

TOWN OF BILLERICA, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2020

TOWN OF BILLERICA, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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Independent Auditor's Report

To the Honorable Select Board
Town of Billerica, 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 Billerica, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Billerica, 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 of 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 Billerica, Massachusetts, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of the Town of Billerica, Massachusetts' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Powers & Sullivan, LLC

April 30, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Billerica, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Billerica's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The 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 and deferred outflows of resources and all liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent 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 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, education, public works, human services, culture and recreation, community preservation, COVID-19, and interest.

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 year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 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.

The Town's general fund and school capital projects fund are considered major funds for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

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 water and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for self-insured health insurance activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement 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. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's governmental liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$146.1 million and the business-type assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$83.3 million at the close of the most recent year. Key components of the Town's activities are presented on the following pages.

Governmental Activities

Governmental net position of \$175.3 million reflects investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the 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, \$6.1 million, represents resources that are subject to external restrictions on how they may be used. At June 30, 2020, the remaining balance of *unrestricted net position* has a deficit balance of \$327.5 million. The primary reason for this deficit balance is the recognition of the net OPEB and net pension liabilities of \$257.1 million and \$143.1 million, respectively.

	2020	2019
Assets:		
Current assets.....	\$ 90,803,945	\$ 95,867,610
Capital assets, non depreciable.....	21,682,488	21,291,152
Capital assets, net of accumulated depreciation.....	257,870,900	233,612,175
Total assets.....	370,357,333	350,770,937
Deferred outflows of resources.....	16,419,336	16,304,961
Liabilities:		
Current liabilities (excluding debt).....	11,762,811	17,629,316
Noncurrent liabilities (excluding debt).....	402,115,903	388,721,836
Current debt.....	12,864,444	4,193,379
Noncurrent debt.....	95,077,728	97,928,904
Total liabilities.....	521,820,886	508,473,435
Deferred inflows of resources.....	11,079,310	5,489,805
Net position:		
Net investment in capital assets.....	175,267,363	163,030,569
Restricted.....	6,112,222	5,871,389
Unrestricted.....	(327,503,112)	(315,789,300)
Total net position.....	\$ (146,123,527)	\$ (146,887,342)

	2020	2019
Program Revenues:		
Charges for services..... \$	9,897,859	\$ 10,174,158
Operating grants and contributions.....	42,424,299	39,103,916
Capital grants and contributions.....	11,277,818	15,888,647
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	127,984,691	123,139,648
Tax and other liens.....	1,375,024	1,473,407
Motor vehicle and other excise taxes.....	7,135,065	7,157,445
Hotel/motel tax.....	831,706	1,095,926
Meals tax.....	541,254	593,042
Community preservation tax.....	985,501	940,340
Penalties and interest on taxes.....	358,381	474,992
Grants and contributions not restricted to specific programs.....	6,808,294	6,188,386
Unrestricted investment income.....	1,612,020	3,647,760
Total revenues.....	211,231,912	209,877,667
Expenses:		
General government.....	11,205,031	10,220,641
Public safety.....	38,268,368	37,262,083
Education.....	131,024,161	126,762,069
Public works.....	12,101,742	12,110,367
Human services.....	2,497,919	2,330,837
Culture and recreation.....	6,190,752	6,304,638
Community preservation.....	354,843	74,947
COVID-19.....	380,581	-
Interest.....	3,500,652	3,415,012
Total expenses.....	205,524,049	198,480,594
Excess (Deficiency) before transfers.....	5,707,863	11,397,073
Transfers.....	(4,944,048)	(4,938,496)
Change in net position.....	763,815	6,458,577
Net position, beginning of year.....	(146,887,342)	(153,345,919)
Net position, end of year..... \$	(146,123,527)	\$ (146,887,342)

Governmental activities net position increased by \$764,000 due to the receipt of \$11.2 million of capital grant revenue which primarily reimbursed construction costs relating to the middle/high school construction project. This project is partially funded through a grant from the Massachusetts School Building Authority. The capital grant and other revenues were offset by \$18.8 million of expenses, which were not budgeted, associated with the Town's net other postemployment benefits and net pension liabilities. Overall favorable budgetary results also factored into the governmental activities overall performance.

Additionally, the governmental activities subsidized the operations of the water and sewer enterprise funds in the form of a \$4.9 million operating contribution.

Business-type Activities

	2020	2019
Assets:		
Current assets.....	\$ 20,288,943	\$ 14,812,464
Noncurrent assets (excluding capital).....	1,820,276	2,332,843
Capital assets, non depreciable.....	716,021	716,021
Capital assets, net of accumulated depreciation....	150,350,240	146,344,256
Total assets.....	173,175,480	164,205,584
Deferred outflows of resources.....	1,538,531	1,721,651
Liabilities:		
Current liabilities (excluding debt).....	4,466,828	3,591,474
Noncurrent liabilities (excluding debt).....	16,087,987	16,118,778
Current debt.....	17,134,532	17,935,886
Noncurrent debt.....	52,467,686	50,327,981
Total liabilities.....	90,157,033	87,974,119
Deferred inflows of resources.....	1,246,224	546,264
Net position:		
Net investment in capital assets.....	85,754,974	81,721,481
Unrestricted.....	(2,444,220)	(4,314,629)
Total net position.....	\$ 83,310,754	\$ 77,406,852

Water and sewer business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$83.3 million at the close of 2020. The net investment in capital assets, was \$85.8 million while unrestricted net position was in a deficit balance of \$2.4 million.

	2020	2019
Program Revenues:		
Charges for services.....	\$ 14,981,198	\$ 10,957,027
Operating grants and contributions.....	316,749	373,322
Capital grants and contributions.....	983,925	781,661
Unrestricted investment income.....	47,706	110,404
Total revenues.....	16,329,578	12,222,414
Expenses:		
Water.....	6,477,002	7,421,888
Sewer.....	8,892,722	7,364,854
Total expenses.....	15,369,724	14,786,742
Excess (Deficiency) before transfers.....	959,854	(2,564,328)
Transfers.....	4,944,048	4,938,496
Change in net position.....	5,903,902	2,374,168
Net position, beginning of year.....	77,406,852	75,032,684
Net position, end of year.....	\$ 83,310,754	\$ 77,406,852

The business-type activities increased by \$5.9 million during the year primarily due to the following:

- Better than anticipated user charge revenues due to investments in new meter reading technologies which, when compared to prior periods, enabled the Town capture more finite usage data thereby resulting in increased billings that are above and beyond budgeted amounts.
- Recognition of capital grant revenue in the amount of \$1 million.
- An overall increase in expenses that is largely associated with a net increase in depreciation expense and expenses associated with the net pension and net OPEB liabilities.

Also factoring into the overall change in net position is the fact that charges for services for the water enterprise fund and the sewer enterprise fund are not set to recover the respective operating and interest costs. The general fund subsidized the sewer enterprise fund and water enterprise fund a combined \$4.9 million. This amount is consistent with prior periods.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$53.2 million, a decrease of \$12.4 million from the prior year. The decrease was mainly related to the school capital projects fund.

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$39.3 million, while total fund balance was \$41.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.4% of total general fund expenditures, while total fund balance represents 23.8% of that same amount. An increase in fund balance in the amount of \$1.2 million is mainly due a decrease in investment earnings being offset by an increase in license and permit revenues. The decreased investment earnings is largely the result of recognizing a decline in overall investment earnings as result of negative COVID-19 impacts within the financial markets during the 3rd and 4th quarters of the fiscal year.

School Capital Projects Fund

The school capital projects fund is primarily used to account for the activity associated with the construction of the new middle/high school construction project. The fund had a deficit balance of \$4.1 million at year-end, a decrease of \$13.9 million over the prior year. This decrease is largely the result of the expenditures for the new middle/high school project which were financed from a prior year's issuance of long-term debt. During the year \$9.2 million of reimbursements were received from the Massachusetts School Building Authority. The final debt issuance has not yet taken place, and at year end the fund had a note payable of \$7.5 million.

General Fund Budgetary Highlights

The Town of Billerica 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.

Consistent with prior years, and due to prudent managerial control over appropriations, actual expenditures and carryovers were \$1.2 million less than budgeted amounts. Actual revenues were greater than budgeted by \$4.5 million, primarily due to the collection of unbudgeted tax lien receipts, higher than expected collections of prior year outstanding real estate receivables, and higher than expected license and permit revenue, motor vehicle excise tax revenue, and investment income. Ending budgetary fund balance of \$17.8 million is \$434,000 less than the prior year. The change in budgetary fund balance is mainly the result of anticipated use of existing fund balance (free cash) being offset by revenue surplus and expenditures being less than budgeted amounts.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares capital budgets for each upcoming year.

The Town's governmental major capital activity included \$23.4 million for construction of the new middle/high school, \$2.2 million for Fox Hill cemetery improvements, and \$1.1 for fire station improvements. The funding for these capital expenditures came from bond proceeds, general fund appropriations, and capital grants from the Commonwealth. The governmental activities total capital assets net of accumulated depreciation was \$279.6 million at the end of 2020.

The major business-type capital asset activity included \$2.4 million of water infrastructure improvements and \$6.3 million of sewer infrastructure improvements. The business-type activities total capital assets net of accumulated depreciation was \$151.1 million at the end of 2020.

Outstanding long-term debt, as of June 30, 2020, totaled \$151.3 million, of which \$93.4 million relates to various school and general governmental projects, and \$57.9 million relates to various water and sewer projects.

