeting on May 7, 2019 authorized a fiscal year 2020 operating and capital budget as follows:

From raise and appropriate		\$ 63,978,255
From sewer user fees	\$ 2,118,188	
From sewer retained earnings	<u>425,000</u>	2,543,188
From golf course fees		349,210
From cable television fees		239,256
From other available funds:		
General Fund:		
Unreserved fund balance:		
Overlay surplus		53,000
Stabilization fund		300,000
Reserve for debt		85,234
Non-major Governmental Funds:		
Ambulance	898,000	
Board of health revolving	12,000	
Capital improvement trust fund	25,000	
Casella waste	50,000	
Cemetery perpetual care fund	5,000	
Central administrative building	320,685	
Charter communications grants	200,000	
Dog License Fees	40,000	
Health and recreation trust fund	7,864	
Pension reserve fund	25,000	
Sale of cemetery lots	15,000	
Wetlands protection fees	<u>3,000</u>	1,601,549
		<u>\$ 69,149,692</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Auburn’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 104 Central Street, Auburn, Massachusetts 01501.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 40,153,517	\$ 2,525,603	\$ 42,679,120
Investments	9,358,514	-	9,358,514
Receivables, net of allowance for uncollectibles:			
Property Taxes	696,872	-	696,872
Deferred Property Taxes	37,794	-	37,794
Tax Liens	987,338	-	987,338
Excise Taxes	274,898	-	274,898
User Charges	-	275,360	275,360
Departmental	1,038,362	-	1,038,362
Special Assessments	67	14,638	14,705
Due from Other Governments	958,685	-	958,685
Other	2,224	-	2,224
Total current assets	<u>53,508,271</u>	<u>2,815,601</u>	<u>56,323,872</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	99,448	99,448
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	8,755,263	1,787,383	10,542,646
Depreciable	95,023,996	6,068,395	101,092,391
Total noncurrent assets	<u>103,779,259</u>	<u>7,955,226</u>	<u>111,734,485</u>
Total Assets	<u>157,287,530</u>	<u>10,770,827</u>	<u>168,058,357</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	6,396,023	232,052	6,628,075
Deferred Outflows Related to OPEB	90,906	481,095	572,001
Total Deferred Outflows of Resources	<u>6,486,929</u>	<u>713,147</u>	<u>7,200,076</u>

(Continued)

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	2,006,265	201,321	2,207,586
Accrued Payroll	2,626,845	12,512	2,639,357
Payroll Withholdings	165,666	-	165,666
Accrued Interest	377,778	19,939	397,717
Accrued Claims	701,452	-	701,452
Other	38,037	-	38,037
Compensated Absences	284,874	6,250	291,124
Bonds and Leases Payable	4,998,892	264,565	5,263,457
Total current liabilities	11,199,809	504,587	11,704,396
NONCURRENT:			
Compensated Absences	854,621	-	854,621
Net OPEB Liability	26,170,147	786,228	26,956,375
Net Pension Liability	45,332,414	1,644,688	46,977,102
Bonds and Leases Payable	31,348,106	1,793,502	33,141,608
Total noncurrent liabilities	103,705,288	4,224,418	107,929,706
Total Liabilities	114,905,097	4,729,005	119,634,102
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	600,110	21,773	621,883
Deferred Inflows Related to OPEB	5,087,888	138,483	5,226,371
Total Deferred Inflows of Resources	5,687,998	160,256	5,848,254
NET POSITION			
Net Investment in Capital Assets	67,432,261	5,797,711	73,229,972
Restricted for:			
Capital Projects	1,884,865	256,770	2,141,635
Federal & State Grants	860,101	-	860,101
Debt Service	646,875	-	646,875
Permanent Funds:			
Expendable	704,861	-	704,861
Nonexpendable	1,027,004	-	1,027,004
Other Purposes	5,300,637	-	5,300,637
Unrestricted	(34,675,240)	540,232	(34,135,008)
Total Net Position	\$ 43,181,364	\$ 6,594,713	\$ 49,776,077

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 3,830,512	\$ 511,133	\$ 675,879	\$ -	\$ (2,643,500)	\$ -	\$ (2,643,500)
Public Safety	9,341,694	3,141,163	204,181	-	(5,996,350)	-	(5,996,350)
Public Works	5,286,304	1,145,365	148,902	743,891	(3,248,146)	-	(3,248,146)
Education	33,375,558	1,597,129	13,360,741	188,296	(18,229,392)	-	(18,229,392)
Health and Human Services	956,650	223,673	158,448	-	(574,529)	-	(574,529)
Culture and Recreation	1,346,736	155,736	92,902	-	(1,098,098)	-	(1,098,098)
Employee Benefits and Insurance	19,837,145	-	5,909,485	-	(13,927,660)	-	(13,927,660)
State Assessments	684,949	-	-	-	(684,949)	-	(684,949)
Interest	1,258,363	-	-	-	(1,258,363)	-	(1,258,363)
Total Governmental Activities	75,917,911	6,774,199	20,550,538	932,187	(47,660,987)	-	(47,660,987)
Business-Type Activities:							
Sewer	2,554,857	2,726,407	32,633	-	-	204,183	204,183
Pakachoag Golf Course	372,844	368,165	9,045	-	-	4,366	-
Total Primary Government	\$ 78,845,612	\$ 9,868,771	\$ 20,592,216	\$ 932,187	(47,660,987)	208,549	(47,452,438)
General Revenues:							
Property Taxes					42,335,296	-	42,335,296
Motor vehicle excise and other taxes					3,240,333	-	3,240,333
Hotel room occupancy and meals taxes					1,143,581	-	1,143,581
Penalties & Interest on taxes					266,242	-	266,242
Grants & Contributions not restricted to specific programs					1,849,043	-	1,849,043
Unrestricted Investment Income					382,035	-	382,035
Contributions to Permanent Funds					26,850	-	26,850
Transfers, net					310,963	(310,963)	-
Total General Revenues, Contributions and Transfers					49,554,343	(310,963)	49,243,380
Change in Net Position					1,893,356	(102,414)	1,790,942
Net Position:							
Beginning of year					41,288,008	6,697,127	47,985,135
End of year					\$ 43,181,364	\$ 6,594,713	\$ 49,776,077

The Notes to the Financial Statements are an integral part of this Statement.

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 20,960,149	\$ 9,957,542	\$ 30,917,691
Investments	3,644,512	5,714,002	9,358,514
Receivables, net of allowance for uncollectibles:			
Property Taxes	696,872	-	696,872
Deferred Taxes	37,794	-	37,794
Tax Liens	987,338	-	987,338
Excise Taxes	274,898	-	274,898
Departmental	113,143	586,096	699,239
Special Assessments	67	-	67
Due from Other Governments	48,092	910,593	958,685
Other	2,224	-	2,224
Total Assets	\$ 26,765,089	\$ 17,168,233	\$ 43,933,322
Liabilities:			
Warrants and Accounts Payable	\$ 1,492,261	\$ 510,411	\$ 2,002,672
Accrued Payroll	2,618,359	8,405	2,626,764
Other	38,037	-	38,037
Total Liabilities	4,148,657	518,816	4,667,473
Deferred Inflows of Resources:			
Unavailable Revenue	2,038,204	935,644	2,973,848
Fund Balances:			
Nonspendable	-	1,027,004	1,027,004
Restricted	646,875	8,316,937	8,963,812
Committed	-	6,369,832	6,369,832
Assigned	1,881,741	-	1,881,741
Unassigned	18,049,612	-	18,049,612
Total Fund Balance	20,578,228	15,713,773	36,292,001
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 26,765,089	\$ 17,168,233	\$ 43,933,322

The Notes to the Financial Statements are an integral part of this Statement.

