

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WRENTHAM, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2020



TOWN OF WRENTHAM, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

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 Wrentham, Massachusetts, (the "Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
March 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Wrentham, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The Town's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by over \$6.7 million. The Town reported a nearly \$18.7 million deficit net position in its governmental activities and an approximate \$11.9 million positive net position in its water enterprise. Included in the Town's unrestricted net position (deficit) in its governmental activities is approximately \$71.5 million in liabilities associated with the Town's net pension and net other postemployment benefits, or OPEB, liabilities.
- The Town's total net position deficit decreased nearly \$3.2 million in fiscal year 2020. The primary cause of this decline was the recording of noncash personnel benefit expenses related to the Town's net pension and OPEB liabilities, which totaled approximately \$7.9 million in 2020 in the aggregate.
- At June 30, 2020, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$11.7 million, which was approximately \$0.3 million higher than the prior year.
- Of the ending fund balance in the Town's governmental funds, approximately \$4.6 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At June 30, 2020, the unassigned fund balance for the general fund was nearly 10% of fiscal year 2020 total general fund expenditures and the total general fund balance was approximately 16% of that figure.
- The Town's total long-term debt in its governmental activities and business-type activities decreased by nearly \$1.3 million in 2020 as the Town did not issue any long-term debt in fiscal year 2020. At June 30, 2020, the Town's total long-term debt was approximately \$5.3 million.
- The COVID-19 pandemic and its associated public/private enterprise shutdowns affected the Town in a variety of ways. The Town recognized that its revenues from sources such as recreation and after-school programs, hotels/meals and other excise taxes, permits and other usage fees would not trend as anticipated. Cost reductions were made in a number of areas and many budgeted expenses were either deferred, reduced or eliminated entirely in fiscal year 2020.
- The Town received notice from the Commonwealth of Massachusetts (the "Commonwealth") that it is entitled to approximately \$1.1 million through the federal Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act funds are restricted in their use; these funds can only be used for direct expenses related to COVID-19 and cannot be used as "revenue replacement" or other similar, unrestricted purposes. Under current federal law, CARES Act funds must be spent for approved costs through December 31, 2021; unused funds must be returned to the federal government.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the Town's assets and deferred outflows of resources and its 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 of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education through a regional district, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its water operations.

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

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

- Nonspendable —amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital investment fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes to the financial statements.

Proprietary Funds. Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water 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 Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund.

Government-Wide Financial Analysis

Condensed comparative statements of net position for the two most recent years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Assets:						
Current and other assets	\$ 17,804,922	\$ 16,228,729	\$ 7,389,506	\$ 5,273,291	\$ 25,194,428	\$ 21,502,020
Capital assets, net	34,480,779	34,659,557	13,624,860	10,700,083	48,105,639	45,359,640
Total Assets	52,285,701	50,888,286	21,014,366	15,973,374	73,300,067	66,861,660
Deferred Outflows of Resources	17,238,936	8,263,087	443,692	281,540	17,682,628	8,544,627
Liabilities:						
Long-term liabilities	74,558,022	67,024,383	4,205,932	4,403,039	78,763,954	71,427,422
Other liabilities	4,988,933	3,733,377	5,106,660	534,453	10,095,593	4,267,830
Total Liabilities	79,546,955	70,757,760	9,312,592	4,937,492	88,859,547	75,695,252
Deferred Inflows of Resources	8,629,655	3,192,429	208,144	80,087	8,837,799	3,272,516
Net Position:						
Net investment in capital assets	31,028,666	30,745,585	7,540,373	7,873,542	38,569,039	38,619,127
Restricted	7,017,437	7,243,610	-	-	7,017,437	7,243,610
Unrestricted	(56,698,076)	(52,788,011)	4,396,949	3,363,793	(52,301,127)	(49,424,218)
Total Net Position	\$ (18,651,973)	\$ (14,798,816)	\$ 11,937,322	\$ 11,237,335	\$ (6,714,651)	\$ (3,561,481)

The Town's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by over \$6.7 million (deficit net position). The Town continues to report a deficit in its unrestricted net position in its governmental activities, which totaled nearly \$56.7 million at June 30, 2020. Included in this deficit is approximately \$16.0 million and \$55.4 million, respectively, of net pension and net other postemployment liabilities at June 30, 2020. These noncash personnel benefit liabilities are the primary contributors to these reported deficits.

The largest portion (approximately \$38.6 million) of the Town's net position reflects its net investment in capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (over \$7.0 million) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position is in deficit by approximately \$52.3 million. As previously noted, this deficit net position is primarily the result of the Town's recording of its net pension and net OPEB liabilities.

Condensed comparative statements of activities for the two most recent years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 3,371,915	\$ 3,512,316	\$ 2,736,374	\$ 2,291,640	\$ 6,108,289	\$ 5,803,956
Operating grants and contributions	8,801,133	7,694,764	-	-	8,801,133	7,694,764
Capital grants and contributions	276,797	120,726	645,656	1,040,445	922,453	1,161,171
General revenues:						
Property taxes	34,991,036	33,018,503	-	-	34,991,036	33,018,503
Excise taxes	2,457,365	2,380,463	-	-	2,457,365	2,380,463
Intergovernmental	990,025	955,197	-	-	990,025	955,197
Other	394,521	300,295	-	45,126	394,521	345,421
Total Revenues	<u>51,282,792</u>	<u>47,982,264</u>	<u>3,382,030</u>	<u>3,377,211</u>	<u>54,664,822</u>	<u>51,359,475</u>
Expenses:						
General government	3,930,722	2,907,522	-	-	3,930,722	2,907,522
Public safety	10,152,115	8,918,749	-	-	10,152,115	8,918,749
Education	35,348,620	33,201,388	-	-	35,348,620	33,201,388
Public works	3,249,360	3,767,885	-	-	3,249,360	3,767,885
Health and human services	987,863	819,116	-	-	987,863	819,116
Culture and recreation	1,345,476	1,253,787	-	-	1,345,476	1,253,787
Interest expense	121,793	135,522	-	-	121,793	135,522
Water services	-	-	2,682,043	2,286,701	2,682,043	2,286,701
Total Expenses	<u>55,135,949</u>	<u>51,003,969</u>	<u>2,682,043</u>	<u>2,286,701</u>	<u>57,817,992</u>	<u>53,290,670</u>
Change in Net Position	<u>(3,853,157)</u>	<u>(3,021,705)</u>	<u>699,987</u>	<u>1,090,510</u>	<u>(3,153,170)</u>	<u>(1,931,195)</u>
Net Position:						
Beginning of year	<u>(14,798,816)</u>	<u>(11,777,111)</u>	<u>11,237,335</u>	<u>10,146,825</u>	<u>(3,561,481)</u>	<u>(1,630,286)</u>
End of year	<u>\$ (18,651,973)</u>	<u>\$ (14,798,816)</u>	<u>\$ 11,937,322</u>	<u>\$ 11,237,335</u>	<u>\$ (6,714,651)</u>	<u>\$ (3,561,481)</u>

Governmental Activities. Total revenues increased over \$3.3 million, or 7%, year-over-year. Increases of approximately \$2.0 million and \$1.1 million in property tax revenues and operating grants and contributions, respectively, were the primary contributors to this increase. Property taxes continue to represent the majority of the Town's total revenues. In fiscal year 2020, property taxes represented approximately 68% of total revenues, which was consistent with the prior year. In terms of actual dollars, the Town's property tax revenues increased nearly \$2.0 million, or 6%, year-over-year. This increase was consistent with the Proposition 2 ½ limitation plus new growth. Operating grants represented approximately 17% and 16%, respectively, of fiscal year 2020 and 2019 total revenues. No other revenue source exceeded 10% in either fiscal year 2020 or 2019.