Outstanding short-term debt, as of June 30, 2020, totaled \$20.1 million, of which \$7.5 relates to school building improvements, \$2 relates to fire station and infrastructure improvements, \$9 million relates to various sewer projects, and \$1.6 million relates to water infrastructure improvements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Billerica's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 365 Boston Road, Billerica, Massachusetts 01821.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 43,172,479	\$ 11,418,756	\$ 54,591,235
Investments.....	31,267,390	1,488,519	32,755,909
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,330,054	-	2,330,054
Tax liens.....	5,121,167	-	5,121,167
Community preservation fund surtax.....	13,113	-	13,113
Motor vehicle and other excise taxes.....	1,152,410	-	1,152,410
User fees.....	-	6,869,101	6,869,101
Departmental and other.....	629,557	-	629,557
Intergovernmental.....	4,925,041	-	4,925,041
Intergovernmental - subsidy.....	-	512,567	512,567
Community preservation state share.....	282,337	-	282,337
Tax foreclosures.....	1,819,697	-	1,819,697
Working capital deposit.....	90,700	-	90,700
Total current assets.....	90,803,945	20,288,943	111,092,888
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental - subsidy.....	-	1,820,276	1,820,276
Capital assets, nondepreciable.....	21,682,488	716,021	22,398,509
Capital assets, net of accumulated depreciation.....	257,870,900	150,350,240	408,221,140
Total noncurrent assets.....	279,553,388	152,886,537	432,439,925
TOTAL ASSETS.....	370,357,333	173,175,480	543,532,813
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	15,588,841	1,536,108	17,124,949
Deferred outflows related to other postemployment benefits.....	830,495	2,423	832,918
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	16,419,336	1,538,531	17,957,867
LIABILITIES			
CURRENT:			
Warrants payable.....	4,943,554	3,435,539	8,379,093
Accrued payroll.....	690,022	117,453	807,475
Health claims payable.....	1,010,000	-	1,010,000
Tax refunds payable.....	1,587,000	-	1,587,000
Accrued interest.....	1,433,784	619,836	2,053,620
Other liabilities.....	349,451	-	349,451
Compensated absences.....	1,749,000	294,000	2,043,000
Notes payable.....	9,500,000	10,603,141	20,103,141
Bonds payable.....	3,364,444	6,531,391	9,895,835
Total current liabilities.....	24,627,255	21,601,360	46,228,615
NONCURRENT:			
Compensated absences.....	1,926,000	330,000	2,256,000
Net pension liability.....	143,111,851	14,102,090	157,213,941
Net other postemployment benefits liability.....	257,078,052	1,655,897	258,733,949
Bonds payable.....	95,077,728	52,467,686	147,545,414
Total noncurrent liabilities.....	497,193,631	68,555,673	565,749,304
TOTAL LIABILITIES.....	521,820,886	90,157,033	611,977,919
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	7,813,663	769,950	8,583,613
Deferred inflows related to other postemployment benefits.....	3,265,647	476,274	3,741,921
TOTAL DEFERRED INFLOWS OF RESOURCES.....	11,079,310	1,246,224	12,325,534
NET POSITION			
Net investment in capital assets.....	175,267,363	85,754,974	261,022,337
Restricted for:			
Permanent funds:			
Expendable.....	1,048,936	-	1,048,936
Nonexpendable.....	1,316,149	-	1,316,149
Gifts and grants.....	1,039,123	-	1,039,123
Community preservation.....	2,708,014	-	2,708,014
Unrestricted.....	(327,503,112)	(2,444,220)	(329,947,332)
TOTAL NET POSITION.....	\$ (146,123,527)	\$ 83,310,754	\$ (62,812,773)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 11,205,031	\$ 1,298,484	\$ 190,965	\$ 56,275	\$ (9,659,307)
Public safety.....	38,268,368	4,424,139	490,625	-	(33,353,604)
Education.....	131,024,161	2,906,907	40,294,079	9,344,237	(78,478,938)
Public works.....	12,101,742	380,527	145,694	1,877,306	(9,698,215)
Human services.....	2,497,919	326,142	439,032	-	(1,732,745)
Culture and recreation.....	6,190,752	561,660	72,237	-	(5,556,855)
Community preservation.....	354,843	-	375,489	-	20,646
COVID-19.....	380,581	-	416,178	-	35,597
Interest.....	3,500,652	-	-	-	(3,500,652)
Total Governmental Activities.....	205,524,049	9,897,859	42,424,299	11,277,818	(141,924,073)
<i>Business-Type Activities:</i>					
Water.....	6,477,002	7,032,150	316,749	305,637	1,177,534
Sewer.....	8,892,722	7,949,048	-	678,288	(265,386)
Total Business-Type Activities.....	15,369,724	14,981,198	316,749	983,925	912,148
Total Primary Government.....	\$ 220,893,773	\$ 24,879,057	\$ 42,741,048	\$ 12,261,743	\$ (141,011,925)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(141,924,073)	912,148	(141,011,925)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	127,984,691	-	127,984,691
Tax and other liens.....	1,375,024	-	1,375,024
Motor vehicle and other excise taxes.....	7,135,065	-	7,135,065
Hotel/motel tax.....	831,706	-	831,706
Meals tax.....	541,254	-	541,254
Community preservation tax.....	985,501	-	985,501
Penalties and interest on taxes.....	358,381	-	358,381
Grants and contributions not restricted to specific programs.....	6,808,294	-	6,808,294
Unrestricted investment income.....	1,612,020	47,706	1,659,726
<i>Transfers, net</i>	(4,944,048)	4,944,048	-
Total general revenues and transfers.....	142,687,888	4,991,754	147,679,642
Change in net position.....	763,815	5,903,902	6,667,717
<i>Net position:</i>			
Beginning of year.....	(146,887,342)	77,406,852	(69,480,490)
End of year..... \$	(146,123,527)	83,310,754	(62,812,773)

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 13,557,545	\$ 6,347,705	\$ 15,417,519	\$ 35,322,769
Investments.....	29,129,773	-	2,137,617	31,267,390
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	2,330,054	-	-	2,330,054
Tax liens.....	5,121,167	-	-	5,121,167
Community preservation fund surtax.....	-	-	13,113	13,113
Motor vehicle and other excise taxes.....	1,152,410	-	-	1,152,410
Departmental and other.....	629,557	-	-	629,557
Intergovernmental.....	1,230,204	950,185	2,744,652	4,925,041
Community preservation state share.....	-	-	282,337	282,337
Tax foreclosures.....	1,819,697	-	-	1,819,697
TOTAL ASSETS.....	\$ 54,970,407	\$ 7,297,890	\$ 20,595,238	\$ 82,863,535
LIABILITIES				
Warrants payable.....	\$ 449,015	\$ 3,871,695	\$ 622,844	\$ 4,943,554
Accrued payroll.....	690,022	-	-	690,022
Tax refunds payable.....	1,587,000	-	-	1,587,000
Other liabilities.....	349,451	-	-	349,451
Notes payable.....	-	7,500,000	2,000,000	9,500,000
TOTAL LIABILITIES.....	3,075,488	11,371,695	2,622,844	17,070,027
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	10,218,574	-	2,419,657	12,638,231
FUND BALANCES				
Nonspendable.....	-	-	1,316,149	1,316,149
Restricted.....	-	-	15,202,737	15,202,737
Assigned.....	2,356,049	-	-	2,356,049
Unassigned.....	39,320,296	(4,073,805)	(966,149)	34,280,342
TOTAL FUND BALANCES.....	41,676,345	(4,073,805)	15,552,737	53,155,277
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 54,970,407	\$ 7,297,890	\$ 20,595,238	\$ 82,863,535

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2020

Total governmental fund balances.....	\$	53,155,277
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		279,553,388
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		12,638,231
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.....		5,340,026
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		6,930,410
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,433,784)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(98,442,172)	
Net pension liability.....	(143,111,851)	
Net other postemployment benefits liability.....	(257,078,052)	
Compensated absences.....	<u>(3,675,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(502,307,075)</u>
Net position of governmental activities.....	\$	<u><u>(146,123,527)</u></u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2020

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 127,279,338	\$ -	\$ -	\$ 127,279,338
Tax liens.....	1,227,165	-	3,199	1,230,364
Motor vehicle and other excise taxes.....	6,954,946	-	-	6,954,946
Hotel/motel tax.....	831,706	-	-	831,706
Meals tax.....	541,254	-	-	541,254
Charges for services.....	-	-	814,546	814,546
Penalties and interest on taxes.....	358,381	-	-	358,381
Fees and rentals.....	2,792,734	-	-	2,792,734
Licenses and permits.....	2,252,857	-	-	2,252,857
Intergovernmental - state aid.....	26,187,604	-	-	26,187,604
Intergovernmental - School Building Authority.....	-	9,211,117	-	9,211,117
Intergovernmental - Teachers Retirement.....	17,689,774	-	-	17,689,774
Intergovernmental - other.....	-	-	5,789,789	5,789,789
Intergovernmental - COVID-19 relief.....	-	-	380,581	380,581
Intergovernmental - COVID-19 lost revenue replacement.....	-	-	35,597	35,597
Departmental and other.....	604,975	-	3,383,894	3,988,869
Community preservation taxes.....	-	-	979,590	979,590
Community preservation state match.....	-	-	226,068	226,068
Contributions and donations.....	-	-	58,813	58,813
Investment income.....	1,247,865	-	82,829	1,330,694
TOTAL REVENUES.....	187,968,599	9,211,117	11,754,906	208,934,622
EXPENDITURES:				
Current:				
General government.....	5,554,341	-	1,631,403	7,185,744
Public safety.....	19,160,633	-	1,990,371	21,151,004
Education.....	75,076,519	24,600,688	6,880,376	106,557,583
Public works.....	7,546,161	-	4,299,306	11,845,467
Human services.....	1,267,408	-	333,255	1,600,663
Culture and recreation.....	2,941,483	-	672,155	3,613,638
Community preservation.....	-	-	746,179	746,179
COVID-19.....	-	-	380,581	380,581
Pension benefits.....	11,924,109	-	-	11,924,109
Pension benefits - Teachers Retirement.....	17,689,774	-	-	17,689,774
Employee benefits.....	19,718,156	-	-	19,718,156
Building insurance.....	1,143,999	-	-	1,143,999
State and county charges.....	4,991,373	-	-	4,991,373
Capital outlay.....	1,617,627	-	-	1,617,627
Debt service:				
Principal.....	2,975,000	-	-	2,975,000
Interest.....	3,823,588	-	-	3,823,588
TOTAL EXPENDITURES.....	175,430,171	24,600,688	16,933,626	216,964,485
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	12,538,428	(15,389,571)	(5,178,720)	(8,029,863)
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	285,000	265,000	550,000
Operating subsidy to enterprise funds.....	(4,947,414)	-	-	(4,947,414)
Transfers in.....	127,419	1,225,000	5,915,096	7,267,515
Transfers out.....	(6,471,055)	-	(793,094)	(7,264,149)
TOTAL OTHER FINANCING SOURCES (USES).....	(11,291,050)	1,510,000	5,387,002	(4,394,048)
NET CHANGE IN FUND BALANCES.....	1,247,378	(13,879,571)	208,282	(12,423,911)
FUND BALANCES AT BEGINNING OF YEAR.....	40,428,967	9,805,766	15,344,455	65,579,188
FUND BALANCES AT END OF YEAR.....	\$ 41,676,345	\$ (4,073,805)	\$ 15,552,737	\$ 53,155,277