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 42,184,845	\$ -	\$ 42,184,845
Intergovernmental	13,155,324	3,040,232	16,195,556
Excise and Other Taxes	4,339,241	-	4,339,241
Charges for Services	1,119,789	4,468,885	5,588,674
Licenses, Permits, Fees	1,155,158	-	1,155,158
Interest on Taxes	266,242	-	266,242
Investment Income	382,035	269,869	651,904
Intergovernmental - "On-behalf" Payments	5,743,957	-	5,743,957
Gifts and Donations	-	66,377	66,377
Other	-	483,434	483,434
Total Revenues	68,346,591	8,328,797	76,675,388
Expenditures:			
Current:			
General Government	3,486,206	613,445	4,099,651
Public Safety	8,291,250	2,140,395	10,431,645
Public Works	4,256,568	1,694,054	5,950,622
Education	27,276,509	2,976,892	30,253,401
Health and Human Services	822,720	71,173	893,893
Culture and Recreation	898,024	243,880	1,141,904
Employee Benefits and Insurance	16,371,626	-	16,371,626
State Assessments	684,949	-	684,949
Debt Service:			
Principal	4,788,966	-	4,788,966
Interest	1,291,826	-	1,291,826
Total Expenditures	68,168,644	7,739,839	75,908,483
Excess of Revenues Over (Under) Expenditures	177,947	588,958	766,905
Other Financing Sources (Uses):			
Operating Transfers In	1,528,359	49,209	1,577,568
Operating Transfers Out	(49,209)	(1,217,396)	(1,266,605)
Capital Lease	-	1,348,150	1,348,150
Premium on Issuance of Bonds	-	166,000	166,000
Proceeds from Issuance of Bonds	-	2,072,000	2,072,000
Total Other Financing Sources (Uses)	1,479,150	2,417,963	3,897,113
Net Change in Fund Balances	1,657,097	3,006,921	4,664,018
Fund Balances, Beginning of Year	18,921,131	12,706,852	31,627,983
Fund Balances, End of Year	\$ 20,578,228	\$ 15,713,773	\$ 36,292,001

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2019

Total Governmental Fund Balances	\$	36,292,001
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		103,779,259
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		2,973,848
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.		798,931
Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds and lease payable	\$ (36,346,998)	
Net OPEB Liability	(26,170,147)	
Net Pension Liability	(45,332,414)	
Compensated absences	<u>(1,139,495)</u>	(108,989,054)
Internal Service funds are used by management to account for health insurance activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		8,704,157
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due.		<u>(377,778)</u>
Net Position of Governmental Activities	\$	<u><u>43,181,364</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
Reconciliation of the Statement of the Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds		\$ 4,664,018
<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 are reported as depreciation expense:</p>		
Capital outlay purchases	\$ 3,675,807	
Depreciation	<u>(5,114,943)</u>	(1,439,136)
<p>Revenue in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.</p>		
		563,308
<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 effect on net position:</p>		
Repayment of debt and lease principal	5,023,667	
Proceeds from bonds	(2,072,000)	
Proceeds from capital lease	<u>(1,348,150)</u>	1,603,517
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net change in compensated absences	(161,903)	
Net change in net OPEB liability	(352,043)	
Net change in deferred outflow/(inflow) of resources related to OPEB	656,711	
Net change in net pension liability	(4,431,034)	
Net change in deferred outflow/(inflow) of resources related to pensions	973,719	
Net change in accrued interest on long-term debt	<u>33,463</u>	(3,281,087)
<p>Internal Service funds are used by management to account for health insurance activities:</p>		
The net activity of internal service funds is reported with governmental activities		<u>(217,264)</u>
Change in Net Position of Governmental Activities		<u><u>\$ 1,893,356</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

Budgeted Amounts

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried	Original Budget	Final Budget			
	Forward from Prior Year					
Revenues:						
Property Taxes	\$ -	\$ 41,982,188	\$ 42,095,771	\$ 42,176,645	\$ -	\$ 80,874
Intergovernmental	-	13,036,532	13,036,532	13,155,324	-	118,792
Excise and Other Taxes	-	3,972,716	3,972,716	4,339,241	-	366,525
Charges for Services	-	1,087,000	1,087,000	1,119,789	-	32,789
Licenses, Permits, Fees	-	964,978	964,978	1,155,158	-	190,180
Interest on Taxes	-	250,000	250,000	266,242	-	16,242
Investment Income	-	75,000	75,000	226,095	-	151,095
Total Revenues	-	61,368,414	61,481,997	62,438,494	-	956,497
Expenditures:						
Current:						
General Government	368,805	3,679,608	4,131,409	3,486,206	401,717	243,486
Public Safety	63,556	8,515,925	8,607,022	8,291,250	91,917	223,855
Public Works	517,271	4,006,090	4,860,508	4,256,568	512,186	91,754
Education	569,329	27,182,451	27,704,104	27,276,509	412,813	14,782
Health and Human Services	7,537	832,599	856,181	822,720	6,623	26,838
Culture and Recreation	29,437	989,816	1,019,659	898,024	68,352	53,283
Employee Benefits and Insurance	34,308	11,219,058	11,378,366	10,627,669	35,133	715,564
State Assessments	-	659,595	659,595	684,949	-	(25,354)
Debt Service:						
Principal	-	4,788,966	4,788,966	4,788,966	-	-
Interest	-	1,291,363	1,291,828	1,291,826	-	2
Total Expenditures	1,590,243	63,165,471	65,297,638	62,424,687	1,528,741	1,344,210
Excess of Revenues Over (Under) Expenditures	(1,590,243)	(1,797,057)	(3,815,641)	13,807	(1,528,741)	2,300,707
Other Financing Sources (Uses):						
Operating Transfers In	-	1,631,508	1,638,358	1,638,358	-	-
Operating Transfers Out	-	-	(349,209)	(349,209)	-	-
Total Other Financing Sources (Uses)	-	1,631,508	1,289,149	1,289,149	-	-
Net Change in Budgetary Fund Balance	(1,590,243)	(165,549)	(2,526,492)	\$ 1,302,956	\$ (1,528,741)	\$ 2,300,707
Other Budgetary Items:						
Free Cash and Other Reserves	-	165,549	936,249			
Prior Year Encumbrances	1,590,243	-	1,590,243			
Total Other Budgetary Items	1,590,243	165,549	2,526,492			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2019

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 62,438,494	\$ 62,424,687
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	155,940	-
Net increase in Revenue from Recording Refund Taxes Payable	19,200	-
Net Decrease in Revenue from Recording 60-Day Receipts	(11,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	5,743,957	-
Recognition of Expenditures - "on behalf payments"	-	5,743,957
Reported on a GAAP Basis	\$ 68,346,591	\$ 68,168,644

The Notes to the Financial Statements are an integral part of this Statement.

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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 2,363,709	\$ 161,894	\$ 2,525,603	\$ 9,235,826
User Charges, net of allowance for uncollectibles	275,360	-	275,360	-
Departmental	-	-	-	339,123
Special Assessments	14,638	-	14,638	-
Total current assets	<u>2,653,707</u>	<u>161,894</u>	<u>2,815,601</u>	<u>9,574,949</u>
NONCURRENT:				
Special Assessments	99,448	-	99,448	-
Capital Assets, net of accumulated depreciation:				
Nondepreciable	1,787,383	-	1,787,383	-
Depreciable	5,824,969	243,426	6,068,395	-
Total noncurrent assets	<u>7,711,800</u>	<u>243,426</u>	<u>7,955,226</u>	<u>-</u>
Total Assets	<u>10,365,507</u>	<u>405,320</u>	<u>10,770,827</u>	<u>9,574,949</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	196,191	35,861	232,052	-
Deferred Outflows Related to OPEB	373,759	107,336	481,095	-
Total Deferred Outflows of Resources	<u>569,950</u>	<u>143,197</u>	<u>713,147</u>	<u>-</u>
LIABILITIES				
CURRENT:				
Accounts Payable	187,212	14,109	201,321	3,593
Accrued Payroll	8,144	4,368	12,512	81
Payroll Withholdings	-	-	-	165,666
Accrued Interest	19,939	-	19,939	-
Accrued Claims	-	-	-	701,452
Compensated Absences	4,852	1,398	6,250	-
Bonds and Leases Payable	200,000	64,565	264,565	-
Total current liabilities	<u>420,147</u>	<u>84,440</u>	<u>504,587</u>	<u>870,792</u>
NONCURRENT:				
Net OPEB Liability	664,924	121,304	786,228	-
Net Pension Liability	1,390,522	254,166	1,644,688	-
Bonds and Leases Payable	1,727,000	66,502	1,793,502	-
Total noncurrent liabilities	<u>3,782,446</u>	<u>441,972</u>	<u>4,224,418</u>	<u>-</u>
Total Liabilities	<u>4,202,593</u>	<u>526,412</u>	<u>4,729,005</u>	<u>870,792</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	18,408	3,365	21,773	-
Deferred Inflows Related to OPEB	117,118	21,365	138,483	-
Total Deferred Inflows of Resources	<u>135,526</u>	<u>24,730</u>	<u>160,256</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	5,685,352	112,359	5,797,711	-
Restricted for Capital Projects	256,770	-	256,770	-
Unrestricted	655,216	(114,984)	540,232	8,704,157
Total Net Position	<u>\$ 6,597,338</u>	<u>\$ (2,625)</u>	<u>\$ 6,594,713</u>	<u>\$ 8,704,157</u>

The Notes to the Financial Statements are an integral part of this Statement.