Total expenses increased over \$4.1 million, or 8%, in fiscal year 2020 from the prior year. Pension and OPEB expenses increased nearly \$1.7 million in fiscal year 2020. The remainder of the increases were due primarily to normal and inflationary cost increases. The Town's largest expense category is education, which the Town continues to devote substantial resources towards. Education expenses totaled approximately 64% and 65% of total fiscal year 2020 and 2019 expenses, respectively. In terms of gross dollars, education expenses increased over \$2.1 million in fiscal year 2020. Public safety expenses represented approximately 18% and 17% of fiscal year 2020 and 2019 total expenses, respectively. No other expense categories were greater than 10% in fiscal years 2020 or 2019.

Business-Type Activities. User charges represent the majority of the reported revenues in both fiscal years 2020 and 2019. Business-type revenues increased modestly in fiscal year 2020 as a large increase in water usage charges, which was primarily due to increased rates and consumption, were offset by lower intergovernmental capital grants and contributions. Water expenses increased nearly \$0.4 million in 2020 due primarily to increased noncash personnel costs associated with pensions and OPEB as well as increased non-capitalizable repairs year-over-year.

Governmental Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$11.7 million, which was nearly \$0.3 million higher than the prior year. The Town reported positive changes in fund balance in its community preservation fund and nonmajor governmental funds; these were offset by declines in the general fund and capital projects fund. Of the ending fund balance, approximately \$4.6 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was approximately \$4.7 million, while total fund balance was over \$7.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 10% of total 2020 general fund expenditures, while total fund balance represents approximately 16% of that same amount.

The Town established a community preservation fund in fiscal year 2018. This fund is restricted for historical preservation and conservation of open space. At June 30, 2020, the community preservation fund balance totaled nearly \$620,000.

The Town maintains a capital projects fund, which is restricted for town-wide capital items. At June 30, 2020, the fund balance in the capital projects fund approached \$283,000.

The Town reports approximately \$3.3 million as restricted in the nonmajor governmental funds due to constraints placed externally by third-parties. The aggregate nonmajor governmental fund operations were reasonably consistent with the prior year.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2020, the net position in the water enterprise exceeded \$11.9 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2020, the Town's investment in capital assets for its governmental and business-type activities approximated \$34.5 million and \$13.6 million, respectively. In total, net capital assets increased over \$2.7 million year-over-year as current year additions exceeded depreciation expense.

Additional information on the Town capital assets can be found in the notes to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of over \$5.3 million. The Town's total long-term bonded debt decreased by nearly \$1.3 million during the current fiscal year, which was entirely due to normal, scheduled debt repayments. The Town did not issue any long-term debt in fiscal year 2020.

The Town's bond rating of "AA+" was set by Standard and Poor's Financial Services LLC in October 2017 and the Town continues to maintain this rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the Town is approximately \$116 million, which significantly exceeds the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Net state audit for fiscal year 2021 is expected to decrease slightly to approximately \$3,988,000.
- Unemployment rates across Massachusetts continue to be among the higher in the nation due to the effects of the COVID-19 pandemic.
- The Town's real estate tax base is made up predominantly of residential taxes, which in 2020 are approximately 76% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2.5% of the previous year's tax levy. The Town typically taxes at or near its levy limit annually.
- The Town continues to experience growth in new home construction.
- The Town maintains "rainy day funds" in the form of stabilization funds, which at June 30, 2020 totaled approximately \$2.4 million.
- The Town's free cash for its general fund as of July 1, 2020 was certified as approximately \$2.4 million.

Each of these factors were considered in preparing the Town's budget for the 2021 fiscal year, which was adopted at Town Meeting in June 2020. The Town set its 2021 tax rate on December 11, 2020.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, 79 South Street, Wrentham, MA 02093.

TOWN OF WRENTHAM, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 12,575,275	\$ 5,992,964	\$ 18,568,239
Investments	2,733,898	-	2,733,898
Receivables, net of allowances:			
Property taxes	1,469,690	-	1,469,690
Excise taxes	206,308	-	206,308
Departmental, user charges and other	414,483	1,131,435	1,545,918
Intergovernmental	405,268	265,107	670,375
Land	4,631,656	645,101	5,276,757
Construction in-progress	250,790	3,246,453	3,497,243
Depreciable capital assets, net	29,598,333	9,733,306	39,331,639
Total Assets	52,285,701	21,014,366	73,300,067
Deferred Outflows of Resources:			
Other postemployment benefits	15,205,702	343,640	15,549,342
Pensions	2,033,234	100,052	2,133,286
Total Deferred Outflows of Resources	17,238,936	443,692	17,682,628
Liabilities:			
Warrants and accounts payable	869,515	1,104,669	1,974,184
Accrued payroll and withholdings	1,901,708	29,303	1,931,011
Retainage payable	-	173,101	173,101
Accrued interest	40,445	40,445	80,890
Unearned revenues	929,989	-	929,989
Other liabilities	16,971	-	16,971
Bond anticipation note payable	445,315	3,418,000	3,863,315
Noncurrent liabilities:			
Due within one year	784,990	341,142	1,126,132
Due in more than one year	74,558,022	4,205,932	78,763,954
Total Liabilities	79,546,955	9,312,592	88,859,547
Deferred Inflows of Resources:			
Unearned revenues	53,559	-	53,559
Other postemployment benefits	8,037,590	181,645	8,219,235
Pensions	538,506	26,499	565,005
Total Deferred Inflows of Resources	8,629,655	208,144	8,837,799
Net Position:			
Net investment in capital assets	31,028,666	7,540,373	38,569,039
Restricted for:			
Nonexpendable permanent funds	307,063	-	307,063
Expendable permanent funds	208,757	-	208,757
Community preservation	619,512	-	619,512
Revolving funds	2,340,736	-	2,340,736
Other purposes	3,541,369	-	3,541,369
Unrestricted	(56,698,076)	4,396,949	(52,301,127)
Total Net Position	\$ (18,651,973)	\$ 11,937,322	\$ (6,714,651)