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....		\$ (12,423,911)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	33,145,876	
Depreciation expense.....	<u>(8,495,815)</u>	
Net effect of reporting capital assets.....		24,650,061
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		2,015,964
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Premium from issuance of bonds.....	(550,000)	
Net amortization of premium from issuance of bonds.....	373,111	
Net change in deferred charge on refunding.....	(33,759)	
Debt service principal payments.....	<u>2,975,000</u>	
Net effect of reporting long-term debt.....		2,764,352
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(311,000)	
Net change in accrued interest on long-term debt.....	(16,416)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(2,951,081)	
Net change in net pension liability.....	(5,986,198)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(2,490,290)	
Net change in net other postemployment benefits liability.....	<u>(7,342,869)</u>	
Net effect of recording long-term liabilities.....		(19,097,854)
The net activity of internal service funds is reported with Governmental Activities.....		<u>2,855,203</u>
Change in net position of governmental activities.....		<u>\$ 763,815</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 3,944,472	\$ 7,474,284	\$ 11,418,756	\$ 7,849,710
Investments.....	-	1,488,519	1,488,519	-
Receivables, net of allowance for uncollectibles:				
User fees.....	3,149,562	3,719,539	6,869,101	-
Intergovernmental - subsidy.....	512,567	-	512,567	-
Working capital deposit.....	-	-	-	90,700
Total current assets.....	<u>7,606,601</u>	<u>12,682,342</u>	<u>20,288,943</u>	<u>7,940,410</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental - subsidy.....	1,820,276	-	1,820,276	-
Capital assets, non depreciable.....	65,957	650,064	716,021	-
Capital assets, net of accumulated depreciation.....	<u>45,156,473</u>	<u>105,193,767</u>	<u>150,350,240</u>	<u>-</u>
Total noncurrent assets.....	<u>47,042,706</u>	<u>105,843,831</u>	<u>152,886,537</u>	<u>-</u>
TOTAL ASSETS.....	<u>54,649,307</u>	<u>118,526,173</u>	<u>173,175,480</u>	<u>7,940,410</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	943,585	592,523	1,536,108	-
Deferred outflows related to other postemployment benefits.....	<u>1,515</u>	<u>908</u>	<u>2,423</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>945,100</u>	<u>593,431</u>	<u>1,538,531</u>	<u>-</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	799,287	2,636,252	3,435,539	-
Accrued payroll.....	74,072	43,381	117,453	-
Health claims payable.....	-	-	-	1,010,000
Accrued interest.....	246,607	373,229	619,836	-
Compensated absences.....	179,000	115,000	294,000	-
Notes payable.....	1,593,304	9,009,837	10,603,141	-
Bonds payable.....	<u>2,705,348</u>	<u>3,826,043</u>	<u>6,531,391</u>	<u>-</u>
Total current liabilities.....	<u>5,597,618</u>	<u>16,003,742</u>	<u>21,601,360</u>	<u>1,010,000</u>
NONCURRENT:				
Compensated absences.....	213,000	117,000	330,000	-
Net pension liability.....	8,662,488	5,439,602	14,102,090	-
Net other postemployment benefits liability.....	1,034,936	620,961	1,655,897	-
Bonds payable.....	<u>12,145,389</u>	<u>40,322,297</u>	<u>52,467,686</u>	<u>-</u>
Total noncurrent liabilities.....	<u>22,055,813</u>	<u>46,499,860</u>	<u>68,555,673</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>27,653,431</u>	<u>62,503,602</u>	<u>90,157,033</u>	<u>1,010,000</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	472,957	296,993	769,950	-
Deferred inflows related to other postemployment benefits.....	<u>349,628</u>	<u>126,646</u>	<u>476,274</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>822,585</u>	<u>423,639</u>	<u>1,246,224</u>	<u>-</u>
NET POSITION				
Net investment in capital assets.....	31,859,621	53,895,353	85,754,974	-
Unrestricted.....	<u>(4,741,230)</u>	<u>2,297,010</u>	<u>(2,444,220)</u>	<u>6,930,410</u>
TOTAL NET POSITION.....	<u>\$ 27,118,391</u>	<u>\$ 56,192,363</u>	<u>\$ 83,310,754</u>	<u>\$ 6,930,410</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
OPERATING REVENUES:				
Charges for services.....	\$ 7,032,150	\$ 7,949,048	\$ 14,981,198	\$ -
Employee contributions.....	-	-	-	5,337,451
Employer contributions.....	-	-	-	14,825,507
Other operating revenues.....	305,637	678,288	983,925	-
TOTAL OPERATING REVENUES	7,337,787	8,627,336	15,965,123	20,162,958
OPERATING EXPENSES:				
Cost of services and administration.....	4,238,663	4,071,068	8,309,731	-
Depreciation.....	1,594,071	3,704,390	5,298,461	-
Employee benefits.....	-	-	-	17,589,081
TOTAL OPERATING EXPENSES	5,832,734	7,775,458	13,608,192	17,589,081
OPERATING INCOME (LOSS)	1,505,053	851,878	2,356,931	2,573,877
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	47,706	47,706	281,326
Interest expense.....	(644,268)	(1,117,264)	(1,761,532)	-
Intergovernmental - subsidy.....	316,749	-	316,749	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(327,519)	(1,069,558)	(1,397,077)	281,326
INCOME (LOSS) BEFORE TRANSFERS	1,177,534	(217,680)	959,854	2,855,203
TRANSFERS:				
Operating subsidy from the general fund.....	1,711,428	3,235,986	4,947,414	-
Transfers in.....	105,998	-	105,998	-
Transfers out.....	-	(109,364)	(109,364)	-
TOTAL TRANSFERS	1,817,426	3,126,622	4,944,048	-
CHANGE IN NET POSITION	2,994,960	2,908,942	5,903,902	2,855,203
NET POSITION AT BEGINNING OF YEAR	24,123,431	53,283,421	77,406,852	4,075,207
NET POSITION AT END OF YEAR	\$ 27,118,391	\$ 56,192,363	\$ 83,310,754	\$ 6,930,410

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 5,632,780	\$ 6,824,290	\$ 12,457,070	\$ -
Receipts from interfund services provided.....	-	-	-	20,162,958
Payments to vendors.....	(2,448,110)	(2,177,374)	(4,625,484)	-
Payments to employees.....	(1,720,357)	(1,151,033)	(2,871,390)	-
Payments for interfund services used.....	-	-	-	(17,672,081)
NET CASH FROM OPERATING ACTIVITIES.....	1,464,313	3,495,883	4,960,196	2,490,877
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	105,998	-	105,998	-
Transfers out.....	-	(109,364)	(109,364)	-
Operating contribution.....	1,711,428	3,235,986	4,947,414	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	1,817,426	3,126,622	4,944,048	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	1,648,304	6,443,067	8,091,371	-
Premium from the issuance of bonds.....	635,000	560,000	1,195,000	-
Acquisition and construction of capital assets.....	(2,238,534)	(6,303,483)	(8,542,017)	-
Principal payments on bonds and notes.....	(2,260,574)	(5,020,382)	(7,280,956)	-
Interest expense.....	(368,737)	(1,106,196)	(1,474,933)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,584,541)	(5,426,994)	(8,011,535)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments.....	-	74,233	74,233	-
Investment income.....	-	47,706	47,706	281,326
NET CASH FROM INVESTING ACTIVITIES.....	-	121,939	121,939	281,326
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	697,198	1,317,450	2,014,648	2,772,203
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	3,247,274	6,156,834	9,404,108	5,077,507
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 3,944,472	\$ 7,474,284	\$ 11,418,756	\$ 7,849,710
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH				
FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 1,505,053	\$ 851,878	\$ 2,356,931	\$ 2,573,877
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	1,594,071	3,704,390	5,298,461	-
Deferred (outflows)/inflows related to pensions.....	222,834	78,327	301,161	-
Deferred (outflows)/inflows related to other postemployment benefits.....	348,365	125,882	474,247	-
Changes in assets and liabilities:				
User charges.....	(1,705,007)	(1,803,046)	(3,508,053)	-
Warrants payable.....	28,331	(35,273)	(6,942)	-
Accrued payroll.....	29,281	15,901	45,182	-
Health claims payable.....	-	-	-	(83,000)
Compensated absences.....	27,000	26,000	53,000	-
Net pension liability.....	(202,810)	660,181	457,371	-
Net other postemployment benefits liability.....	(382,805)	(128,357)	(511,162)	-
Total adjustments.....	(40,740)	2,644,005	2,603,265	(83,000)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,464,313	\$ 3,495,883	\$ 4,960,196	\$ 2,490,877
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Change in the deferred loss on debt refunding.....	\$ (8,102)	\$ (99,570)	\$ (107,672)	\$ -
Intergovernmental subsidy of debt service.....	484,556	-	484,556	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 52,698	\$ 158,799	\$ 1,930,009
Investments:			
U.S. treasuries.....	936,262	-	-
Government sponsored enterprises.....	469,604	1,659,466	-
Equity securities.....	3,798,665	-	-
TOTAL ASSETS.....	<u>5,257,229</u>	<u>1,818,265</u>	<u>1,930,009</u>
LIABILITIES			
Liabilities due depositors.....	-	-	1,930,009
NET POSITION			
Restricted for other postemployment benefits.....	5,257,229	-	-
Held in trust for other purposes.....	-	1,818,265	-
TOTAL NET POSITION.....	<u><u>\$ 5,257,229</u></u>	<u><u>\$ 1,818,265</u></u>	<u><u>\$ -</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	<u>Other Postemployment Benefit Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 1,322,500	\$ -
Employer contributions for other postemployment benefit payments.....	11,809,568	-
Private donations.....	-	176,883
Total contributions.....	<u>13,132,068</u>	<u>176,883</u>
Net investment income:		
Investment income (loss).....	<u>(71,329)</u>	<u>93,174</u>
TOTAL ADDITIONS.....	<u>13,060,739</u>	<u>270,057</u>
<u>DEDUCTIONS:</u>		
Other postemployment benefit payments.....	11,809,568	-
Educational scholarships.....	-	204,920
TOTAL DEDUCTIONS.....	<u>11,809,568</u>	<u>204,920</u>
NET INCREASE (DECREASE) IN NET POSITION.....	1,251,171	65,137
NET POSITION AT BEGINNING OF YEAR.....	<u>4,006,058</u>	<u>1,753,128</u>
NET POSITION AT END OF YEAR.....	<u>\$ 5,257,229</u>	<u>\$ 1,818,265</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Billerica, 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 of Billerica is a municipal corporation governed by an elected Select Board.