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

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
Operating Revenues:				
Employer Contributions	\$ -	\$ -	\$ -	\$ 5,883,839
Employee/Retirees Contributions	-	-	-	1,821,908
Charges for Services	2,703,212	368,165	3,071,377	-
Other	17,364	-	17,364	1,468,032
Total Operating Revenues	2,720,576	368,165	3,088,741	9,173,779
Operating Expenses:				
Salaries & Wages	391,541	167,426	558,967	-
Operating Expenses	1,553,743	141,825	1,695,568	474,864
Depreciation	551,194	63,593	614,787	-
Employee Benefits and Insurance	-	-	-	9,011,787
Total Operating Expenses	2,496,478	372,844	2,869,322	9,486,651
Operating Income (Loss)	224,098	(4,679)	219,419	(312,872)
Non-Operating Revenues (Expenses):				
Investment Income	18,633	9,045	27,678	95,608
Special Assessments	5,831	-	5,831	-
Other	14,000	-	14,000	-
Interest Expense	(58,379)	-	(58,379)	-
Total Non-Operating Revenues (Expenses)	(19,915)	9,045	(10,870)	95,608
Income (Loss) Before Operating Transfers	204,183	4,366	208,549	(217,264)
Operating Transfers:				
Transfers In/(Out)	(274,034)	(36,929)	(310,963)	-
Total Operating Transfers	(274,034)	(36,929)	(310,963)	-
Change in Net Position	(69,851)	(32,563)	(102,414)	(217,264)
Net Position at Beginning of Year	6,667,189	29,938	6,697,127	8,921,421
Net Position at End of Year	\$ 6,597,338	\$ (2,625)	\$ 6,594,713	\$ 8,704,157

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF AUBURN, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Pakachoag Golf Course Fund	Total	
	\$	\$	\$	
Cash Flows From Operating Activities:				
Receipts from Customers and Users	2,670,390	368,165	3,038,555	-
Receipts from Other Revenues	17,364	-	17,364	1,386,418
Receipts from Interfund Services Provided	-	-	-	7,717,576
Payments to Vendors and Employees	(1,794,897)	(256,619)	(2,051,516)	-
Payments for Interfund Services Used	-	-	-	(9,542,163)
Net Cash Provided by (Used for) Operating Activities	892,857	111,546	1,004,403	(438,169)
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	(274,034)	(36,929)	(310,963)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(274,034)	(36,929)	(310,963)	-
Cash Flows from Capital and Related Financing Activities:				
Special Assessments	20,469	-	20,469	-
Other	14,000	-	14,000	-
Acquisition and Construction of Capital Assets	(277,024)	-	(277,024)	-
Proceeds from Bonds	186,000	-	186,000	-
Principal Payments on Bonds and Leases	(192,000)	(62,685)	(254,685)	-
Interest Expense	(57,551)	-	(57,551)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(306,106)	(62,685)	(368,791)	-
Cash Flows from Investing Activities:				
Investment Income	18,633	9,045	27,678	95,608
Net Cash Provided by (Used for) Investing Activities	18,633	9,045	27,678	95,608
Net Increase (Decrease) in Cash and Cash Equivalents	331,350	20,977	352,327	(342,561)
Cash and Cash Equivalents at Beginning of Year	2,032,359	140,917	2,173,276	9,578,387
Cash and Cash Equivalents at End of Year	\$ 2,363,709	\$ 161,894	\$ 2,525,603	\$ 9,235,826
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:				
Operating Income (Loss)	\$ 224,098	\$ (4,679)	\$ 219,419	\$ (312,872)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	551,194	63,593	614,787	-
Deferred (Outflows)/Inflows of Resources Related to Pensions	(23,255)	(5,423)	(28,678)	-
Deferred (Outflows)/Inflows of Resources Related to OPEB	(319,047)	(89,066)	(408,113)	-
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable/Accounts Payable	31,179	14,109	45,288	(158,516)
Increase (Decrease) in Accrued Payroll	407	1,097	1,504	3
Increase (Decrease) in Payroll Withholdings	-	-	-	11,829
Increase (Decrease) in Accrued Claims	-	-	-	103,001
Increase (Decrease) in Net OPEB Liability	379,933	107,175	487,108	-
Increase (Decrease) in Net Pension Liability	79,830	24,538	104,368	-
Increase (Decrease) in Compensated Absences	1,340	202	1,542	-
Decrease (Increase) in User Charges Receivable	(32,822)	-	(32,822)	-
Decrease (Increase) in Departmental	-	-	-	(81,614)
Total Adjustments	668,759	116,225	784,984	(125,297)
Net Cash Provided by (Used for) Operating Activities	\$ 892,857	\$ 111,546	\$ 1,004,403	\$ (438,169)

The Notes to the Financial Statements are an integral part of this Statement.

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

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 1,765	\$ 141,551
Investments	4,711,476	111,431	-
Total Assets	4,711,476	113,196	141,551
LIABILITIES			
Warrants Payable	-	-	35,674
Escrows and Deposits	-	-	23,350
Due to Students	-	-	82,527
Total Liabilities	-	-	141,551
NET POSITION			
Held in Trust for Other Purposes	\$ 4,711,476	\$ 113,196	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

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

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 2,067,361	\$ -
Private Donations	-	5,875
Total Contributions	2,067,361	5,875
Investment Income	254,275	6,499
Total Additions	2,321,636	12,374
Deductions:		
Educational Scholarships	-	7,000
Employee Benefits and Insurance	1,467,361	-
Total Deductions	1,467,361	7,000
Change in Net Position	854,275	5,374
Net Position at Beginning of Year	3,857,201	107,822
Net Position at End of Year	\$ 4,711,476	\$ 113,196

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1778 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five-member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2019, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Auburn Housing Authority, Auburn Water District, Elm Hill Water District, Woodland Water District, Southern Worcester County Regional Vocational School District, and the Upper Blackstone Water Pollution Abatement District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations follow:

Auburn Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Auburn Water District, Elm Hill Water District and Woodland Water District – Water districts which provide water services to the residents of the Town. The districts are autonomous and self-sufficient units under the General Laws of the Commonwealth of Massachusetts. The Town has no significant influence over management, budget or policies of the districts.

Southern Worcester County Regional Vocational School District - A regional school district made up of ten communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects two district committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Upper Blackstone Water Pollution Abatement District - A district made up of the Town of Auburn and the City of Worcester that provides treatment for sewerage. The district is responsible for the operating costs related to the district and operates independently from the Town.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter 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. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Proprietary and fiduciary funds are reported by fund type.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

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

Government-wide financial statements

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

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

The *Pakachoag Golf Course fund* is used to account for golf course activities.

The *internal service fund* is used to account for the activity in the health insurance fund.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds*' column on the governmental funds' financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

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

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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 benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. 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. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

Investment income from proprietary funds is maintained in those funds.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues 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.

Property Taxes, Deferred Property Taxes, Tax Liens, and Taxes in Litigation

Property taxes are based on assessments as of January 1, 2018 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The Town mailed preliminary tax bills for the fiscal year 2019 on June 28, 2018 and September 27, 2018, that were due on August 1, 2018 and November 1, 2018 and actual bills on December 31, 2018 and March 29, 2019 that were due on February 1, 2019 and May 1, 2019.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2019 is as follows:

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2019	\$ 44,823,850
Add: Debt Exclusion	<u>3,043,737</u>
Maximum Allowable Levy	<u><u>\$ 47,867,587</u></u>

The total amount raised by taxation was \$42,531,347.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

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

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

User Charges

User charges and fees consist of sewer that is levied annually based on individual meter readings and are subject to penalties and interest if not paid by the respective due date. Sewer liens are processed each year and are included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

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

Departmental

Departmental receivables consist primarily of trash fees, ambulance fees, stop-loss claims and police off-duty details.