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 3,930,722	\$ 383,747	\$ 270,762	\$ -	\$ (3,276,213)		\$ (3,276,213)
Public safety	10,152,115	1,655,913	227,858	-	(8,268,344)		(8,268,344)
Education	35,348,620	697,733	7,968,228	-	(26,682,659)		(26,682,659)
Public works	3,249,360	99,716	90,190	276,797	(2,782,657)		(2,782,657)
Health and human services	987,863	188,175	192,594	-	(607,094)		(607,094)
Culture and recreation	1,345,476	346,631	51,501	-	(947,344)		(947,344)
Interest expense	121,793	-	-	-	(121,793)		(121,793)
Total Governmental Activities	55,135,949	3,371,915	8,801,133	276,797	(42,686,104)		(42,686,104)
Business-Type Activities:							
Water	2,682,043	2,736,374	-	645,656		\$ 699,987	699,987
Total Primary Government	\$ 57,817,992	\$ 6,108,289	\$ 8,801,133	\$ 922,453			(41,986,117)
General Revenues:							
Property taxes					34,991,036	-	34,991,036
Motor vehicle and other excise taxes					2,457,365	-	2,457,365
Grants and contributions not restricted to to specific programs					990,025	-	990,025
Penalties and interest on taxes					141,864	-	141,864
Investment income					252,657	-	252,657
Total General Revenues and Transfers					38,832,947	-	38,832,947
Change in Net Position					(3,853,157)	699,987	(3,153,170)
Net Position:							
Beginning of year					(14,798,816)	11,237,335	(3,561,481)
End of year					\$ (18,651,973)	\$ 11,937,322	\$ (6,714,651)

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 7,207,376	\$ 1,316,406	\$ 282,549	\$ 3,768,944	\$ 12,575,275
Investments	2,434,747	-	-	299,151	2,733,898
Receivables, net of allowances:					
Property taxes	1,465,719	3,971	-	-	1,469,690
Excise taxes	206,308	-	-	-	206,308
Departmental, user charges and other	-	-	-	414,483	414,483
Intergovernmental	-	-	-	405,268	405,268
Total Assets	11,314,150	1,320,377	282,549	4,887,846	17,804,922
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 11,314,150	\$ 1,320,377	\$ 282,549	\$ 4,887,846	\$ 17,804,922
Liabilities:					
Warrants and accounts payable	\$ 504,561	\$ 250,790	\$ -	\$ 114,164	\$ 869,515
Accrued payroll and withholdings	1,803,626	166	-	97,916	1,901,708
Unearned revenues	-	-	-	929,989	929,989
Other liabilities	16,971	-	-	-	16,971
Bond anticipation note payable	-	445,315	-	-	445,315
Total Liabilities	2,325,158	696,271	-	1,142,069	4,163,498
Deferred Inflows of Resources:					
Unearned revenues - prepaid property taxes	52,936	623	-	-	53,559
Unavailable revenues - property taxes	1,220,624	3,971	-	-	1,224,595
Unavailable revenues - excise taxes	206,308	-	-	-	206,308
Unavailable revenues - other	-	-	-	414,483	414,483
Total Deferred Inflows of Resources	1,479,868	4,594	-	414,483	1,898,945
Fund Balances:					
Nonspendable	-	-	-	307,063	307,063
Restricted	-	619,512	282,549	3,133,714	4,035,775
Committed	801,111	-	-	-	801,111
Assigned	1,982,971	-	-	-	1,982,971
Unassigned	4,725,042	-	-	(109,483)	4,615,559
Total Fund Balances	7,509,124	619,512	282,549	3,331,294	11,742,479
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,314,150	\$ 1,320,377	\$ 282,549	\$ 4,887,846	\$ 17,804,922

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION AS OF
JUNE 30, 2020**

Total Governmental Fund Balances		\$ 11,742,479
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		34,480,779
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		1,845,386
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - other postemployment benefits	15,205,702	
Deferred outflows of resources - pensions	2,033,234	
Deferred inflows of resources - other postemployment benefits	(8,037,590)	
Deferred inflows of resources - pensions	<u>(538,506)</u>	
Net effect of reporting deferred outflows and inflows of resources		8,662,840
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(40,445)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(55,433,103)	
Net pension liability	(16,033,582)	
Compensated absences	(294,051)	
Capital lease obligations	(679,273)	
Bonds and notes payable	<u>(2,903,003)</u>	
Net effect of reporting long-term liabilities		<u>(75,343,012)</u>
Net Position — Governmental Activities		<u>\$ (18,651,973)</u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 34,681,372	\$ 278,370	\$ -	\$ -	\$ 34,959,742
Intergovernmental	8,564,753	63,040	-	1,330,875	9,958,668
Motor vehicle and other excise taxes	2,506,215	-	-	-	2,506,215
Licenses and permits	771,895	-	-	-	771,895
Penalties and interest on taxes	141,261	603	-	-	141,864
Fines and forfeitures	49,647	-	-	-	49,647
Departmental and other revenues	512,540	-	-	2,097,878	2,610,418
Contributions and donations	-	-	-	117,010	117,010
Investment income	257,081	-	-	-	257,081
Total Revenues	47,484,764	342,013	-	3,545,763	51,372,540
Expenditures:					
Current:					
General government	2,724,849	-	-	96,175	2,821,024
Public safety	6,351,863	-	615,827	255,935	7,223,625
Education	27,073,459	-	-	1,306,746	28,380,205
Public works	2,076,450	-	85,722	387,330	2,549,502
Health and human services	431,445	-	-	250,706	682,151
Culture and recreation	542,336	283,472	2,579	334,410	1,162,797
Pension and fringe benefits	6,846,987	-	-	-	6,846,987
State and county charges	999,826	-	-	-	999,826
Debt service:					
Principal	924,972	-	-	-	924,972
Interest	129,114	-	-	-	129,114
Total Expenditures	48,101,301	283,472	704,128	2,631,302	51,720,203
Excess (Deficiency) of Revenues Over (Under) Expenditures	(616,537)	58,541	(704,128)	914,461	(347,663)
Other Financing Sources (Uses):					
Proceeds from capital lease	-	-	615,827	-	615,827
Transfers in	580,038	-	-	-	580,038
Transfers out	-	-	-	(580,038)	(580,038)
Total Other Financing Sources (Uses)	580,038	-	615,827	(580,038)	615,827
Change in Fund Balances	(36,499)	58,541	(88,301)	334,423	268,164
Fund Balances:					
Beginning of the year	7,545,623	560,971	370,850	2,996,871	11,474,315
End of the year	\$ 7,509,124	\$ 619,512	\$ 282,549	\$ 3,331,294	\$ 11,742,479