For financial reporting purposes, the Town has included all funds, organizations, 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. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

Joint Ventures

The Town is a member of the Shawsheen Regional Technical High School District that provides for the education of only the Town's high school students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2020 assessment was \$10,256,800.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) 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.

Fund Financial Statements

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

Major Fund Criteria

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

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least

10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service and fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain

compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *school capital projects fund* is used to account for all financial resources associated with school capital projects, including the new middle/high school project.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

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

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operations within the water department.

The *sewer enterprise fund* is used to account for the financial activity that occurs as a result of the ongoing operations within the sewer department.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

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 governmental programs. The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is primarily used to account for public works and planning board performance bonds, police detail activity and student activity funds but also accounts for any asset that is held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Fair Value Measurements

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

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

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

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on July 1st and January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed within 30 days of the close of the following year end for all taxes that are considered delinquent at that time. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

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

Motor Vehicle Excise

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

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

Water and Sewer

User fees are levied three times a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed every year and included as a lien on the property owner's tax bill. Charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded 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 uncollectible accounts.

G. Inventories***Government-Wide and Fund Financial Statements***

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

H. Capital Assets***Government-Wide Financial Statements***

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (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, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 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 process) are depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20 - 30
Buildings.....	20 - 40
Machinery and equipment.....	5 - 10
Vehicles.....	5 - 15
Infrastructure.....	40 - 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.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has recorded deferred outflows of resources related to pensions and OPEB in this category in the government-wide statement of net position.

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

Governmental 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 assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities (full accrual) financial statements.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers and Operating Subsidy

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

Operating Subsidy

The Town has voted to account for the operation of the water and sewer activities as enterprise funds. The direct expenses of each enterprise fund is budgeted and the total revenues rates are approved annually. At the current time revenues are not sufficient to cover the budgeted expenses and therefore the general fund provides an operating subsidy to balance the budget. The Town has elected to not budget the expense related to pension, health insurance and indirect charges for each enterprise fund. The Town has not estimated the cost of providing this non-cash subsidy and therefore has not been reported in the financial statements.

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not factored into the calculation of the net investment of capital assets.

Net position is reported as restricted when amounts are not otherwise available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts. Only investment earnings may be expended from this category.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

“Grants and gifts” – represents amounts held for school and other Town grants, and for gift funds.

“Community preservation” – represents amounts held for uses restricted by law for community preservation purposes.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount.

The Town will, from time to time, fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by

committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. Long-term Debt

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Middlesex County Contributory Retirement System (MCCRS) and the Massachusetts Teachers Retirement System (MTRS) additions to/deductions from the Systems' 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 in accordance with the benefit terms. Investments are reported at fair value.

O. Investment Income

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

Investment income from proprietary fund operations is voluntarily assigned and transferred to the general fund.

P. Compensated Absences

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following a retirement or resignation. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Fund Deficits

Fund deficits exist within the School Capital Projects and Public Safety Capital Projects funds. These deficits will be funded grant proceeds, bond issuances and other available funding.

S. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Town participates in MMDT, which maintains a cash portfolio with a weighted average maturity of 52 days. The Town's investments in MMDT are unrated.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$55,699,176 and the bank balance totaled \$57,006,143. Of the bank balance, \$6,235,951 was covered by Federal Depository Insurance, \$2,081,166 was

covered by the Depositors Insurance Fund insurance, \$46,690,938 was collateralized, and \$1,999,088 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's investment policy addresses custodial credit risk of deposits by establishing the following policy: The Town will not have on deposit with a single financial institution more than 60% of the institutions total equity presented on the specific institution's annual audited financial statements. Additionally, no single bank or bank holding company shall hold in excess of 75% of the Treasurer's cash balance for greater than three consecutive days.

Investments

As of June 30, 2020, the Town had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 17,086,045	\$ 8,702,467	\$ 8,383,578	\$ -
Government sponsored enterprises.....	7,863,117	1,902,095	5,690,603	270,419
Corporate bonds.....	2,325,539	657,404	1,668,135	-
Total debt securities.....	27,274,701	\$ 11,261,966	\$ 15,742,316	\$ 270,419
<u>Other investments:</u>				
Equity securities.....	10,373,246			
Equity mutual funds.....	75,618			
Fixed income.....	1,602,025			
International securities.....	294,316			
Money market mutual funds.....	974,479			
MMDT - Cash portfolio.....	59,086			
Total investments.....	\$ 40,653,471			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments in government sponsored enterprises, corporate bonds, and equity securities are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. Excluding investments in United States treasury notes, and MMDT, no more than 5% of the Town's total investment portfolio will be held by any single financial institution.

Interest Rate Risk

The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

The Town has not adopted a formal policy related to credit risk. The investment rates were as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ 146,104
AA+.....	7,863,117	-
A+.....	-	315,835
A.....	-	397,747
A-.....	-	722,676
BBB+.....	-	262,051
BBB.....	-	481,126
Total.....	<u>\$ 7,863,117</u>	<u>\$ 2,325,539</u>

Concentration of Credit Risk

The Town will minimize the concentration of credit risk by diversifying the investment portfolio, so that the impact of potential losses from any one type of security or issuer will be minimized. The Town did not have more than 5% of its investments in any one individual security.

Fair Value of Investments

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

The following table presents financial assets at June 30, 2020, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 17,086,045	\$ 17,086,045	\$ -	-
Government sponsored enterprises.....	7,863,117	7,863,117	-	-
Corporate bonds.....	2,325,539	-	2,325,539	-
Total debt securities.....	27,274,701	24,949,162	2,325,539	-
<u>Other investments:</u>				
Equity securities.....	10,373,246	10,373,246	-	-
Equity mutual funds.....	75,618	75,618	-	-
Fixed income.....	1,602,025	1,602,025	-	-
International securities.....	294,316	-	-	294,316
Money market mutual funds.....	974,479	974,479	-	-
Total other investments.....	13,319,684	13,025,368	-	294,316
Total investments measured at fair value.....	40,594,385	\$ 37,974,530	\$ 2,325,539	\$ 294,316
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	59,086			
Total investments.....	\$ 40,653,471			

U.S. treasury notes, government sponsored enterprises, equity securities, equity mutual funds, fixed income, and money market mutual funds classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds and international securities are classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

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

NOTE 3 – RECEIVABLES

At June 30, 2020, receivables for the individual major and the nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 2,914,654	\$ (584,600)	\$ 2,330,054
Tax liens.....	5,121,167	-	5,121,167
Community preservation fund surtax.....	13,113	-	13,113
Motor vehicle and other excise taxes.....	2,110,010	(957,600)	1,152,410
Departmental and other.....	629,557	-	629,557
Intergovernmental.....	4,925,041	-	4,925,041
Community preservation state share.....	282,337	-	282,337
Total.....	<u>\$ 15,995,879</u>	<u>\$ (1,542,200)</u>	<u>\$ 14,453,679</u>