The allowance for uncollectibles relates to trash fees, ambulance fees and police off duty are based upon historical trends. The other departmental receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Special Assessments

Special assessments consist of the sewer betterments in the general fund and in the business-type funds.

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

Due from Other Governments

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

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

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value.

All purchase and construction costs in excess of \$10,000 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 of fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	20-40
Machinery, equipment and other	3-10
Infrastructure	20-50

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.

H. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

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

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the items in this category are *deferred outflows related to pensions and deferred outflows related to OPEB*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the items in this category are *deferred inflows related to pensions and deferred inflows related to OPEB*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; departmental receipts, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Debt service" represents funds that are reserved for future years' debt service.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Other purposes” represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town’s policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position.

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

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

M. Pension Benefits

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

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

O. Use of Estimates

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

P. Total Column

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments to the Chief Financial Officer and Town Manager on or before the second Monday in January.
- The Chief Financial Officer prepares and administers the Town budget.
- Budgets are given to the finance committee for review by the first week in March.
- Finance committee reviews budget requests, prepares a budget report and recommendations which is distributed to Town meeting members prior to the annual Town meeting.
- The budget is legally enacted by vote of Town meeting members at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.
- The Town Manager can also present an alternative budget at the Town Meeting if there is not a finance committee consensus.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2019, the Town incurred a final budget deficit of \$2,526,492 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 730,700
Overlay surplus	105,200
Reserve for debt	100,349
Prior year's encumbrances	1,590,243
	\$ 2,526,492
	\$ 2,526,492

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2019 were \$41,934,973. Of these, \$10,215,380 are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust (“MMDT”), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer’s office. According to the State Treasurer, the Trust’s investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

As of June 30, 2019, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 1,558,754	\$ 1,058,793	\$ 499,961
U. S. government agencies	1,981,638	-	1,981,638
Corporate bonds	2,599,480	1,122,312	1,477,168
Money market mutual fund	129,063	129,063	-
	<u>6,268,935</u>	<u>\$ 2,310,168</u>	<u>\$ 3,958,767</u>
Other Investments:			
Certificate of deposits	1,455,243		
Equity mutual funds	1,409,777		
Equity securities - domestic (stocks)	4,744,945		
MMDT	302,521		
	<u>\$ 14,181,421</u>		

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Custodial Credit Risks

For an investment, custodial risk 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. Of the Town's \$14,181,421 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2019 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 1,558,754
<i>U. S. Government Agencies:</i>	
Aaa	1,981,638
<i>Corporate Bonds:</i>	
Aaa	269,341
A1	201,902
A2	254,957
A3	757,112
Baa2	1,116,168
<i>Money Market Mutual Funds:</i>	
Not rated	129,063
	\$ 6,268,935

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corp amounting to 11.27% of the Town's total investments.

Fair Value of Investments

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 AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

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

Investment Type	Fair Value	Fair Value Measurements		
		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. treasury obligations	\$ 1,558,754	\$ 1,558,754	\$ -	\$ -
U. S. government agencies	1,981,638	1,981,638	-	-
Certificates of deposit	1,455,243	1,455,243	-	-
Equity mutual funds	1,409,777	1,409,777	-	-
Equity securities - domestic	4,744,945	4,744,945	-	-
Money market mutual fund	129,063	129,063	-	-
Corporate bonds	2,599,480	-	2,599,480	-
	13,878,900	\$ 11,279,420	\$ 2,599,480	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	302,521			
Total Investments	\$ 14,181,421			

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

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

B. Receivables

At June 30, 2019, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 844,090	\$ (147,218)	\$ 696,872
Deferred property taxes	40,245	(2,451)	37,794
Tax liens	987,338	-	987,338
Excise taxes	371,436	(96,538)	274,898
Departmental	1,149,070	(449,831)	699,239
Special assessments	67	-	67
Due from other governments	958,685	-	958,685
	\$ 4,350,931	\$ (696,038)	\$ 3,654,893

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

At June 30, 2019, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
Sewer user charges	\$ 237,246	\$ (4,000)	\$ 233,246
Sewer tax liens	42,114	-	42,114
Special assessments	114,086	-	114,086
	<u>\$ 393,446</u>	<u>\$ (4,000)</u>	<u>\$ 389,446</u>

The composition of amounts due from other governments as of June 30, 2019 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits \$ 48,092

Nonmajor Governmental Funds:

U. S. Department of Education:

School title grants \$ 47,782

Commonwealth of Massachusetts:

Department of Environmental Protection 2,092

Executive Office of Public Safety and Homeland Security:

Public safety grants 19,335

Massachusetts Emergency Management Agency 5,325

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 836,059 910,593

\$ 958,685

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:			
Property taxes	\$	576,872	
Deferred property taxes		37,794	
Tax liens		987,338	
Excise taxes		274,898	
Departmental		113,143	
Special assessments		67	
Due from other governments		48,092	\$ 2,038,204
Nonmajor Governmental Funds:			
Departmental		502,117	
Due from other governments		433,527	935,644
		<u> </u>	<u>\$ 2,973,848</u>

D. Capital Assets

Capital asset activities for the year ended June 30, 2019 is as follows;

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,755,263	\$ -	\$ -	\$ 8,755,263
Construction in progress	372,929	3,360	(376,289)	-
Total capital assets not being depreciated	9,128,192	3,360	(376,289)	8,755,263
Capital assets being depreciated:				
Buildings and Renovations	111,130,480	426,239	-	111,556,719
Machinery, equipment and other	12,170,564	1,994,663	-	14,165,227
Infrastructure	30,035,973	1,627,834	-	31,663,807
Total capital assets being depreciated	153,337,017	4,048,736	-	157,385,753
Less accumulated depreciation for:				
Buildings and Renovations	31,054,108	3,378,703	-	34,432,811
Machinery, equipment and other	9,872,352	778,551	-	10,650,903
Infrastructure	16,320,354	957,689	-	17,278,043
Total accumulated depreciation	57,246,814	5,114,943	-	62,361,757
Total capital assets being depreciated, net	96,090,203	(1,066,207)	-	95,023,996
Total governmental activities capital assets, net	<u>\$ 105,218,395</u>	<u>\$ (1,062,847)</u>	<u>\$ (376,289)</u>	<u>\$ 103,779,259</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 503,030	\$ -	\$ -	\$ 503,030
Construction in progress	1,049,132	235,221	-	1,284,353
Total capital assets not being depreciated	<u>1,552,162</u>	<u>235,221</u>	<u>-</u>	<u>1,787,383</u>
Capital assets being depreciated:				
Buildings and Renovations	4,833,213	-	-	4,833,213
Machinery, equipment and other	2,306,585	-	-	2,306,585
Infrastructure	18,640,270	147,968	-	18,788,238
Total capital assets being depreciated	<u>25,780,068</u>	<u>147,968</u>	<u>-</u>	<u>25,928,036</u>
Less accumulated depreciation for:				
Buildings and Renovations	4,220,060	96,664	-	4,316,724
Machinery, equipment and other	1,775,427	119,456	-	1,894,883
Infrastructure	13,249,367	398,667	-	13,648,034
Total accumulated depreciation	<u>19,244,854</u>	<u>614,787</u>	<u>-</u>	<u>19,859,641</u>
Total capital assets being depreciated, net	<u>6,535,214</u>	<u>(466,819)</u>	<u>-</u>	<u>6,068,395</u>
Total business-type activities capital assets, net	<u>\$ 8,087,376</u>	<u>\$ (231,598)</u>	<u>\$ -</u>	<u>\$ 7,855,778</u>

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

Governmental Activities:

General government	\$ 42,872
Public safety	569,023
Public works	1,094,450
Education	3,121,862
Health and human services	61,460
Culture and recreation	225,276
Total depreciation expense - governmental activities	<u>\$ 5,114,943</u>

Business-Type Activities:

Sewer fund	\$ 551,194
Pakachoag golf course fund	63,593
Total depreciation expense - business-type activities	<u>\$ 614,787</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