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

Change in Fund Balances — Total Governmental Funds		\$ 268,164
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:</p>		
Capital asset additions	1,885,339	
Depreciation expense	<u>(2,064,117)</u>	
Net effect of reporting capital activity		(178,778)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		(89,747)
<p>The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:</p>		
Issuance of capital lease obligations	(615,827)	
Repayments of long-term debt	924,972	
Repayments of capital lease obligations	137,179	
Amortization of bond premiums	<u>29,934</u>	
Net effect of reporting long-term debt activity		476,258
<p>Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:</p>		
Net other postemployment benefits liability	(429,571)	
Net pension liability	(3,825,683)	
Compensated absences	(59,401)	
Accrued interest	<u>(14,399)</u>	
Net effect of reporting long-term liabilities		<u>(4,329,054)</u>
Change in Net Position — Governmental Activities		<u>\$ (3,853,157)</u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Business-Type Activities
	Water
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 5,992,964
Receivables, net of allowances:	
User charges and other	1,131,435
Intergovernmental	60,590
Total Current Assets	7,184,989
Noncurrent Assets:	
Intergovernmental receivables	204,517
Land	645,101
Construction in-progress	3,246,453
Depreciable capital assets, net	9,733,306
Total Noncurrent Assets	13,829,377
Total Assets	21,014,366
Deferred Outflows of Resources:	
Other postemployment benefits	343,640
Pensions	100,052
Total Deferred Outflows of Resources	443,692
Liabilities:	
Current Liabilities:	
Warrants and accounts payable	1,104,669
Accrued payroll and withholdings	29,303
Retainage payable	173,101
Accrued interest	40,445
Compensated absences	2,988
Bond anticipation note payable	3,418,000
Current portion of long-term debt	338,154
Total Current Liabilities	5,106,660
Noncurrent liabilities:	
Compensated absences	8,964
Net other postemployment benefits liability	1,252,758
Net pension liability	788,978
Long-term debt	2,155,232
Total Noncurrent Liabilities	4,205,932
Total Liabilities	9,312,592
Deferred Inflows of Resources:	
Other postemployment benefits	181,645
Pensions	26,499
Total Deferred Inflows of Resources	208,144
Net Position:	
Net investment in capital assets	7,540,373
Unrestricted	4,396,949
Total Net Position	\$ 11,937,322

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Business-Type Activities</u>
	<u>Water</u>
Operating Revenues:	
Charges for services	\$ 2,644,504
Other operating revenues	<u>91,870</u>
Total Operating Revenues	<u>2,736,374</u>
Operating Expenses:	
Payroll and personnel costs	1,009,973
Operating costs	978,151
Depreciation	<u>559,553</u>
Total Operating Expenses	<u>2,547,677</u>
Operating Income	<u>188,697</u>
Nonoperating Expenses:	
Interest expenses	<u>134,366</u>
Total Nonoperating Expenses	<u>134,366</u>
Income Before Capital Contributions	<u>54,331</u>
Capital Contributions:	
Intergovernmental capital contributions	<u>645,656</u>
Total Capital Contributions	<u>645,656</u>
Change in Net Position	699,987
Net Position:	
Beginning of the year	<u>11,237,335</u>
End of the year	<u>\$ 11,937,322</u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Cash Flows from Operating Activities:	
Receipts from user charges	\$ 2,392,493
Receipts from other operating revenues	91,870
Payments to employees	(896,506)
Payments to vendors	<u>(696,882)</u>
Net Cash Provided By Operating Activities	<u>890,975</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital grants	1,651,597
Proceeds from the issuance of short-term debt	3,418,000
Acquisition and construction of capital assets	(2,611,514)
Principal repayments on long-term debt	(333,155)
Interest payments	<u>168,100</u>
Net Cash Used In Capital and Related Financing Activities	<u>2,293,028</u>
Change in Cash and Cash Equivalents	3,184,003
Cash and Cash Equivalents:	
Beginning of the year	<u>3,077,693</u>
End of the year	<u>\$ 6,261,696</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 188,697
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation expense	559,553
Changes in assets, deferred outflows (inflows) of resources and liabilities:	
Receivables and other current assets	(206,885)
Warrants payable and other current liabilities	242,073
Accrued and deferred benefits payable	<u>107,537</u>
Net Cash Provided By Operating Activities	<u>\$ 890,975</u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	<u>OPEB Trust</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 4,750	\$ 151,981
Investments in mutual funds at fair value	414,090	-
Receivables	<u>-</u>	<u>215,856</u>
Total Assets	<u>418,840</u>	<u>\$ 367,837</u>
Liabilities:		
Warrants and accounts payable	-	\$ 44,838
Agency liabilities	<u>-</u>	<u>322,999</u>
Total Liabilities	<u>-</u>	<u>\$ 367,837</u>
Net Position:		
Restricted for other postemployment benefits	<u>418,840</u>	
Total Net Position	<u>\$ 418,840</u>	

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2020

	<u>OPEB Trust</u>
Additions:	
Employer contributions	\$ 1,349,259
Investment income:	
Interest and dividends	17,604
Net depreciation in fair value of investments	(7,487)
Less investment management fees	<u>(1,315)</u>
Total net investment income	<u>8,802</u>
Total Additions	<u>1,358,061</u>
Deductions:	
Benefits to retirees and survivors	<u>1,179,259</u>
Total Deductions	<u>1,179,259</u>
Change in Net Position	178,802
Net Position:	
Beginning of the year	<u>240,038</u>
End of the year	<u>\$ 418,840</u>

See accompanying notes to basic financial statements.

TOWN OF WRENTHAM, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town, which is located in Norfolk County, is centrally located between the cities of Boston and Worcester, Massachusetts and Providence, Rhode Island. The Town borders the state of Rhode Island. The Town was incorporated in 1673.

The governing structure utilizes an open town meeting format with a five-member elected Board of Selectmen and an appointed Town Administrator who oversees the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education, library, water services, street maintenance, veterans’ services, parks and recreational facilities. The Town provides elementary education for grades kindergarten to six; secondary education is provided through the King Phillip Regional School District. The water services are self-funded and reported as business enterprises.

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

The King Phillip Regional School District is a joint venture between the Town and towns of Norfolk and Plainville. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2020, the Town’s assessment was \$10,618,968. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the King Phillip Regional School District’s administrative office located at 18 King Street, Norfolk, Massachusetts 02056.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of material interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by user fees.

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

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

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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

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

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

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

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

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

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

The Town reports the following major governmental funds:

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

Community Preservation Fund – is a special revenue fund used to account for the accumulation of resources to purchase open space, provided for affordable housing or preservation of historical property under the guidelines of the Community Preservation Act of the Massachusetts General Laws (“MGL”). This fund was established in fiscal year 2018.

Capital Projects Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Nonmajor Governmental Funds – consist of other special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental fund’s financial statements. The following describes the general use of these fund types:

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

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

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

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

The Town reports its water operations as a major proprietary fund.

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

The Town reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits, or OPEB, for retirees, such as health and life insurance.

Agency Funds – are used to account for funds received for and paid to other funds, individuals or organizations such as those held on deposit or escrow by the Town for various purposes including planning board deposits.

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

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

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

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

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent semiannually with quarterly payments due on August 1, November 1, February 1, and May 1. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. User charges receivables represent amounts billed for water usage and are billed semiannually.

Real estate taxes, water and user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and, if material, are recorded as prepaid items within other current assets in both government-wide and governmental fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases of machinery, equipment and vehicles as well as construction costs exceeding \$10,000 are capitalized at the date of acquisition or construction if their expected lives are greater than four years. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Building and improvements	10 to 40 years
Infrastructure	20 to 40 years
Machinery and equipment	5 to 25 years
Vehicles	5 to 10 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

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

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and sick-pay benefits. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured.

Unearned Revenues – Amounts collected in advance from unlevied property taxes, federal and state grants are reported as unearned revenues.