At June 30, 2020, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 3,149,562	\$ -	\$ 3,149,562
Water intergovernmental - subsidy.....	2,332,843	-	2,332,843
Sewer user fees.....	3,719,539	-	3,719,539
Total.....	<u>\$ 9,201,944</u>	<u>\$ -</u>	<u>\$ 9,201,944</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,495,743	\$ -	\$ 1,495,743
Tax liens.....	5,121,167	-	5,121,167
Community preservation fund surtax.....	-	13,113	13,113
Motor vehicle and other excise taxes.....	1,152,410	-	1,152,410
Departmental and other.....	629,557	-	629,557
Intergovernmental - highway improvements.....	-	2,124,207	2,124,207
Community preservation state share.....	-	282,337	282,337
<u>Other assets:</u>			
Tax foreclosures.....	1,819,697	-	1,819,697
Total.....	<u>\$ 10,218,574</u>	<u>\$ 2,419,657</u>	<u>\$ 12,638,231</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 21,291,152	\$ -	\$ -	\$ 21,291,152
Construction in progress.....	-	391,336	-	391,336
Total capital assets not being depreciated.....	<u>21,291,152</u>	<u>391,336</u>	<u>-</u>	<u>21,682,488</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	8,026,513	2,518,831	(104,763)	10,440,581
Buildings.....	243,717,165	25,894,605	-	269,611,770
Machinery and equipment.....	8,681,055	897,074	(534,948)	9,043,181
Vehicles.....	14,378,822	482,970	(987,967)	13,873,825
Infrastructure.....	37,275,899	2,961,060	-	40,236,959
Total capital assets being depreciated.....	<u>312,079,454</u>	<u>32,754,540</u>	<u>(1,627,678)</u>	<u>343,206,316</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,810,662)	(342,539)	104,763	(4,048,438)
Buildings.....	(49,023,675)	(5,942,096)	-	(54,965,771)
Machinery and equipment.....	(7,640,111)	(268,055)	534,948	(7,373,218)
Vehicles.....	(10,864,273)	(951,421)	987,967	(10,827,727)
Infrastructure.....	(7,128,558)	(991,704)	-	(8,120,262)
Total accumulated depreciation.....	<u>(78,467,279)</u>	<u>(8,495,815)</u>	<u>1,627,678</u>	<u>(85,335,416)</u>
Total capital assets being depreciated, net.....	<u>233,612,175</u>	<u>24,258,725</u>	<u>-</u>	<u>257,870,900</u>
Total governmental activities capital assets, net.....	<u>\$ 254,903,327</u>	<u>\$ 24,650,061</u>	<u>\$ -</u>	<u>\$ 279,553,388</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 65,957	\$ -	\$ -	\$ 65,957
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	711,741	102,363	(32,560)	781,544
Vehicles.....	309,928	37,416	-	347,344
Infrastructure.....	64,667,007	2,423,604	(926,148)	66,164,463
Total capital assets being depreciated.....	65,688,676	2,563,383	(958,708)	67,293,351
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(411,255)	(72,530)	32,560	(451,225)
Vehicles.....	(151,281)	(62,486)	-	(213,767)
Infrastructure.....	(20,938,979)	(1,459,055)	926,148	(21,471,886)
Total accumulated depreciation.....	(21,501,515)	(1,594,071)	958,708	(22,136,878)
Total capital assets being depreciated, net.....	44,187,161	969,312	-	45,156,473
Total water activities capital assets, net.....	\$ 44,253,118	\$ 969,312	\$ -	\$ 45,222,430
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 650,064	\$ -	\$ -	\$ 650,064
<u>Capital assets being depreciated:</u>				
Buildings.....	2,924,117	-	-	2,924,117
Machinery and equipment.....	187,227	14,660	(41,143)	160,744
Vehicles.....	1,095,121	-	(590,331)	504,790
Infrastructure.....	149,708,120	6,726,402	-	156,434,522
Total capital assets being depreciated.....	153,914,585	6,741,062	(631,474)	160,024,173
<u>Less accumulated depreciation for:</u>				
Buildings.....	(2,156,536)	(73,103)	-	(2,229,639)
Machinery and equipment.....	(125,662)	(14,327)	41,143	(98,846)
Vehicles.....	(748,076)	(100,958)	590,331	(258,703)
Infrastructure.....	(48,727,216)	(3,516,002)	-	(52,243,218)
Total accumulated depreciation.....	(51,757,490)	(3,704,390)	631,474	(54,830,406)
Total capital assets being depreciated, net.....	102,157,095	3,036,672	-	105,193,767
Total sewer activities capital assets, net.....	\$ 102,807,159	\$ 3,036,672	\$ -	\$ 105,843,831

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

Governmental Activities:	
General government.....	\$ 235,363
Public safety.....	844,286
Education.....	5,411,418
Public works.....	1,540,989
Human services.....	18,484
Culture and recreation.....	<u>445,275</u>
 Total depreciation expense - governmental activities.....	 \$ <u>8,495,815</u>
 Business-Type Activities:	
Water.....	\$ 1,594,071
Sewer.....	<u>3,704,390</u>
 Total depreciation expense - business-type activities.....	 \$ <u>5,298,461</u>

NOTE 5 – INTERFUND TRANSFERS AND OPERATING SUBSIDY

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

Transfers Out:	Transfers In:					Total	
	General fund	School capital projects	Nonmajor governmental funds	Water enterprise fund	Sewer enterprise fund		
General fund.....	\$ -	\$ 1,225,000	\$ 5,246,055	\$ 1,711,428	\$ 3,235,986	\$ 11,418,469	(1)
Nonmajor governmental funds..	77,419	-	609,677	105,998	-	793,094	(2)
Sewer enterprise fund.....	<u>50,000</u>	<u>-</u>	<u>59,364</u>	<u>-</u>	<u>-</u>	<u>109,364</u>	(3)
Total.....	\$ <u>127,419</u>	\$ <u>1,225,000</u>	\$ <u>5,915,096</u>	\$ <u>1,817,426</u>	\$ <u>3,235,986</u>	\$ <u>12,320,927</u>	

- 1) Budgeted transfers from the general fund to the school capital projects and nonmajor governmental funds, as well as transfers to subsidize the water and sewer enterprise fund operations.
- 2) Budgeted transfers from the nonmajor rink revolving fund to fund its share of debt service paid by the general fund, to the water enterprise fund, and transfers between various nonmajor funds to fund cable access operations and non-capital grant activity.
- 3) To fund the water conservation rebate program and to reauthorize and transfer from unexpended sewer capital projects to governmental capital projects.

The Town currently budgets an annual general fund subsidy to both the water and sewer enterprise funds since the current rates are not sufficient to cover the expenses of those funds. In 2020, the water fund received an operating subsidy of \$1,711,428 and the sewer fund received \$3,235,986.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2020, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
Governmental Funds:							
BAN	Municipal Purpose.....	2.70%	09/27/19	\$ 410,000	\$ -	\$ (410,000)	\$ -
BAN	Municipal Purpose.....	3.00%	09/27/19	327,000	-	(327,000)	-
BAN	Municipal Purpose.....	2.75%	09/27/19	145,000	-	(145,000)	-
BAN	Municipal Purpose.....	1.75%	01/29/21	-	7,500,000	-	7,500,000
BAN	Municipal Purpose.....	0.90%	6/25/2021	-	2,000,000	-	2,000,000
Total Governmental Funds.....				\$ 882,000	\$ 9,500,000	\$ (882,000)	\$ 9,500,000
Water Enterprise Fund:							
BAN	Municipal Purpose.....	3.00%	09/27/19	\$ 90,000	\$ -	\$ (90,000)	\$ -
BAN	Municipal Purpose.....	2.75%	09/27/19	515,000	-	(515,000)	-
BAN	MCWT Interim Financing.....	0.00%	06/30/21	-	1,593,304	-	1,593,304
Total Water Enterprise Fund.....				605,000	1,593,304	(605,000)	1,593,304
Sewer Enterprise Fund:							
BAN	MCWT Interim Financing.....	0.00%	06/30/21	8,026,755	25,760	(8,052,515)	-
BAN	MCWT Interim Financing.....	0.00%	06/30/21	2,497,530	6,512,307	-	9,009,837
BAN	Municipal Purpose.....	3.00%	09/27/19	107,000	-	(107,000)	-
BAN	Municipal Purpose.....	2.75%	09/27/19	1,045,000	-	(1,045,000)	-
Total Sewer Enterprise Fund.....				11,676,285	6,538,067	(9,204,515)	9,009,837
Total Enterprise Funds.....				\$ 12,281,285	\$ 8,131,371	\$ (9,809,515)	\$ 10,603,141

The Massachusetts Clean Water Trust (MCWT) Temporary Financing relates to a program in which the Town is able to rehabilitate, expand, or upgrade the existing sewer and water infrastructure networks. The Town has been approved for construction costs up to \$22.8 million at an interest rate of 0%. The Town has entered into financing agreements with the MCWT that allows the Town to expend funds against the loan over a 2 year period. After the two years, the Town will determine the final construction costs and a permanent debt schedule will be agreed upon and payable over 20 years.

On January 19, 2021, the Town renewed the \$7,500,000 BAN. The new BAN has an interest rate of 2% and will mature on January 22, 2022.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In order to take advantage of favorable interest rates, the Town issued \$2,945,000 of general obligation refunding bonds on September 19, 2019. The proceeds of the refunding bonds were used to complete a current refunding of existing debt within the water and sewer funds. The refunded bonds totaled \$3.4 million and became callable on November 1, 2019. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$389,118 and a reduction of \$4,138,938 in future debt service payments.

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Future subsidies of capital expenses are structured as principal subsidies of principal payments. Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in repayment of this future debt. Future principal subsidies of \$2,332,843 have been recorded as an intergovernmental receivable in the water enterprise fund. Future interest subsidies total approximately \$641,000 and will be recognized as revenue when incurred. During 2020, the Town's principal and interest subsidy amounted to approximately \$801,000.

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Bond Payable Schedule – Governmental Activities

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
<u>General obligations:</u>				
Municipal Purpose Bonds of 2011.....	2031	\$ 2,932,000	2.00-4.75	\$ 1,290,000
Municipal Purpose Bonds of 2013.....	2033	15,535,000	2.00-4.00	5,815,000
Municipal Purpose Bonds of 2013 - Refunding....	2025	2,524,000	1.00-4.00	1,135,000
Municipal Purpose Bonds of 2017 - Refunding....	2028	675,000	3.00-5.00	470,000
Municipal Purpose Bonds of 2017.....	2047	85,310,000	3.00-5.00	79,110,000
Municipal Purpose Bonds of 2019.....	2040	5,605,000	2.75-5.00	5,605,000
Total Bonds Payable.....		\$ 112,581,000		93,425,000
Add: Unamortized premium on bonds.....				5,017,172
Total Bonds Payable, net.....				\$ 98,442,172

Debt service requirements for principal and interest for governmental general obligation bonds payable in future years are as follows:

Year	Principal	Interest	Total
2021.....	\$ 2,980,000	\$ 3,665,325	\$ 6,645,325
2022.....	2,995,000	3,523,094	6,518,094
2023.....	3,025,000	3,384,462	6,409,462
2024.....	3,050,000	3,240,656	6,290,656
2025.....	3,130,000	3,110,375	6,240,375
2026.....	3,005,000	2,976,714	5,981,714
2027.....	3,145,000	2,832,931	5,977,931
2028.....	3,250,000	2,687,081	5,937,081
2029.....	3,215,000	2,537,681	5,752,681
2030.....	3,290,000	2,437,093	5,727,093
2031.....	3,310,000	2,335,356	5,645,356
2032.....	3,325,000	2,181,382	5,506,382
2033.....	3,405,000	2,081,194	5,486,194
2034.....	3,080,000	1,978,606	5,058,606
2035.....	3,165,000	1,882,650	5,047,650
2036.....	3,265,000	1,780,375	5,045,375
2037.....	3,360,000	1,675,144	5,035,144
2038.....	3,465,000	1,566,825	5,031,825
2039.....	3,585,000	1,430,650	5,015,650
2040.....	3,710,000	1,289,700	4,999,700
2041.....	3,630,000	1,146,800	4,776,800
2042.....	3,775,000	1,001,600	4,776,600
2043.....	3,925,000	850,600	4,775,600
2044.....	4,085,000	693,600	4,778,600
2045.....	4,245,000	530,200	4,775,200
2046.....	4,415,000	360,400	4,775,400
2047.....	4,595,000	183,800	4,778,800
Total.....	\$ <u>93,425,000</u>	\$ <u>53,364,292</u>	\$ <u>146,789,292</u>

Bond Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
<u>Direct borrowings:</u>				
MCWT of 2004.....	2025	\$ 29,686,086	3.00-5.35	\$ 7,731,039
<u>General obligations:</u>				
Water Treatment Facility of 2011.....	2033	132,000	2.00-5.00	10,000
Water Refunding of 2013.....	2025	1,106,000	1.00-4.00	300,000
Water Refunding of 2017.....	2028	2,065,000	3.00-5.00	1,630,000
Water Bonds of 2019.....	2040	4,385,000	2.50-5.00	4,385,000
Water Refunding of 2019.....	2000	215,000	2.50-5.00	215,000
Subtotal General Obligation Bonds Payable.....		\$ 7,903,000		6,540,000
Add: Unamortized premium on bonds.....				579,698
Total Bonds Payable, net.....				\$ 14,850,737

Debt service requirements for principal and interest for the water enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds			Direct Borrowings Payable		
	Principal	Interest	Total	Principal	Interest	Total
2021.....	\$ 820,000	\$ 286,618	\$ 1,106,618	\$ 1,769,729	\$ 338,627	\$ 2,108,356
2022.....	815,000	249,318	1,064,318	1,838,928	248,377	2,087,305
2023.....	725,000	213,768	938,768	1,893,128	155,002	2,048,130
2024.....	720,000	180,018	900,018	1,937,328	61,188	1,998,516
2025.....	705,000	146,378	851,378	291,926	7,375	299,301
2026.....	680,000	113,112	793,112	-	-	-
2027.....	685,000	79,737	764,737	-	-	-
2028.....	675,000	45,987	720,987	-	-	-
2029.....	215,000	20,062	235,062	-	-	-
2030.....	65,000	14,462	79,462	-	-	-
2031.....	45,000	12,262	57,262	-	-	-
2032.....	45,000	10,687	55,687	-	-	-
2033.....	45,000	9,450	54,450	-	-	-
2034.....	45,000	8,213	53,213	-	-	-
2035.....	45,000	6,863	51,863	-	-	-
2036.....	45,000	5,513	50,513	-	-	-
2037.....	45,000	4,219	49,219	-	-	-
2038.....	45,000	2,925	47,925	-	-	-
2039.....	40,000	1,650	41,650	-	-	-
2040.....	35,000	525	35,525	-	-	-
Total.....	\$ 6,540,000	\$ 1,411,767	\$ 7,951,767	\$ 7,731,039	\$ 810,569	\$ 8,541,608

Bond Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
<u>Direct borrowings:</u>				
MCWT of 2011.....	2031	\$ 9,527,457	2.00	\$ 5,565,001
MCWT of 2015.....	2035	21,876,550	2.00	16,393,684
MCWT of 2019.....	2037	4,172,475	2.00	3,980,584
MCWT of 2020.....	2037	7,641,845	2.00	7,641,845
		<u>43,218,327</u>		<u>33,581,114</u>
<u>General obligations:</u>				
Sewer Bonds of 2011.....	2031	3,000,000	2.00-4.25	1,650,000
Sewer Bonds of 2013.....	2033	1,412,000	1.00-4.00	885,000
Sewer Refunding of 2013.....	2025	6,330,000	3.00-5.00	2,325,000
Sewer Refunding of 2017.....	2027	882,000	2.75-3.00	610,000
Sewer Bonds of 2019.....	2040	1,790,000	2.75-5.00	1,790,000
Sewer Refunding of 2019.....	2030	2,730,000	0.00	2,730,000
		<u>16,144,000</u>		9,990,000
Add: Unamortized premium on bonds.....				<u>577,226</u>
Total Bonds Payable, net.....				<u>\$ 44,148,340</u>

Debt service requirements for principal and interest for the sewer enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds			Direct Borrowings Payable		
	Principal	Interest	Total	Principal	Interest	Total
2021.....	\$ 1,565,000	\$ 369,751	\$ 1,934,751	\$ 2,122,306	\$ 570,971	\$ 2,693,277
2022.....	1,560,000	305,387	1,865,387	2,143,961	528,016	2,671,977
2023.....	1,545,000	241,939	1,786,939	2,166,073	491,935	2,658,008
2024.....	965,000	191,687	1,156,687	2,188,648	455,410	2,644,058
2025.....	870,000	159,181	1,029,181	2,211,701	418,433	2,630,134
2026.....	620,000	131,075	751,075	2,235,239	380,991	2,616,230
2027.....	630,000	104,050	734,050	2,259,273	343,079	2,602,352
2028.....	545,000	78,326	623,326	2,283,812	304,679	2,588,491
2029.....	545,000	55,525	600,525	2,308,872	265,790	2,574,662
2030.....	440,000	36,288	476,288	2,334,455	226,401	2,560,856
2031.....	255,000	22,849	277,849	2,360,578	186,491	2,547,069
2032.....	105,000	12,963	117,963	1,818,107	151,754	1,969,861
2033.....	100,000	9,813	109,813	1,833,869	122,284	1,956,153
2034.....	35,000	6,737	41,737	1,849,971	92,500	1,942,471
2035.....	35,000	5,687	40,687	1,866,425	62,390	1,928,815
2036.....	35,000	4,637	39,637	790,325	31,956	822,281
2037.....	35,000	3,631	38,631	807,499	16,150	823,649
2038.....	35,000	2,625	37,625	-	-	-
2039.....	35,000	1,575	36,575	-	-	-
2040.....	35,000	525	35,525	-	-	-
Total.....	\$ 9,990,000	\$ 1,744,251	\$ 11,734,251	\$ 33,581,114	\$ 4,649,230	\$ 38,230,344

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the Town had authorized and unissued debt as follows:

Purpose	Amount
High school construction 2/23/16.....	\$ 74,995,239
Wastewater sewer line construction 05/04/17.....	14,000,000
Streetlights 05/07/19.....	250,000
Wastewater treatment 05/07/19.....	9,005,000
Water Treatment 05/07/19.....	10,125,400
Fire station construction 10/03/19.....	8,750,000
Howe school remodeling 6/20/20.....	7,500,000
Demolish schools 6/20/20.....	5,000,000
Road repair 6/20/20.....	2,000,000
Wastewater treatment place construction.....	2,355,632
Total.....	\$ 133,981,271

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
General obligation bonds payable.....	\$ 96,400,000	\$ -	\$ (2,975,000)	\$ -	\$ -	\$ 93,425,000	\$ 2,980,000
Add: Unamortized premium on bonds.....	4,840,283	550,000	(373,111)	-	-	5,017,172	384,444
Total bonds payable.....	101,240,283	550,000	(3,348,111)	-	-	98,442,172	3,364,444
Compensated absences.....	3,364,000	-	-	1,814,000	(1,503,000)	3,675,000	1,749,000
Net pension liability.....	137,125,653	-	-	16,838,354	(10,852,156)	143,111,851	-
Net other postemployment benefits.....	249,735,183	-	-	20,390,892	(13,048,023)	257,078,052	-
Total governmental activity long-term liabilities.....	\$ 491,465,119	\$ 550,000	\$ (3,348,111)	\$ 39,043,246	\$ (25,403,179)	\$ 502,307,075	\$ 5,113,444
Business-Type Activities:							
General obligation bonds payable.....	\$ 18,720,000	\$ 415,000	\$ (2,150,000)	\$ 2,945,000	\$ (3,400,000)	\$ 16,530,000	\$ 2,385,000
Direct borrowings payable.....	37,118,150	7,641,845	(3,447,842)	-	-	41,312,153	3,892,035
Add: Unamortized premium on bonds.....	144,432	1,195,000	(182,508)	-	-	1,156,924	254,356
Total bonds payable.....	55,982,582	9,251,845	(5,780,350)	2,945,000	(3,400,000)	58,999,077	6,531,391
Compensated absences.....	571,000	-	-	317,000	(264,000)	624,000	294,000
Net pension liability.....	13,644,719	-	-	1,526,731	(1,069,360)	14,102,090	-
Net other postemployment benefits.....	2,167,059	-	-	47,130	(558,292)	1,655,897	-
Total business-type activity long-term liabilities.....	\$ 72,365,360	\$ 9,251,845	\$ (5,780,350)	\$ 4,835,861	\$ (5,291,652)	\$ 75,381,064	\$ 6,825,391

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. These categories of fund balance are further discussed in Note 1.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the Town from its highest level of decision-making authority. The Town's highest level of decision-making authority is the Town Meeting.
- **Assigned:** fund balances that contain self-imposed constraints of the Town to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

Massachusetts General Law Ch.40 §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.

In accordance with Statement No. 54, the stabilization funds have been reported in the general fund. At year end the balance of the general Town stabilization fund is \$5.1 million, the balance of the land stabilization fund is \$585,000, the School stabilization fund is \$786,000, and the governmental debt stabilization fund is \$18 million. The stabilization funds are reported as unassigned fund balance within the general fund.