E. Interfund Receivables, Payables 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	\$ -	\$ 49,209	\$ 49,209
Nonmajor governmental funds	1,217,396	-	1,217,396
Business-type fund	310,963	-	310,963
Total transfers out	\$ 1,528,359	\$ 49,209	\$ 1,577,568

F. Leases

The Town has entered into lease agreements as lessee for financing of the government activities police department, fire department and highway vehicles and equipment, and business-type activities golf course carts. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Asset:	Governmental Activities	Business-type Activities
Machinery, Equipment and Other	\$ 2,844,646	\$ 393,929
Less: Accumulated Depreciation	(703,174)	(168,588)
Total	\$ 2,141,472	\$ 225,341

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities
2020	\$ 543,010	\$ 68,266
2021	447,765	68,267
2022	354,930	-
2023	251,584	-
2024	251,584	-
Total minimum lease payments	1,848,873	136,533
Less: amount representing interest	(154,577)	(5,466)
Present value of minimum lease payments	\$ 1,694,296	\$ 131,067

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

G. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2018	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2019
Governmental Activities						
Bond Anticipation Notes:						
Middle School project	1.24%	9/14/2018	\$ 1,950,666	\$ -	\$ 1,950,666	\$ -
Middle School project	1.94%	9/14/2018	230,624	-	230,624	-
Municipal Purpose Loan 2019	2.29%	3/15/2019	-	2,288,290	2,288,290	-
LED Streetlights	2.29%	6/14/2019	-	82,049	82,049	-
Total Governmental Activities			<u>\$ 2,181,290</u>	<u>\$ 2,370,339</u>	<u>\$ 4,551,629</u>	<u>\$ -</u>

H. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2019
Inside Debt:					
General Obligation Bonds 2012:					
School Construction	1.29%	3/22/2012	3/15/2020	412,500	\$ 50,000
Departmental Equipment	1.30%	3/22/2012	3/15/2020	666,000	45,000
Recreational Facility	1.80%	3/22/2012	3/15/2026	4,300,000	2,010,000
Drainage and Road improvements	1.40%	3/22/2012	3/15/2021	280,000	50,000
Eddy Pond Dam Rehabilitation	1.29%	3/22/2012	3/15/2020	620,000	75,000
Remodeling projects	1.40%	3/22/2012	3/15/2021	1,157,500	250,000
General Obligation Bonds 2013	.84-1.47%	1/15/2013	1/15/2023	4,434,027	1,254,000
General Obligation Bonds 2014:					
School Construction	2.0-4.0%	4/1/2014	6/1/2024	9,970,000	5,235,000
Land Acquisition	2.0-4.0%	4/1/2014	6/1/2024	755,000	405,000
Municipal Purpose Loan 2014:					
Various projects	2.63%	9/15/2014	9/15/2034	1,827,667	970,000
Land Acquisition	2.63%	9/15/2014	9/15/2020	150,000	45,000
School Construction	2.63%	9/15/2014	9/15/2020	795,000	270,000
General Obligation Bonds 2015:					
Various projects	2.52%	9/1/2015	9/1/2025	2,659,500	1,621,000
Land Acquisition	2.52%	9/1/2015	9/1/2025	2,865,000	1,995,000
Road improvements	2.52%	9/1/2015	9/1/2025	2,200,000	154,000
Municipal Purpose Loan 2017:					
Various projects	1.93%	9/5/2017	9/1/2027	1,456,000	1,262,000
Municipal Purpose Loan 2019:					
Departmental Equipment	2.48%	3/13/2019	3/15/2024	196,000	196,000
School Construction	2.48%	3/13/2019	3/15/2029	293,000	293,000
LED Streetlight Conversion	2.48%	3/13/2019	3/15/2028	108,000	108,000
Massachusetts Clean Water Trust:					
Stormwater Development	2.00%	3/18/2009	7/15/2028	346,216	189,702
Total Inside Debt					<u>16,477,702</u>
Outside Debt:					
Municipal Purpose Loan 2014:					
Middle School Construction	2.63%	9/15/2014	9/15/2034	13,653,000	10,905,000
Municipal Purpose Loan 2015:					
Middle School Construction	2.52%	9/1/2015	9/1/2025	5,000,000	4,250,000
Municipal Purpose Loan 2017:					
Middle School Construction	2.05%	9/5/2017	9/1/2032	1,800,000	1,678,000
Municipal Purpose Loan 2019:					
Middle School Construction	2.48%	3/13/2019	3/15/2034	1,342,000	1,342,000
Total Outside Debt					<u>18,175,000</u>
Total governmental type debt					<u><u>\$ 34,652,702</u></u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2019 are as follows:

Year	Principal	Interest	Total
2020	\$ 4,502,309	\$ 1,182,246	\$ 5,684,555
2021	4,215,659	1,023,334	5,238,993
2022	3,885,015	877,802	4,762,817
2023	3,668,379	715,688	4,384,067
2024	3,551,750	565,579	4,117,329
2025-2029	7,971,590	1,615,584	9,587,174
2030-2034	5,678,000	632,945	6,310,945
2035-2036	1,180,000	27,769	1,207,769
	<u>\$ 34,652,702</u>	<u>\$ 6,640,947</u>	<u>\$ 41,293,649</u>

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2019
Sewer Fund:					
Outside Debt:					
Sewer system repairs	1.86%	3/22/2012	3/15/2026	\$ 1,200,000	\$ 595,000
Sewer mains design and construction	1.27%	1/15/2013	1/15/2020	313,000	41,000
Sewer mains	2.52%	9/1/2015	9/1/2035	1,300,000	1,105,000
Sewer mains	2.48%	3/13/2019	3/15/2034	186,000	186,000
Total Business-type debt					<u>\$ 1,927,000</u>

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2019 are as follows:

Year	Principal	Interest	Total
2020	\$ 200,000	\$ 60,456	\$ 260,456
2021	157,000	54,516	211,516
2022	158,000	49,541	207,541
2023	160,000	44,191	204,191
2024	162,000	38,529	200,529
2025-2029	563,000	124,314	687,314
2030-2034	397,000	54,105	451,105
2035-2036	130,000	4,347	134,347
	<u>\$ 1,927,000</u>	<u>\$ 429,999</u>	<u>\$ 2,356,999</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

A summary of the changes in governmental activities and business-type long-term liabilities during the year is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 37,163,000	\$ 1,939,000	\$ 4,639,000	\$ 34,463,000	\$ 4,485,000
Massachusetts Clean Water Trust bonds	206,668	-	16,966	189,702	17,309
Capital lease	580,847	1,348,150	234,701	1,694,296	496,583
Compensated absences	977,592	161,903	-	1,139,495	284,874
Net OPEB liability	25,818,104	352,043	-	26,170,147	-
Net pension liability	40,901,380	4,431,034	-	45,332,414	-
Governmental activity Long-term liabilities	<u>\$ 105,647,591</u>	<u>\$ 8,232,130</u>	<u>\$ 4,890,667</u>	<u>\$ 108,989,054</u>	<u>\$ 5,283,766</u>
Business-type activities:					
Bonds Payable:					
General obligation bonds	\$ 1,933,000	\$ 186,000	\$ 192,000	\$ 1,927,000	\$ 200,000
Capital lease	193,752	-	62,685	131,067	64,565
Compensated absences	4,708	1,542	-	6,250	6,250
Net OPEB liability	299,120	487,108	-	786,228	-
Net pension liability	1,540,320	104,368	-	1,644,688	-
Business-type activity Long-term liabilities	<u>\$ 3,970,900</u>	<u>\$ 779,018</u>	<u>\$ 254,685</u>	<u>\$ 4,495,233</u>	<u>\$ 270,815</u>

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$346,216 and interest costs of \$72,380 for one loan which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2019 for principal and interest combined for the loan is \$209,298. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2019 totaled \$17,072,702.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The following is a computation of the legal debt limit as of June 30, 2019:

Equalized Valuation-Real Estate and Personal Property (2018)		<u>\$ 2,175,990,900</u>
Debt Limit: 5 % of Equalized value		108,799,545
Total Debt Outstanding	\$ 36,579,702	
Less: Debt Outside Debt Limit	<u>(19,507,000)</u>	<u>17,072,702</u>
Inside Debt Excess Borrowing Capacity at June 30, 2019		<u>\$ 91,726,843</u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2019 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
5/7/2013	New Auburn Middle School	\$ 20,185,375
5/6/2014	Fy2015 capital improvement program	50,000
3/24/2015	School roof and boiler replacements	3,024,153
5/1/2018	Purchase of existing streetlights	83,774
5/7/2019	Fy2020 capital improvement program	842,000
5/7/2019	Mass.DOT Auburn Street Reconstruction	1,200,000
5/7/2019	Sewer emergency force main bypass	2,200,000
		<u>\$ 27,585,302</u>

Overlapping Debt

The Town pays assessments which include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Southern Worcester County Regional Vocational School District: School Construction	\$ 24,670,000	14.67%	<u>\$ 3,619,089</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

I. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2019:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 1,027,004	\$ 1,027,004
Restricted:			
Federal, state and local grants	-	145,230	145,230
School federal and state grants	-	315,650	315,650
School revolving funds	-	2,723,387	2,723,387
Town revolving funds	-	654,307	654,307
Donations and gifts	-	187,604	187,604
Technology	-	558,733	558,733
Debt service	646,875	451	647,326
High school gymnasium health and recreation trust	-	526,736	526,736
Capital projects	-	1,884,865	1,884,865
Permanent funds	-	704,861	704,861
Other	-	615,113	615,113
	<u>646,875</u>	<u>8,316,937</u>	<u>8,963,812</u>
Committed:			
Ambulance	-	3,313,270	3,313,270
Capital improvements trust	-	1,574,966	1,574,966
Pension reserve fund	-	1,481,596	1,481,596
	<u>-</u>	<u>6,369,832</u>	<u>6,369,832</u>
Assigned:			
General government	401,717	-	401,717
Public safety	91,917	-	91,917
Public works	512,186	-	512,186
Education	412,813	-	412,813
Health and human services	6,623	-	6,623
Culture and recreation	68,352	-	68,352
Employee benefits and Insurance	35,133	-	35,133
Subsequent year's budget	353,000	-	353,000
	<u>1,881,741</u>	<u>-</u>	<u>1,881,741</u>
Unassigned:			
General Fund	18,049,612	-	18,049,612
Deficit capital projects	-	-	-
	<u>18,049,612</u>	<u>-</u>	<u>18,049,612</u>
Total Governmental fund balances	<u>\$ 20,578,228</u>	<u>\$ 15,713,773</u>	<u>\$ 36,292,001</u>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

J. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2019 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$	3,044,054
School stabilization fund		5,516
		\$ 3,049,570

4. OTHER INFORMATION

A. Risk Management

Health Insurance

The Town is self-insured for its health insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is possible that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effect of inflation, recent claims settlement trends, and other economic and social factors.

The Town estimates is Incurred But Not Reported (IBNR) claims based on a historical analysis of the timing of claims paid. The Town purchases stop loss insurance for claims in excess of coverage provided by the Town in the amount of \$100,000. At June 30, 2019, the amount of the liability for health insurance claims totaled \$701,452. This liability is the best estimate based on available information.

The Town's changes in the reported liability for the fiscal years ended June 30, 2019 and the two preceding years are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year End
Fiscal Year 2019	\$ 598,451	\$ 8,432,605	\$ (8,329,604)	\$ 701,452
Fiscal Year 2018	\$ 311,161	\$ 6,011,267	\$ (5,723,977)	\$ 598,451
Fiscal Year 2017	\$ 412,850	\$ 5,401,521	\$ (5,503,210)	\$ 311,161

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the 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.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

C. Subsequent Events

In November and December of 2019, the Town received \$3,524,985 in two note proceeds with interest rates of 1.58% and 1.75% to finance the street light conversion, road, and sewer construction projects and the fiscal year 2020 projects. The principal and interest payments will be due November 2020.

D. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Worcester Regional Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. 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 contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The Town's portion of the collective pension expense contributed by the Commonwealth of \$5,743,957 on-behalf payments for the fiscal year ending June 30, 2019 is reported as intergovernmental revenues and insurance and employee benefits expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

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

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. 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 active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2018 was \$2,884,358, representing 19.40% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Pension Liability

As of June 30, 2019, the Town reported a liability of \$46,977,102 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. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2018, the Town's proportional percentage was 5.1808%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2019, the Town recognized a pension expense of \$6,417,361 and reported deferred outflows of resources related to pensions of \$6,628,075 from the net difference between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions; and deferred inflows of resources related to pensions of \$621,883 from the differences between expected and actual experience and the changes in proportion and differences between employer contributions and proportionate share of contributions.

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

For years ended June 30,	
2020	\$ 2,117,772
2021	1,658,493
2022	1,285,327
2023	1,031,289
Thereafter:	<u>(86,689)</u>
	<u><u>\$ 6,006,192</u></u>

Actuarial Assumptions

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

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035. The annual increase in appropriation is further limited to 9.95%.</p> <p><i>2002 & 2003 & 2010 Early Retirement Incentive (ERI):</i> Increasing dollar amount at 4.0% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028 and the 2010 ERI to zero on or before June 30, 2022.</p>

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Asset valuation method	The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Inflation	3.0% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Payroll growth	4.0% per year
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	4.75%
Fixed income	23%	2.28%
Private Equity	13%	8.15%
Real Estate	10%	3.43%
Timber/Natural Resources	4%	4.00%
Hedge Funds	11%	3.76%
Total	<u>100%</u>	

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was (2.75%). The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease	Current	Discount Rate	1% Increase
	6.75%	7.75%	7.75%	8.75%
Net pension liability	\$ 56,586,848	\$ 46,977,102	\$	38,858,830

E. Other Post Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 849 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Investments

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2019, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Deposits and Investments (refer to note 3A).

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the period ending on the June 30, 2019 Measurement Date, total Town premiums plus implicit costs for the retiree medical program were \$1,467,361. The Town also made contributions to an OPEB Trust of \$600,000 for a total contribution of \$2,067,361. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$4,711,476 as of June 30, 2019.

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Plan Membership:

Current active members	435	
Current retirees, beneficiaries and dependents	414	
Total	849	

Net OPEB Liability

The components of the net OPEB liability are as follows:

	6/30/2019
Total OPEB liability	\$ 31,667,851
Less: Plan fiduciary net position	(4,711,476)
Town's Net OPEB liability	\$ 26,956,375
Plan fiduciary net position as a percentage of the total OPEB liability	14.9%

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement for the reporting date of June 30, 2019:

Valuation date	July 1, 2018
Actuarial cost method	Individual Entry Age Normal
Investment rate of return	Full prefunding 7.5% annually, net of OPEB plan investment expense
Single Equivalent Discount rate	7.5% annually
Healthcare cost trend rates	4.5% annually in 2019+
Mortality rates	
Pre-retirement Mortality	RP-2014 Blue Collar Mortality with Scale MP-2015 fully generational
Post-retirement Mortality	Group 1 and 2: RP-2014 Blue Collar Mortality Table set forward 5 years for males and 3 years for females, fully generational. Group 4: RP-2014 Blue Collar Mortality Table set forward 3 years for males and 6 years for females, fully generational.
Disabled Mortality	Group 1 and 2: RP-2000 Mortality Table set forward 6 years. Group 4: RP-2000 Mortality Table set forward 2 years. Generational adjusting is based on Scale MP-2015.

Long-term Expected Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	62.70%	9.25%
Fixed income	36.95%	5.00%
Cash	0.35%	0.50%
Total	100.00%	
I. Real Rate of Return		7.65%
II. Add: Inflation Assumption		0.00%
III. Total Nominal Return (I. + II.)		7.65%
IV. Less: Investment Expense		N/A
V. Net investment Return (III.-IV.)		7.65%

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at June 30, 2018	\$ 29,974,425	\$ 3,857,201	\$ 26,117,224
Service cost	935,051	-	935,051
Interest on Total OPEB Liability	2,262,814	-	2,262,814
Changes in benefit terms *	-	-	-
Changes in assumptions *	-	-	-
Difference between actual and expected experience **	-	-	-
Net investment income	-	254,275	(254,275)
Employer contributions to Trust	-	2,067,361	(2,067,361)
Total benefit payments including implicit cost	(1,504,439)	(1,467,361)	(37,078)
Other charges	-	-	-
Net change in total OPEB liability	1,693,426	854,275	839,151
Balances at June 30, 2019	\$ 31,667,851	\$ 4,711,476	\$ 26,956,375

* = Recognized immediately

** = Amortized over 6.59 years

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Town's net OPEB liability	\$ 31,200,947	\$ 26,956,375	\$ 23,375,789

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

	1% Decrease (3.50%)	Healthcare Cost Trend Rates (4.50%)	1% Increase (5.50%)
Town's net OPEB liability	\$ 22,701,463	\$ 26,956,375	\$ 32,175,544

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

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

For the year ended June 30, 2019, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$1,878,766 and reported deferred outflows of resources related to OPEB of \$572,001 and deferred inflows of resources related to OPEB of \$5,226,371.