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

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

Risk Financing – The Town insures for workers' compensation, health, unemployment benefits, casualty, theft and other losses. Uninsured losses are recorded as expenditures when incurred.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources in its government-wide financial statements relative to other postemployment and pension-related transactions. The Town expects to recognize the reported deferred outflows of resources relative to these personnel-related transactions over the next five years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to prepaid taxes, other postemployment and pension-related transactions and expects to recognize these amounts over the next five years. The Town reports unavailable revenues and prepaid taxes as deferred inflows of resources in its governmental funds financial statements. These amounts are expected to be recognized as an inflow of resources in the period in which the amounts become available.

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

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position restrictions are presented as follows:

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

Expendable permanent funds represent the spendable, yet restricted, amount of various trust funds that support governmental programs.

Community preservation funds represent financial resources accumulated for community and historical preservation projects.

Revolving funds represent funds generated from activities, programs, governmental grants or services outside the general fund and must be expended on the activities, programs or services that generated the revenue.

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

Fund Equity – The Town presents fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

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

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

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

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the Town's governmental funds, primarily its general fund.

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

E. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

MGL requires the Town to invest funds only in preapproved investment instruments which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool, which is administered by the Massachusetts Municipal Depository Trust ("MMDT"). In addition, MGL imposes various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. The Town relies on depository insurance at its banking institutions to mitigate this risk. At June 30, 2020, \$5,662,036 in Town deposits were not subject to depository insurance from the Federal Deposit Insurance Corporation or other depository insurance programs and were therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. In practice, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository. All of the Town's investments, while held by a counterparty, are registered in the Town's name and cannot be pledged or assigned. As a result, the Town is not exposed to custodial credit risk.

Fair Value Measurements: Investments – The following table presents the Town’s investments carried at fair value on a recurring basis at June 30, 2020:

Investments by Fair Value Level	June 30, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 937,720	\$ 937,720	\$ -	\$ -
U.S. Governmental agency notes	212,495	-	212,495	-
Corporate bonds	1,061,889	-	1,061,889	-
Total debt securities	<u>2,212,104</u>	<u>937,720</u>	<u>1,274,384</u>	<u>-</u>
Equity securities	129,536	129,536	-	-
Mutual funds	414,090	-	414,090	-
Total investments by fair value level	<u>2,755,730</u>	<u>\$ 1,067,256</u>	<u>\$ 1,688,474</u>	<u>\$ -</u>
Investments measured at amortized cost:				
MMDT	<u>392,258</u>			
Total investments	<u>\$ 3,147,988</u>			

Short-term investments in the MMDT are measured at amortized cost, which approximates fair value.

Concentration of Credit Risk: Investments – The Town’s investments in U.S. Treasury notes and the MMDT represented approximately 37% and 12%, respectively, of the Town’s total investments at June 30, 2020. No other individual investment exceeded 5% of total investments.

Interest Rate Risk: Investments – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. In practice, the Town mitigates this risk through diversification and managing the duration of its investments.

At June 30, 2020, the Town had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government and agency obligations	\$ 1,150,215	\$ 783,932	\$ 366,283	\$ -
Corporate bonds	1,061,889	-	1,061,889	-
Total investments with maturities	<u>2,212,104</u>	<u>\$ 783,932</u>	<u>\$ 1,428,172</u>	<u>\$ -</u>
Other investments:				
Equity securities	129,536			
Mutual funds	414,090			
MMDT	<u>392,258</u>			
Total investments	<u>\$ 3,147,988</u>			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table summarizes the credit ratings assigned by Moody’s Investor Services for Town investments in fixed income securities at June 30, 2020:

Moody's Rating	U.S.	
	Government and Agency Obligations	Corporate Bonds
Aaa	\$ 1,150,215	\$ -
Aa1	-	127,454
Aa2	-	128,578
A1	-	135,050
A2	-	247,051
Baa1	-	263,319
Baa2	-	160,437
	<u>\$ 1,150,215</u>	<u>\$ 1,061,889</u>

B. Receivables

Receivables as of June 30, 2020 for the Town’s major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate taxes	\$ 789,028	\$ -	\$ 789,028
Personal property taxes	73,213	(20,000)	53,213
Tax liens	627,449	-	627,449
Motor vehicle and other excise taxes	279,308	(73,000)	206,308
Ambulance user charges	1,380,352	(1,169,720)	210,632
Title V program	203,851	-	203,851
Intergovernmental	405,268	-	405,268
	<u>\$ 3,758,469</u>	<u>\$ (1,262,720)</u>	<u>\$ 2,495,749</u>

Receivables as of June 30, 2020 for the water enterprise fund were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 1,131,435	\$ -	\$ 1,131,435
Intergovernmental	265,107	-	265,107
	<u>\$ 1,396,542</u>	<u>\$ -</u>	<u>\$ 1,396,542</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Real estate and personal property taxes	\$ 593,175	\$ 3,971	\$ -	\$ 597,146
Tax liens	627,449	-	-	627,449
Motor vehicle and other excise taxes	206,308	-	-	206,308
Ambulance user charges	-	-	210,632	210,632
Title V program	-	-	203,851	203,851
	<u>\$ 1,426,932</u>	<u>\$ 3,971</u>	<u>\$ 414,483</u>	<u>\$ 1,845,386</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 4,631,656	\$ -	\$ -	\$ 4,631,656
Construction in-progress	-	250,790	-	250,790
Total capital assets not being depreciated	<u>4,631,656</u>	<u>250,790</u>	<u>-</u>	<u>4,882,446</u>
Capital assets being depreciated:				
Buildings and improvements	38,365,904	170,000	-	38,535,904
Infrastructure	14,857,652	296,063	-	15,153,715
Machinery and equipment	7,151,679	356,848	(108,608)	7,399,919
Vehicles	1,505,702	811,638	(31,379)	2,285,961
Total capital assets being depreciated	<u>61,880,937</u>	<u>1,634,549</u>	<u>(139,987)</u>	<u>63,375,499</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,505,338)	(1,029,268)	-	(18,534,606)
Infrastructure	(9,053,178)	(411,685)	-	(9,464,863)
Machinery and equipment	(4,227,816)	(475,669)	108,608	(4,594,877)
Vehicles	(1,066,704)	(147,495)	31,379	(1,182,820)
Total accumulated depreciation	<u>(31,853,036)</u>	<u>(2,064,117)</u>	<u>139,987</u>	<u>(33,777,166)</u>
Total capital assets being depreciated, net	<u>30,027,901</u>	<u>(429,568)</u>	<u>-</u>	<u>29,598,333</u>
Total governmental activities capital assets, net	<u>\$ 34,659,557</u>	<u>\$ (178,778)</u>	<u>\$ -</u>	<u>\$ 34,480,779</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 645,101	\$ -	\$ -	\$ 645,101
Construction in-progress	77,000	3,169,453	-	3,246,453
Total capital assets not being depreciated	<u>722,101</u>	<u>3,169,453</u>	<u>-</u>	<u>3,891,554</u>
Capital assets being depreciated:				
Buildings and improvements	148,502	-	-	148,502
Infrastructure	16,458,547	-	-	16,458,547
Machinery and equipment	163,342	-	-	163,342
Vehicles	675,681	314,877	-	990,558
Total capital assets being depreciated	<u>17,446,072</u>	<u>314,877</u>	<u>-</u>	<u>17,760,949</u>
Less accumulated depreciation for:				
Buildings and improvements	(117,627)	(2,450)	-	(120,077)
Infrastructure	(6,900,456)	(470,759)	-	(7,371,215)
Machinery and equipment	(78,266)	(16,334)	-	(94,600)
Vehicles	(371,741)	(70,010)	-	(441,751)
Total accumulated depreciation	<u>(7,468,090)</u>	<u>(559,553)</u>	<u>-</u>	<u>(8,027,643)</u>
Total capital assets being depreciated, net	<u>9,977,982</u>	<u>(244,676)</u>	<u>-</u>	<u>9,733,306</u>
Total business-type activities capital assets, net	<u>\$ 10,700,083</u>	<u>\$ 2,924,777</u>	<u>\$ -</u>	<u>\$ 13,624,860</u>