At June 30, 2020, the governmental fund balances consisted of the following:

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 1,316,149	\$ 1,316,149
Restricted for:				
Highway capital projects.....	-	-	1,180,137	1,180,137
Town revolving funds.....	-	-	892,421	892,421
Town grant funds.....	-	-	1,016,129	1,016,129
Town receipts reserved.....	-	-	581,031	581,031
School lunch.....	-	-	193,427	193,427
School revolving funds.....	-	-	2,618,387	2,618,387
School grant funds.....	-	-	22,994	22,994
Recreation revolving.....	-	-	87,036	87,036
Community preservation.....	-	-	2,412,217	2,412,217
Other special revenue funds.....	-	-	2,832,216	2,832,216
Town capital projects.....	-	-	940,267	940,267
Stormwater drainage capital projects.....	-	-	537,173	537,173
Cemetery capital projects.....	-	-	840,366	840,366
Cemetery perpetual care.....	-	-	1,048,936	1,048,936
Assigned to:				
General government.....	394,099	-	-	394,099
Public safety.....	184,368	-	-	184,368
Education.....	1,131,242	-	-	1,131,242
Public works.....	16,509	-	-	16,509
Human services.....	4,964	-	-	4,964
Culture and recreation.....	8,137	-	-	8,137
Capital outlay.....	616,730	-	-	616,730
Unassigned.....	39,320,296	(4,073,805)	(966,149)	34,280,342
Total Fund Balances.....	\$ 41,676,345	\$ (4,073,805)	\$ 15,552,737	\$ 53,155,277

NOTE 9 – RISK FINANCING

The Town is self-insured for portions of its workers' compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund. The workers' compensation activities are accounted for in the general fund.

Liabilities are reported when it is probable 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 effects of inflation, recent claims settlement trends, and other economic and social factors.

Insurance

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active and eligible retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town estimates its' incurred but not reported (IBNR) health claims based on historical and current claim payment analysis. The Town purchases individual stop loss insurance for claims in excess of the \$125,000 coverage provided by the Town. At June 30, 2020, the amount of the liability for health insurance claims totaled \$1,010,000.

Changes in the reported liability since July 1, 2018, are as follows:

	Balance at Beginning of Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Year-End
2019.....	\$ 982,000	\$	19,697,844	\$	(19,586,844)	\$	1,093,000
2020.....	1,093,000		17,506,081		(17,589,081)		1,010,000

Workers' Compensation

The Town participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighter's worker's compensation is not material at June 30, 2020, and is therefore not reported.

NOTE 10 – PENSION PLAN*Plan Descriptions*

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting www.middlesexretirement.org.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. 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 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions 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 MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$17,689,774 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$145,874,165 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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 increase 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

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned amongst the employers based on the actuarial data. The Town's proportionate share of the actuarial required contribution was \$11.9 million which

equaled its share of the actuarial required contribution. This amount when combined with plan member contributions is expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. The total member contribution is equal to 31.90% of covered payroll.

Pension Liabilities

At June 30, 2020, the Town reported a liability of \$157.2 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 9.83%; which increased from its 9.67% proportion measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the Town recognized pension expense of \$21.6 million. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions which consisted of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 3,825,352	\$ (356,055)	\$ 3,469,297
Difference between projected and actual earnings, net.....	-	(4,079,690)	(4,079,690)
Changes in assumptions.....	10,826,707	-	10,826,707
Changes in proportion and proportionate share of contributions...	2,472,890	(4,147,868)	(1,674,978)
Total deferred outflows/(inflows) of resources.....	\$ 17,124,949	\$ (8,583,613)	\$ 8,541,336

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

<u>Year ended June 30:</u>	
2021.....	\$ 4,273,499
2022.....	1,465,619
2023.....	2,427,112
2024.....	375,106
Total.....	\$ 8,541,336

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019, on the following page.

Valuation date.....	January 1, 2020.
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Prior year's total contribution increased by 6.50% for fiscal 2020 through fiscal 2027, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI, 2 years from July 1, 2018 for 2033 ERI, and 4 years from July 1, 2018 for 2010 ERI.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the market value.
Investment rate of return/discount rate.....	7.30%, net of pension plan investment expense, including inflation (previously 7.50%).
Inflation rate.....	3.25%.
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living adjustments.....	3.00% of the first \$16,000 of retirement income, as of July 1, 2019.
Mortality rates:	
Pre-Retirement.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disabled Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan 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 pension plan. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.00%	6.15%
International developed markets equity....	13.00%	6.78%
International emerging markets equity.....	5.00%	8.65%
Core fixed income.....	15.00%	1.11%
High-yield fixed income.....	8.00%	3.51%
Real estate.....	10.00%	4.33%
Commodities.....	4.00%	4.13%
Hedge Funds, GTAA, risk parity.....	11.00%	3.19%
Private equity.....	13.00%	9.99%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes of Assumptions – The following assumption changes were reflected in the January 1, 2020 actuarial valuation.

- The net investment return assumption was lowered from 7.50% to 7.30%.

Changes in Plan Provisions – The following plan provision changes were reflected in the January 1, 2020 actuarial valuation

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

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

The table on the following page presents the net pension liability, calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount (7.30%)	1% Increase (8.30%)
	<u> </u>	<u> </u>	<u> </u>
The Town's proportionate share of the net pension liability.....	\$ 193,203,481	\$ 157,213,941	\$ 126,929,664
	<u> </u>	<u> </u>	<u> </u>

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Billerica administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides health, dental and life insurance for eligible retirees and their spouses through a single employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining percentage of their premium costs. For 2020, the Town’s age-adjusted contribution to the plan totaled \$11.8 million.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2020, the Town pre-funded future OPEB liabilities totaling \$1.3 million, by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$5.3 million.

Investment policy

The Town’s policy in regard to the allocation of invested assets is established and may be amended by the Select Board by a 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.

Measurement Date

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019.

Employees Covered by Benefit Terms

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

Active members.....	1,166
Retired, disabled, survivors and beneficiaries receiving benefits.....	<u>779</u>
Total.....	<u><u>1,945</u></u>

Components of OPEB Liability

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

Total OPEB liability.....	\$	263,991,178
Less: OPEB plan's fiduciary net position.....		<u>(5,257,229)</u>
Net OPEB liability.....	\$	<u><u>258,733,949</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....		1.99%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2020:

Valuation date.....	January 1, 2019.
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Fair value of assets with payables and receivables.
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation.
Discount rate.....	7.00% per year, net of investment expenses.
Inflation rate.....	2.50% per year.

Health trend rates.....	<p>Commercial Managed Care: 8% decreasing by .5% each year to reach ultimate level of 5% in 2026</p> <p>Commercial Indemnity: 9% decreasing to 5% in 2046</p> <p>Medicare Managed Care: 7% decreasing by .5% each year to reach ultimate level of 5% in 2024</p> <p>Medicare Indemnity: 8% decreasing to 5% in 2038</p>
Payroll growth.....	3.00% per year and 2.50% CPI-U
Mortality rates:	
Actives.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.
Retirees.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.
Disabled.....	RP-2014 Mortality Table adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

Rate of return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was -1.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected real rate of reflects the expected rate of return on plan assets adjusted for the expected rate of inflation. Note that the discount rate includes the effect of inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a best estimate of future experience, based on the expected asset allocation. The allocation percentages are based on information provided by the Town and the Plan’s asset consultant, Morgan Stanley. The real rates of return below are based on the long-term nominal return estimates provided by Morgan Stanley. These rates were converted to real rates of return by adjusting by a 2.50% inflation assumption.

Best estimates of real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities.....	61.00%	4.10%
International developed equities.....	7.00%	4.40%
International emerging market equities....	7.00%	6.50%
Fixed income.....	25.00%	0.50%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020, and 7.50% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be sufficient to make all projected benefit payments to current plan members.

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

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 7.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability..... \$	\$ 286,353,154	\$ 258,733,949	\$ 231,688,182

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

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB liability.....	\$ 225,274,236	\$ 258,733,949	\$ 300,016,682

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances at June 30, 2019.....	\$ 255,908,300	\$ 4,006,058	\$ 251,902,242
Changes for the year:			
Service cost.....	4,788,852	-	4,788,852
Interest.....	19,109,455	-	19,109,455
Changes in assumptions.....	(4,005,861)	-	(4,005,861)
Benefit payments.....	(11,809,568)	(11,809,568)	-
Contributions - employer.....	-	13,132,068	(13,132,068)
Net investment income.....	-	(71,329)	71,329
Net change.....	<u>8,082,878</u>	<u>1,251,171</u>	<u>6,831,707</u>
Balances at June 30, 2020.....	\$ <u>263,991,178</u>	\$ <u>5,257,229</u>	\$ <u>258,733,949</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$22,928,312, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources noted below:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Difference between projected and actual earnings, net.....	\$ 377,673	\$ -	\$ 377,673
Changes in assumptions.....	-	(3,286,676)	(3,286,676)
Changes in proportion.....	455,245	(455,245)	-
Total deferred outflows/(inflows) of resources.....	<u>\$ 832,918</u>	<u>\$ (3,741,921)</u>	<u>\$ (2,909,003)</u>

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

<u>Year ended June 30:</u>	
2021.....	\$ (619,919)
2022.....	(619,919)
2023.....	(624,325)
2024.....	(634,904)
2025.....	<u>(409,936)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>(2,909,003)</u>

Changes of Assumptions – The discount rate was decreased from 7.50% to 7.00% to reflect the long-term rate of return achievable on assets. The “Cadillac Tax” which was part of the 2009 Patient Protection and Affordable Care Act (PPACA) was eliminated by Congress since the previous report.

Changes in Plan Provisions – None.

NOTE 12 – COMMITMENTS

The Town has a contract with Waste Management, Inc. for the collection and transport all refuse, recyclables and yard waste which expires June 30, 2021. The rubbish disposal cost for fiscal year 2020 was \$2,196,605 and the amount budgeted for fiscal year 2021 is \$2,245,526. The Town has a solid waste disposal contract with Wheelabrator-North Andover which runs through fiscal year 2022. The contract has no requirements for guaranteed minimum tonnage and the cost in fiscal year 2020 was \$837,766 and the amount budgeted for fiscal year 2021 is \$1,093,500.