TOWN OF AUBURN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2019

The Town's net deferred outflows/(inflows) of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>For years ended June 30,</u>		
2020	\$	(1,007,716)
2021		(1,007,716)
2022		(1,006,481)
2023		(1,022,466)
2024		<u>(609,991)</u>
	\$	<u><u>(4,654,370)</u></u>

F. Implementation of New GASB Pronouncements

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for implementation in fiscal year 2019.

G. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*, for implementation in fiscal year 2020.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2020.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2022.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF AUBURN, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2019

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

Date	Town's proportion of the net pension liability (asset)	Town's proportionate share of the net pension liability (asset)	Town's covered employee payroll	Net pension liability percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
12/31/2018	5.1808%	\$ 46,977,102	\$ 14,866,580	315.99%	43.05%
12/31/2017	5.2048%	\$ 42,441,700	\$ 14,036,616	302.36%	46.40%
12/31/2016	4.8303%	\$ 40,458,273	\$ 13,843,377	292.26%	42.00%
12/31/2015	4.8353%	\$ 34,320,981	\$ 13,295,230	258.15%	44.52%
12/31/2014	4.8898%	\$ 29,097,673	\$ 12,880,029	225.91%	47.94%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF AUBURN, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2019

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

Date	Actuarially determined contribution	Less: Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions percentage of covered employee payroll
12/31/2018	\$ 2,884,358	\$ (2,884,358)	\$ -	\$ 14,866,580	19.40%
12/31/2017	\$ 2,633,613	\$ (2,633,613)	\$ -	\$ 14,036,616	18.76%
12/31/2016	\$ 2,346,309	\$ (2,346,309)	\$ -	\$ 13,843,377	16.95%
12/31/2015	\$ 2,175,190	\$ (2,175,190)	\$ -	\$ 13,295,230	16.36%
12/31/2014	\$ 1,932,405	\$ (1,932,405)	\$ -	\$ 12,880,029	15.00%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF AUBURN, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2019

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability			
Service cost	\$ 935,051	\$ 894,786	\$ 960,005
Interest on net OPEB liability	2,262,814	2,617,714	2,474,327
Changes in Benefit terms	-	-	-
Changes in Assumptions	-	-	-
Difference between actual and expected experience	-	(6,813,307)	-
Benefit payments, including refunds of member contributions	(1,504,439)	(1,439,655)	(1,474,276)
Other charges	-	-	-
Net change in total OPEB liability	<u>1,693,426</u>	<u>(4,740,462)</u>	<u>1,960,056</u>
Total OPEB liability-beginning	<u>29,974,425</u>	<u>34,714,887</u>	<u>32,754,831</u>
Total OPEB liability-ending (a)	<u>\$ 31,667,851</u>	<u>\$ 29,974,425</u>	<u>\$ 34,714,887</u>
Plan fiduciary net position			
Net investment income	254,275	170,792	\$ 199,714
Employer contributions to Trust	2,067,361	2,079,173	1,985,339
Benefit payments, including refunds of member contributions	(1,467,361)	(1,404,173)	(1,385,339)
Net change in plan fiduciary net position	<u>854,275</u>	<u>845,792</u>	<u>799,714</u>
Total fiduciary net position-beginning	<u>3,857,201</u>	<u>3,011,409</u>	<u>2,211,695</u>
Total fiduciary net position-ending (b)	<u>\$ 4,711,476</u>	<u>\$ 3,857,201</u>	<u>\$ 3,011,409</u>
Town's net OPEB liability (a-b)	<u>\$ 26,956,375</u>	<u>\$ 26,117,224</u>	<u>\$ 31,703,478</u>

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF AUBURN, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2019

Schedule of Net OPEB Liability:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 31,667,851	\$ 29,974,425	\$ 34,714,887
Less: Plan fiduciary net position	<u>(4,711,476)</u>	<u>(3,857,201)</u>	<u>(3,011,409)</u>
Town's Net OPEB liability	<u>\$ 26,956,375</u>	<u>\$ 26,117,224</u>	<u>\$ 31,703,478</u>
Plan fiduciary net position as a percentage of the total OPEB liability	14.9%	12.9%	8.7%
Town's share of covered employee payroll	\$ 29,917,183	\$ 28,905,491	\$ 33,648,784
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	90.1%	90.4%	94.2%

Schedule of Contributions:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 2,067,361	\$ 2,079,173	\$ 1,985,339
Less: Contributions in relation to the actuarially determined contribution	<u>(1,467,361)</u>	<u>(1,404,173)</u>	<u>(1,385,339)</u>
Contribution deficiency (excess)	<u>\$ 600,000</u>	<u>\$ 675,000</u>	<u>\$ 600,000</u>
Town's share of covered employee payroll	\$ 29,917,183	\$ 28,905,491	\$ 33,648,784
Contributions percentage of covered-employee payroll	6.9%	7.2%	5.9%
Annual money-weighted rate of return net of investment expense	N/A	N/A	N/A

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF AUBURN, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2019

Schedule of Funding Progress:

Other Post Employment Benefits							
Measurement Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)	
6/30/2019	\$ 4,711,476	\$ 31,667,851	\$ 26,956,375	14.9%	\$ 29,917,183	90.1%	
6/30/2018	\$ 3,857,201	\$ 29,974,425	\$ 26,117,224	12.9%	\$ 28,905,491	90.4%	
6/30/2017	\$ 3,011,409	\$ 34,714,887	\$ 31,703,478	8.7%	\$ 33,648,784	94.2%	

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULES

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Fund Balances July 1, 2018	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2019
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 17,661	\$ 829,395	\$ 830,654	\$ -	\$ 16,402
Arts Lottery Council Grant	7,524	6,207	4,529	-	9,202
Council on Aging Grants	-	47,844	47,844	-	-
Library Grants	49,730	26,393	35,008	-	41,115
Highway Grants	-	437,544	437,544	-	-
Other Grants and Programs	13,142	291,541	241,014	13,150	76,819
Public Safety Grants	7,451	169,485	158,842	-	18,094
Schools:					
School Lunch Program	519,879	924,273	796,769	-	647,383
School Lunch Commodities	-	69,765	69,765	-	-
School Choice	688,636	425,547	406,573	-	707,610
School Revolving Accounts	919,595	1,026,676	1,001,218	(1,146)	943,907
School Rentals	49,812	40,391	28,697	-	61,506
Special Education Reserve Fund	300,000	14,466	-	49,209	363,675
State Special Education Reimbursement Fund	436,558	301,578	439,582	-	298,554
Other:					
Ambulance Programs	2,583,663	1,659,594	54,374	(875,000)	3,313,883
Bid Deposits/Escrow	43,743	85,283	115,939	-	13,087
Board of Health Revolving Account	63,636	23,400	17,402	(12,000)	57,634
Casella Waste	50,000	50,000	-	(50,000)	50,000
Charter Communications Grants	369,159	395,125	170,882	(34,669)	558,733
Council on Aging Building Rental	11,533	1,788	1,784	-	11,537
Council on Aging Private Grants	2,531	-	-	-	2,531
Dog Fines	2,159	-	-	-	2,159
Dog License Fees	103,751	36,955	-	(54,000)	86,706
Gifts and Donations	206,341	66,077	70,961	(13,854)	187,603
Insurance Reimbursements	123,475	60,709	41,649	-	142,535
Library Lost/Damaged Items	11,183	844	-	-	12,027
Municipal Aggregation	142,162	50,143	32,717	-	159,588
National Grid Initiative	20,267	-	19,918	-	349
Total Special Revenue Page 72	\$ 6,743,591	\$ 7,041,023	\$ 5,023,665	\$ (978,310)	\$ 7,782,639