Depreciation expense in the governmental activities was charged to functions/programs as follows:

General government	\$ 178,945
Public safety	497,936
Education	615,224
Public works	616,137
Health and human services	8,352
Culture and recreation	147,523
	<u>\$ 2,064,117</u>

D. Interfund Transfers

In fiscal year 2020, transfers of \$560,000 from receipts reserved funds to the general fund to supplement the budget and budget articles. Additionally, \$20,038 was transferred from a revolving fund to fund debt service.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis or short-term basis to fund the following:

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

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

Temporary notes activity for the year ended June 30, 2020 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Deductions	Ending Balance
BAN	2.0%	12/11/2020	\$ -	\$ 3,863,315	\$ -	\$ 3,863,315

BANs issued and outstanding were used for the following:

Rice recreation area playground	\$ 445,315
Water mains	<u>3,418,000</u>
	<u>\$ 3,863,315</u>

F. Long-Term Obligations

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

The following reflects the fiscal year 2020 activity in the Town’s long-term liability accounts:

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 3,605,000	\$ -	\$ (905,000)	\$ 2,700,000	\$ 545,000
Unamortized bond premium	136,051	-	(29,934)	106,117	22,791
Notes from direct borrowings and placements	116,858	-	(19,972)	96,886	19,972
Capital lease obligations	200,625	615,827	(137,179)	679,273	123,714
Compensated absences	234,650	59,401	-	294,051	73,513
Net other postemployment benefits liability	46,543,327	22,947,176	(14,057,400)	55,433,103	-
Net pension liability	<u>17,236,887</u>	<u>4,943,332</u>	<u>(6,146,637)</u>	<u>16,033,582</u>	<u>-</u>
Total Governmental Activities	<u>\$ 68,073,398</u>	<u>\$ 28,565,736</u>	<u>\$ (21,296,122)</u>	<u>\$ 75,343,012</u>	<u>\$ 784,990</u>

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Business-Type Activities - Water:</i>					
General obligation bonds	\$ 1,730,000	\$ -	\$ (130,000)	\$ 1,600,000	\$ 130,000
Notes from direct borrowings and placements	1,096,541	-	(203,155)	893,386	208,154
Compensated absences	12,013	-	(61)	11,952	2,988
Net other postemployment benefits liability	1,051,853	518,595	(317,690)	1,252,758	-
Net pension liability	848,190	243,251	(302,463)	788,978	-
Total Business-Type Activities - Water	<u>\$ 4,738,597</u>	<u>\$ 761,846</u>	<u>\$ (953,369)</u>	<u>\$ 4,547,074</u>	<u>\$ 341,142</u>

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

General obligation bonds and notes payable outstanding at June 30, 2020 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Additions	Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00% - 5.25%	\$ 3,605,000	\$ -	\$ (905,000)	\$ 2,700,000
MCWT notes payable	2.00%	116,858	-	(19,972)	96,886
Total Governmental Activities		<u>\$ 3,721,858</u>	<u>\$ -</u>	<u>\$ (924,972)</u>	<u>\$ 2,796,886</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.00% - 4.00%	\$ 1,730,000	\$ -	\$ (130,000)	\$ 1,600,000
MCWT notes payable	2.00%	1,096,541	-	(203,155)	893,386
Total Business-Type Activities - Water		<u>\$ 2,826,541</u>	<u>\$ -</u>	<u>\$ (333,155)</u>	<u>\$ 2,493,386</u>

Debt service requirements on long-term debt at June 30, 2020 were as follows:

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2021	\$ 545,000	\$ 97,943	\$ 19,972	\$ 1,270
2022	455,000	75,620	20,203	765
2023	455,000	55,548	20,203	255
2024	260,000	40,500	10,000	-
2025	225,000	30,627	10,000	-
2026 - 2030	480,000	69,687	16,508	-
2031 - 2035	175,000	28,766	-	-
2036 - 2038	105,000	4,725	-	-
	<u>\$ 2,700,000</u>	<u>\$ 403,416</u>	<u>\$ 96,886</u>	<u>\$ 2,290</u>

Year Ended June 30,	Business-Type Activities: Water			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2021	\$ 130,000	\$ 54,275	\$ 208,154	\$ 31,631
2022	130,000	50,100	218,154	21,634
2023	130,000	45,925	223,154	10,604
2024	130,000	41,750	228,154	-
2025	130,000	37,575	3,154	-
2026 - 2030	650,000	121,125	12,616	-
2031 - 2034	300,000	26,250	-	-
	<u>\$ 1,600,000</u>	<u>\$ 377,000</u>	<u>\$ 893,386</u>	<u>\$ 63,869</u>

Authorized and Unissued Debt – At June 30, 2020, the Town did not have any amounts authorized for debt but unissued.

G. Capital Lease Obligations

The Town is party to noncancellable leases for the purchase of certain fire safety equipment. For financial reporting purposes, this lease is accounted for as a capital lease. Future minimum lease payments on this lease as of June 30, 2020 were as follows:

Fiscal Year Ended June 30,	
2021	\$ 139,025
2022	139,025
2023	139,025
2024	83,632
2025	83,632
Thereafter	<u>167,264</u>
Total minimum lease payments	751,603
Less amount representing interest	<u>(72,330)</u>
Total capital lease obligation	<u>\$ 679,273</u>

Assets purchased through capital leases were comprised of the following:

Fire engine	\$ 615,827
SCBA equipment	<u>266,625</u>
Leased assets at cost	882,452
Less accumulated depreciation	<u>(55,389)</u>
Leased assets, net	<u>\$ 827,063</u>

H. Tax Abatements

The Town may enter into property tax abatements with local business as an incentive for economic growth. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under MGL, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. The Town's Board of Selectmen must approve all TIF agreements.

At June 30, 2020, the Town had a single ten-year TIF agreement in place with a manufacturer that was initiated in fiscal year 2018. Under the terms of the TIF agreement, the manufacturer was provided a 100% property tax abatement on the value of the improved real property, which phases down 10% each year. The property owner committed to additional hiring (with a preference to qualified Town residents, retention of its current employment base, an investment of approximately \$2 million to the property and the timely payment of all taxes owed to the Town. In fiscal year 2020, the Town abated \$15,552 related to this TIF agreement.