The Town is also committed to various contracts, valued at \$12.2 million, relative to sewer treatment plant and pump station upgrades.

The Town is also committed the construction of a new fire station. The value of this contract is \$10 million.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2020, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

NOTE 14 – COVID-19

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

A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2021, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.

- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for the entire Town's financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 123,742,244	\$ 125,967,524	\$ 127,115,338	\$ -	\$ 1,147,814
Tax liens.....	-	-	1,227,165	-	1,227,165
Motor vehicle and other excise taxes.....	6,500,000	6,500,000	6,954,946	-	454,946
Hotel/motel tax.....	1,000,000	1,000,000	831,706	-	(168,294)
Meals tax.....	500,000	500,000	541,254	-	41,254
Penalties and interest on taxes.....	355,000	355,000	358,381	-	3,381
Fees.....	2,500,000	2,500,000	2,792,734	-	292,734
Licenses and permits.....	1,000,000	1,000,000	2,252,857	-	1,252,857
Intergovernmental.....	26,461,434	26,461,434	26,187,604	-	(273,830)
Departmental and other.....	537,000	537,000	604,975	-	67,975
Investment income.....	225,000	225,000	721,786	-	496,786
TOTAL REVENUES.....	162,820,678	165,045,958	169,588,746	-	4,542,788
EXPENDITURES:					
Current:					
General government.....	5,764,657	5,963,549	5,554,341	394,099	15,109
Public safety.....	19,608,085	19,817,382	19,160,633	184,368	472,381
Education.....	76,482,394	76,545,391	75,076,519	1,131,242	337,630
Public works.....	7,495,818	7,625,746	7,546,161	16,509	63,076
Human services.....	1,310,611	1,329,746	1,267,408	4,964	57,374
Culture and recreation.....	2,986,476	3,102,599	2,941,483	8,137	152,979
Pension benefits.....	11,921,516	11,924,109	11,924,109	-	-
Employee benefits.....	19,735,767	19,740,767	19,718,156	-	22,611
Building insurance.....	1,120,000	1,145,000	1,143,999	-	1,001
State and county charges.....	5,015,964	5,015,964	4,991,373	-	24,591
Capital outlay.....	1,242,197	2,242,197	1,617,627	616,730	7,840
Debt service:					
Principal.....	2,975,000	2,990,000	2,990,000	-	-
Interest.....	3,995,882	4,229,257	4,140,588	-	88,669
TOTAL EXPENDITURES.....	159,654,367	161,671,707	158,072,397	2,356,049	1,243,261
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,166,311	3,374,251	11,516,349	(2,356,049)	5,786,049
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	1,632,767	1,632,767	-	-	(1,632,767)
Use of free cash.....	-	7,482,052	-	-	(7,482,052)
Other amounts raised on recap.....	-	(538,696)	-	-	538,696
Operating subsidy to enterprise funds.....	(4,947,414)	(4,947,414)	(4,947,414)	-	-
Transfers in.....	1,077,422	1,077,419	1,077,419	-	-
Transfers out.....	(929,086)	(8,080,379)	(8,080,379)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(3,166,311)	(3,374,251)	(11,950,374)	-	(8,576,123)
NET CHANGE IN FUND BALANCE.....	-	-	(434,025)	(2,356,049)	(2,790,074)
BUDGETARY FUND BALANCE, Beginning of year.....	18,272,201	18,272,201	18,272,201	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 18,272,201	\$ 18,272,201	\$ 17,838,176	\$ (2,356,049)	\$ (2,790,074)

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MIDDLESEX COUNTY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	9.83%	\$ 157,213,941	\$ 37,001,063	424.89%	49.45%
December 31, 2018.....	9.67%	150,770,372	34,022,034	443.16%	46.40%
December 31, 2017.....	9.89%	140,303,356	32,623,751	430.07%	49.27%
December 31, 2016.....	10.14%	143,712,635	33,403,976	430.23%	45.49%
December 31, 2015.....	9.85%	127,076,615	31,382,222	404.93%	46.13%
December 31, 2014.....	9.98%	119,887,544	30,175,213	397.30%	46.13%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
MIDDLESEX COUNTY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 11,921,516	\$ (11,921,516)	-	\$ 37,371,074	31.90%
June 30, 2019.....	11,509,447	(11,555,045)	(45,598)	34,362,254	33.63%
June 30, 2018.....	10,782,712	(10,790,894)	(8,182)	32,575,501	33.13%
June 30, 2017.....	9,826,635	(9,826,635)	-	33,356,235	29.46%
June 30, 2016.....	9,204,554	(9,204,554)	-	31,332,099	29.38%
June 30, 2015.....	8,541,268	(8,541,268)	-	30,138,758	28.34%

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

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 145,874,165	\$ 17,689,774	53.95%
2019.....	139,277,465	14,113,754	54.84%
2018.....	132,605,589	13,840,431	54.25%
2017.....	129,786,436	13,239,067	52.73%
2016.....	117,828,979	9,556,979	55.38%
2015.....	90,660,017	6,298,586	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service cost.....	\$ 4,467,069	\$ 4,668,087	\$ 4,649,371	\$ 4,788,852
Interest.....	15,457,336	16,268,614	18,236,207	19,109,455
Changes of benefit terms.....	-	-	-	-
Differences between expected and actual experience....	-	(8,925,294)	-	-
Changes of assumptions.....	-	24,729,757	-	(4,005,861)
Benefit payments.....	<u>(8,729,000)</u>	<u>(10,018,137)</u>	<u>(10,894,860)</u>	<u>(11,809,568)</u>
Net change in total OPEB liability.....	11,195,405	26,723,027	11,990,718	8,082,878
Total OPEB liability - beginning.....	<u>205,999,150</u>	<u>217,194,555</u>	<u>243,917,582</u>	<u>255,908,300</u>
Total OPEB liability - ending (a).....	<u>\$ 217,194,555</u>	<u>\$ 243,917,582</u>	<u>\$ 255,908,300</u>	<u>\$ 263,991,178</u>
Plan fiduciary net position				
Employer contributions.....	\$ -	\$ 1,000,000	\$ 1,150,000	\$ 1,322,500
Employer contributions for OPEB payments.....	8,729,000	10,018,137	10,894,860	11,809,568
Net investment income.....	93,675	(55,878)	192,259	(71,329)
Benefit payments.....	<u>(8,729,000)</u>	<u>(10,018,137)</u>	<u>(10,894,860)</u>	<u>(11,809,568)</u>
Net change in plan fiduciary net position.....	93,675	944,122	1,342,259	1,251,171
Plan fiduciary net position - beginning of year.....	<u>1,626,002</u>	<u>1,719,677</u>	<u>2,663,799</u>	<u>4,006,058</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 1,719,677</u>	<u>\$ 2,663,799</u>	<u>\$ 4,006,058</u>	<u>\$ 5,257,229</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 215,474,878</u>	<u>\$ 241,253,783</u>	<u>\$ 251,902,242</u>	<u>\$ 258,733,949</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.79%	1.09%	1.57%	1.99%
Covered-employee payroll.....	\$ 77,488,000	\$ 72,727,000	\$ 84,915,000	\$ 83,515,882
Net OPEB liability as a percentage of covered-employee payroll.....	278.08%	331.73%	296.65%	309.80%

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Statutorily determined contribution</u>	<u>Contributions in relation to the statutorily determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee-payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2020.....	\$ 11,809,568	\$ (13,132,068)	\$ (1,322,500)	\$ 83,515,882	15.72%
June 30, 2019.....	10,894,860	(12,044,860)	(1,150,000)	84,915,000	14.18%
June 30, 2018.....	10,018,137	(11,018,137)	(1,000,000)	72,727,000	15.15%
June 30, 2017.....	8,729,000	(8,729,000)	-	77,488,000	11.26%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	-1.48%
June 30, 2019.....	6.78%
June 30, 2018.....	-2.51%
June 30, 2017.....	6.15%

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

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTINGBudgetary Information

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

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Representative approval via a special article.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Representatives.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2020 approved budget authorized \$165.5 million in appropriations and other amounts to be raised, as well as \$1.6 million in encumbrances carried forward from the prior year. During 2020 the Town authorized \$9.2 million of supplemental appropriations for transfers to the capital project funds and stabilization funds.

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

Budgetary - GAAP Reconciliation

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

Net change in fund balance - budgetary basis.....	\$	(434,025)
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		1,585,630
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(460,000)
Net change in recording 60 day receipts.....		555,773
Recognition of revenue for on-behalf payments.....		17,689,774
Recognition of expenditures for on-behalf payments.....		<u>(17,689,774)</u>
Net change in fund balance - GAAP basis.....	\$	<u>1,247,378</u>

NOTE B – PENSION PLAN***Pension Plan Schedules***Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of Town's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes of Assumptions – The following assumption changes were reflected in the January 1, 2020 actuarial valuation.

- The net investment return assumption was lowered from 7.50% to 7.30%.

Changes in Plan Provisions – The following plan provision changes were reflected in the January 1, 2020 actuarial valuation

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“the Plan”). The plan provides lifetime healthcare for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the statutorily determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered employee payroll. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	January 1, 2019.
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Fair value of assets with payables and receivables.
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation.
Discount rate.....	7.00% per year, net of investment expenses.
Inflation rate.....	2.50% per year.
Health trend rates.....	Commercial Managed Care: 8% decreasing by .5% each year to reach ultimate level of 5% in 2026

Commercial Indemnity: 9% decreasing to 5% in 2046

Medicare Managed Care: 7% decreasing by .5% each year to reach ultimate level of 5% in 2024

Medicare Indemnity: 8% decreasing to 5% in 2038

Payroll growth..... 3.00% per year and 2.50% CPI-U

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

Changes of Assumptions – The discount rate was decreased from 7.50% to 7.00% to reflect the long-term rate of return achievable on assets. The “Cadillac Tax” which was part of the 2009 Patient Protection and Affordable Care Act (PPACA) was eliminated by Congress since the previous report.

Changes in Provisions – None.