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Fund Balances July 1, 2018	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2019
Continued from Page 72	\$ 6,743,591	\$ 7,041,023	\$ 5,023,665	\$ (978,310)	\$ 7,782,639
Special Revenue (continued):					
Other (continued):					
Other Programs and Funds	11,822	425	8,268	-	3,979
Outside Work Revolving	(1,309)	569,804	568,495	-	-
Premium and Interest on Bonds	90,451	-	-	(90,000)	451
Revolving Accounts	352,546	364,959	358,986	-	358,519
Road Improvements	46,314	-	-	-	46,314
Sale of Cemetery Lots	59,157	17,720	-	(30,000)	46,877
Sale of Real Estate	95,557	-	8,421	-	87,136
Seniors Disabled Revolving	1,362	195	-	-	1,557
Transportation Network Company	-	6,393	-	-	6,393
Wetlands Protection Fees	69,185	10,945	-	(3,000)	77,130
Auburn High School Gymnasium Fund	510,557	24,856	-	(8,677)	526,736
Capital Improvement Trust	1,525,657	74,309	-	(25,000)	1,574,966
Conservation Fund	7,372	181	-	-	7,553
Federal Law Enforcement Fund	42,296	33	6,905	-	35,424
Law Enforcement Fund	53,591	6,182	-	-	59,773
Pension Reserve Fund	1,436,675	69,921	-	(25,000)	1,481,596
Total Special Revenue Funds	11,044,824	8,186,946	5,974,740	(1,159,987)	12,097,043
Capital Projects:					
Auburn Middle School Feasibility Study	17,171	-	-	-	17,171
Auburn Middle School Construction	(1,315,446)	-	-	1,581,000	265,554
Dam/Highway/Landfill	2,053	-	-	-	2,053
High School Construction	20,646	-	-	-	20,646
High School Land Acquisition	33,356	-	-	-	33,356
LED Streetlights	-	-	115,858	120,000	4,142
Other Projects and Programs	1,753	-	1,348,150	1,348,150	1,753
Pakachoag Roof Replacement	2,629	35,085	37,714	-	-
Pondville Dam Repair	5,582	-	-	-	5,582
Total Capital Projects Page 73	\$ (1,232,256)	\$ 35,085	\$ 1,501,722	\$ 3,049,150	\$ 350,257

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Fund Balances July 1, 2018	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2019
Continued from Page 73	\$ (1,232,256)	\$ 35,085	\$ 1,501,722	\$ 3,049,150	\$ 350,257
Capital Projects (continued):					
Town Hall air conditioning	5,000	-	2,580	-	2,420
Fiscal Year 2007 General Obligation Bond Projects	(97)	-	95	-	(192)
Fiscal Year 2009 General Obligation Bond Projects	105,770	-	29,321	-	76,449
Fiscal Year 2010 General Obligation Bond Projects	3,286	-	3,636	-	(350)
Fiscal Year 2011 General Obligation Bond Projects	5,185	-	5,174	-	11
Fiscal Year 2012 General Obligation Bond Projects	10,730	-	8,293	-	2,437
Fiscal Year 2013 General Obligation Bond Projects	72,753	-	10,237	-	62,516
Fiscal Year 2014 General Obligation Bond Projects	29,275	-	(91)	-	29,366
Fiscal Year 2015 General Obligation Bond Projects	40,903	-	11,235	-	29,668
Fiscal Year 2016 General Obligation Bond Projects	228,292	-	23,074	-	205,218
Fiscal Year 2017 General Obligation Bond Projects	182,835	-	6,737	-	176,098
Fiscal Year 2018 General Obligation Bond Projects	572,973	-	83,612	-	489,361
Fiscal Year 2019 General Obligation Bond Projects	-	-	75,394	537,000	461,606
Total Capital Project Funds	24,649	35,085	1,761,019	3,586,150	1,884,865
Perpetual Permanent Funds:					
Cemetery Perpetual Care Fund	990,167	26,850	-	-	1,017,017
Library Fund	9,987	-	-	-	9,987
Total Perpetual Permanent Funds	1,000,154	26,850	-	-	1,027,004
Permanent Funds:					
Cemetery Perpetual Care Fund	357,883	67,255	-	(8,200)	416,938
Library Fund	148,100	7,720	2,905	-	152,915
Norma Card Fire Memorial Fund	131,242	4,941	1,175	-	135,008
Total Permanent Funds	637,225	79,916	4,080	(8,200)	704,861
Total - Non-Major Governmental Funds	\$ 12,706,852	\$ 8,328,797	\$ 7,739,839	\$ 2,417,963	\$ 15,713,773

TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND SUPPLEMENTAL TAXES
AND DEFERRED PROPERTY TAXES
JULY 1, 2018 TO JUNE 30, 2019

	Uncollected Taxes July 1, 2018	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2019	Uncollected Taxes Per Detail June 30, 2019
Real Estate Taxes:						
Levy of 2019	\$ -	\$ 40,688,119	\$ 288,234	\$ 39,797,573	\$ 602,312	\$ 605,288
Levy of 2018	561,727	-	206,760	351,176	3,791	3,791
Levy of 2017	16,917	-	3,723	12,295	899	899
Levy of 2016	13,220	-	9,990	3,230	-	-
Levy of 2015	10,564	-	-	5,793	4,771	4,771
Prior Years	2,109	-	-	1,031	1,078	1,078
	<u>604,537</u>	<u>40,688,119</u>	<u>508,707</u>	<u>40,171,098</u>	<u>612,851</u>	<u>615,827</u>
Personal Property Taxes:						
Levy of 2019	-	1,843,227	911	1,802,703	39,613	39,613
Levy of 2018	28,131	-	212	4,312	23,607	23,607
Levy of 2017	22,614	-	-	3,209	19,405	19,405
Levy of 2016	6,261	-	-	-	6,261	6,261
Levy of 2015	8,002	-	-	92	7,910	7,910
Prior Years	130,051	-	-	133	129,918	129,918
	<u>195,059</u>	<u>1,843,227</u>	<u>1,123</u>	<u>1,810,449</u>	<u>226,714</u>	<u>226,714</u>
Supplemental Taxes	<u>8,112</u>	<u>50,888</u>	<u>-</u>	<u>54,475</u>	<u>4,525</u>	<u>4,525</u>
Total Real Estate, Personal Property and Supplemental Taxes	<u>\$ 807,708</u>	<u>\$ 42,582,234</u>	<u>\$ 509,830</u>	<u>\$ 42,036,022</u>	<u>\$ 844,090</u>	<u>\$ 847,066</u>
Deferred Property Taxes	<u>\$ 37,222</u>	<u>\$ 3,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,245</u>	<u>\$ 40,245</u>

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2018 TO JUNE 30, 2019**

	Uncollected Taxes July 1, 2018	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2019	Uncollected Taxes Per Detail June 30, 2019
Motor Vehicle Excise Taxes:						
Levy of 2019	\$ -	\$ 2,993,602	\$ 42,947	\$ 2,746,330	\$ 204,325	\$ 204,325
Levy of 2018	171,795	333,844	29,484	418,216	57,939	57,939
Levy of 2017	44,597	-	982	23,460	20,155	20,155
Levy of 2016	17,740	-	5,380	881	11,479	11,479
Levy of 2015	13,104	-	-	2,804	10,300	10,300
Prior Years	74,153	1,249	4,505	3,659	67,238	21,299
Total Motor Vehicle Excise Taxes	\$ 321,389	\$ 3,328,695	\$ 83,298	\$ 3,195,350	\$ 371,436	\$ 325,497

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2018 TO JUNE 30, 2019**

	Uncollected Accounts July 1, 2018	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2019	Uncollected Accounts Per Detail June 30, 2019
Tax Liens	\$ 856,761	\$ 245,225	\$ -	\$ 143,169	\$ 958,817	\$ 960,352
Tax Liens-Trash	21,021	12,702	-	5,202	28,521	28,521
Total Tax Liens	<u>\$ 877,782</u>	<u>\$ 257,927</u>	<u>\$ -</u>	<u>\$ 148,371</u>	<u>\$ 987,338</u>	<u>\$ 988,873</u>