I. Fund Balances

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2020 were as follows:

	General	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 307,063	\$ 307,063
Restricted:					
Expendable permanent funds	-	-	-	208,757	208,757
General government	-	-	-	440,408	440,408
Public safety	-	-	-	1,192,019	1,192,019
Education	-	-	-	807,898	807,898
Public works	-	-	267,828	145,615	413,443
Community preservation	-	619,512	-	-	619,512
Other purposes	-	-	14,721	339,017	353,738
Committed:					
General government	307,476	-	-	-	307,476
Capital improvements stabilization	493,635	-	-	-	493,635
Assigned:					
General government	99,772	-	-	-	99,772
Public safety	140,424	-	-	-	140,424
Other purposes	103,750	-	-	-	103,750
Subsequent year's budget	1,639,025	-	-	-	1,639,025
Unassigned:					
General stabilization	1,861,266	-	-	-	1,861,266
Unrestricted	2,863,776	-	-	(109,483)	2,754,293
	<u>\$ 7,509,124</u>	<u>\$ 619,512</u>	<u>\$ 282,549</u>	<u>\$ 3,331,294</u>	<u>\$ 11,742,479</u>

Stabilization Funds – The Town maintains two stabilization funds. The general stabilization fund may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The capital improvements stabilization fund may be used for capital items upon a two-thirds vote of the Town Meeting. The general stabilization fund is reported as a component of unassigned fund balance while the capital improvements stabilization fund is reported as committed.

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

J. Fund Deficits

The Town reported \$109,483 in material deficits in its nonmajor governmental funds at June 30, 2020. The Town expects to cure these deficits through the future receipt of federal and state grant awards.

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Norfolk County Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of MGL. The Retirement System is administered by the Norfolk County Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2019 were issued and are available by submitting a request to the Retirement System at 480 Neponset Street, Building No. 15, Canton, Massachusetts 02021.

Current membership in the Retirement System for all forty-one employers as of December 31, 2019 was as follows:

Active members	5,651
Inactive members entitled to, but not receiving benefits	3,419
Inactive members (or beneficiaries) receiving benefits	<u>3,526</u>
	<u><u>12,596</u></u>

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

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

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

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

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

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

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2020.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Town contributed \$2,146,064 to the Retirement System in fiscal year 2020, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 23.5% in fiscal year 2020.

Net Pension Liability – At June 30, 2020, the Town reported a liability of \$16,822,560 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 and rolled back to December 31, 2019. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no material changes in assumption made in this update to from the full actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 2.865% at December 31, 2019, which was slightly higher than its proportionate share at December 31, 2018 (2.778%).

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2019, which can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$2,596,771 in pension expense in the statement of activities in fiscal year 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,441,387	\$ -
Changes of assumptions	308,561	-
Net difference between projected and actual earnings	-	473,809
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>383,338</u>	<u>91,196</u>
	<u>\$ 2,133,286</u>	<u>\$ 565,005</u>

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

<u>Year ended June 30,</u>	
2021	\$ 993,964
2022	456,324
2023	651,412
2024	<u>(533,419)</u>
	<u>\$ 1,568,281</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020. The significant actuarial assumptions used in this actuarial valuation included:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Investment rate of return	7.75% per annum
Projected salary increases	3.50 to 5.50% per annum
Inflation	3.0% per annum
Cost of living increases	3.00% on first \$18,000 of retirement income
Mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Target Policy Range	Long-Term Expected Real Rate of Return
Domestic equity	30.5%	6.6%
International equity	15.5%	8.0%
Fixed income	20.5%	3.8%
Real estate	9.5%	8.2%
Private equity	10.0%	9.9%
Hedge funds	11.5%	7.2%
Real assets	2.5%	8.2%

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.75%	\$ 21,849,212	\$ 16,822,560	\$ 12,551,419

B. Massachusetts Teachers Retirement System

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of MGL. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined under GAAP.

For the year ended June 30, 2020, the Commonwealth contributed \$1,584,424 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.109%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the Town at June 30, 2020 was \$27,671,549. The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2020 was \$3,355,656. The Town recognized \$3,335,656 in intergovernmental revenue and pension expense relative to this arrangement.

MTRS issues certain financial information to the public on its website – www.mass.gov/mtrs. A more detailed discussion of its funding policies, actuarial assumptions and other inputs used to measure total pension liability may be found there.

C. Other Postemployment Benefits

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

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

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2020:

Inactive employees or beneficiaries receiving benefits	152
Active employees	<u>166</u>
	<u>318</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 25% of the calculated health and life insurance premiums; the remainder is paid by the Town. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town.

Net OPEB Liability – The Town’s 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 dated June 30, 2019.

The components of the net OPEB Liability of the Town at June 30, 2020 were as follows:

Total OPEB liability	\$ 57,104,823
Plan fiduciary net position	<u>(418,962)</u>
Net OPEB liability	<u>\$ 56,685,861</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.7%

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

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Healthcare cost trend rates	Non-Medicare: 5.45% for year 1, then 6.50% decreasing by 0.25% for 8 years to an ultimate level of 4.5%
	Medicare: 1.62% for year 1, then 6.50% decreasing by 0.25% for 8 years to an ultimate level of 4.5%
Salary increases	3.00% per annum
Investment rate of return	6.75% (previously 7.0%)
Discount rate	2.21% (previously 3.5%)

Mortality rates

Pre-retirement (non-teachers): RP-2014 Blue Collar Employee Mortality Table projected generationally with scale MP-2017

Healthy retiree (non-teachers): RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2017

Disabled retiree (non-teachers): RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with scale MP-2017

Pre-retirement (teachers): RP-2014 White Collar Employee Mortality Table projected generationally with scale MP-2019

Healthy retiree and disabled (teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2019

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

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity - large cap	6.15%
International equity - developed markets	6.78%
International equity - emerging markets	8.65%
Core fixed income	1.11%
High-yield fixed income	3.51%
Real estate	4.33%
Commodities	4.13%
Hedge fund, GTAA, risk parity	3.19%
Private equity	9.99%

Discount Rate – The discount rate used to measure the total OPEB liability was 2.21% (previously 3.5%), which represents the yield or index rate for twenty-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher at June 30, 2020 as shown in the Bond Buyer 20-Bond General Obligation Index.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 47,835,218	\$ 240,038	\$ 47,595,180
Changes for the year:			-
Service cost	2,009,652	-	2,009,652
Interest	1,724,111	-	1,724,111
Changes in benefit terms	-	-	-
Changes in assumptions	14,190,610	-	14,190,610
Experience differences	(7,475,509)	-	(7,475,509)
Employer contributions	-	1,349,259	(1,349,259)
Net investment income	-	8,924	(8,924)
Benefit payments	(1,179,259)	(1,179,259)	-
Net changes	9,269,605	178,924	9,090,681
Balances at June 30, 2020	<u>\$ 57,104,823</u>	<u>\$ 418,962</u>	<u>\$ 56,685,861</u>

The most notable change in actuarial assumption in fiscal year 2020 was the reduction in discount rate to 2.21% from 3.25%.

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

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
2.21%	\$ 67,792,519	\$ 56,685,861	\$ 48,006,374

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

Healthcare Cost Trend Rates	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
Ultimate Rate of 4.5%	\$ 46,314,579	\$ 56,685,861	\$ 70,537,371

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$5,261,401. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2020 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,962,361	\$ 6,229,590
Changes of assumptions	13,577,602	1,989,645
Net difference between projected and actual earnings on OPEB plan investments	9,379	-
	<u>\$ 15,549,342</u>	<u>\$ 8,219,235</u>

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

Year ended June 30,

2021	\$ 1,550,395
2022	1,550,395
2023	1,550,160
2024	1,559,973
2025	1,119,184
	<u>\$ 7,330,107</u>

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established under MGL. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan does not have a formal investment policy at this time. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was approximately 2.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Risk Financing

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker’s compensation, and unemployment compensation. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town’s experience history. All insurance except health (see below) is carried through conventional, commercial carriers.

The Town is a member of the West Suburban Health Group (“WSHG”), a public entity risk pool established in accordance with MGL. WSHG is a common risk management and insurance program servicing thirteen towns, two educational collaborative and one school district. The Town pays a monthly premium to WSHG for its health insurance coverage for all active and retired employees. The Municipal Health Group Agreement for Joint Negotiation and Purchase of Health Coverage provides that WSHG will be self-insured through member assessments and will reinsure through commercial companies for claims in excess of \$100,000 per individual policy year. Town management and WSHG believe that member assessments are adequate to meet all claims incurred but not reported as of June 30, 2020.

E. Commitments and Contingencies

Commitments – The Town is party to a number of contracts in the execution of its day-to-day operations. The Town entered into an approximate \$3.8 million contract to replace water mains in fiscal year 2020. Through June 30, 2020, the Town expended approximately \$2.9 million related to this water main project.

Litigation – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2020, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2020.

Appellate Tax Board – From time to time, the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). At June 30, 2020, there were no material outstanding cases at ATB.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

COVID-19 – In March 2020, the World Health Organization declared the breakout of the novel coronavirus (“COVID-19”) a pandemic. Resulting travel restrictions, business closures and disruptions to municipal operations negatively affecting the Town’s financial condition in a variety of ways. While this disruption is currently believed to be temporary, there is uncertainty around its duration.

The Commonwealth has committed to level-fund fiscal year 2021 state aid; however, there exists the possibility that future years’ budgets at the state level may affect local aid. While the Town expects that this matter may negatively impact its fiscal year 2021 results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

F. Economic Dependence

During the year ended June 30, 2020, approximately 18% of revenues of the general fund were recognized from the Commonwealth and the federal government.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

None.

B. Future Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. This Statement eliminates the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt for reporting periods after December 31, 2021. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2020 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2020, the GASB issued GASB Statement No. 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*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN**

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

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	2.865%	\$ 16,823	\$ 9,116	184.5%	64.6%
2019	2.778%	18,085	8,909	203.0%	58.3%
2018	2.773%	15,332	8,608	178.1%	63.5%
2017	2.830%	14,778	8,213	179.9%	61.6%
2016	2.830%	15,379	7,741	198.7%	58.6%
2015	2.810%	14,594	6,914	211.1%	60.1%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 2,146	\$ 2,146	-	\$ 9,116	23.5%
2019	1,944	1,944	-	8,909	21.8%
2018	1,778	1,778	-	8,608	20.7%
2017	1,569	1,569	-	8,213	19.1%
2016	1,423	1,423	-	7,741	18.4%
2015	1,362	1,362	-	6,914	19.7%

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

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM PENSION PLAN

**SCHEDULE OF THE COMMONWEALTH'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**
(dollar amounts are in thousands)

For the Year Ended June 30, *	Commonwealth's Proportion of the MTRS Net Pension Liability	Town's Proportion of the MTRS Net Pension Liability	Commonwealth's Proportionate Share of the MTRS Net Pension Liability On Behalf of the Town	Commonwealth's Actuarially Determined Contribution	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	100%	0%	\$ 27,672	\$ 1,584	53.9%
2019	100%	0%	25,562	1,417	54.8%
2018	100%	0%	24,726	1,335	54.3%
2017	100%	0%	23,485	1,181	52.7%
2016	100%	0%	16,758	988	55.4%

* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

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

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,			
	2020	2019	2018	2017
Total OPEB Liability:				
Service cost	\$ 2,010	\$ 1,753	\$ 1,631	\$ 1,788
Interest	1,724	1,705	1,563	1,350
Changes in benefit terms	-	-	(1,721)	-
Experience differences	(7,476)	-	3,924	-
Changes in assumptions	14,191	2,628	(3,979)	(5,567)
Benefit payments	<u>(1,179)</u>	<u>(1,108)</u>	<u>(1,183)</u>	<u>(1,045)</u>
Net Change in Total OPEB Liability	<u>9,270</u>	<u>4,978</u>	<u>235</u>	<u>(3,474)</u>
Total OPEB Liability:				
Beginning of year	<u>47,835</u>	<u>42,857</u>	<u>42,622</u>	<u>46,096</u>
End of year (a)	<u><u>\$ 57,105</u></u>	<u><u>\$ 47,835</u></u>	<u><u>\$ 42,857</u></u>	<u><u>\$ 42,622</u></u>
Plan Fiduciary Net Position:				
Contributions	\$ 1,349	\$ 1,228	\$ 1,283	\$ 1,045
Net investment income	9	15	5	-
Benefit payments	<u>(1,179)</u>	<u>(1,108)</u>	<u>(1,183)</u>	<u>(1,045)</u>
Net Change in Plan Fiduciary Net Position	<u>179</u>	<u>135</u>	<u>105</u>	<u>-</u>
Plan Fiduciary Net Position:				
Beginning of year	<u>240</u>	<u>105</u>	<u>-</u>	<u>-</u>
End of year (b)	<u><u>\$ 419</u></u>	<u><u>\$ 240</u></u>	<u><u>\$ 105</u></u>	<u><u>\$ -</u></u>
Net OPEB Liability — End of Year (a) - (b)	<u><u>\$ 56,686</u></u>	<u><u>\$ 47,595</u></u>	<u><u>\$ 42,752</u></u>	<u><u>\$ 42,622</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.73%	0.50%	0.25%	0.00%
Covered payroll	N/A	N/A	N/A	\$ 14,023
Net OPEB Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	303.94%

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

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

	<u>2020</u>	<u>Year Ended June 30, 2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 2,595	\$ 1,381	\$ 2,311	\$ 2,771
Contributions in relation to the actuarially-determined contribution	<u>(1,349)</u>	<u>(1,228)</u>	<u>(1,183)</u>	<u>(1,145)</u>
Contribution deficiency (excess)	<u>\$ 1,246</u>	<u>\$ 153</u>	<u>\$ 1,128</u>	<u>\$ 1,626</u>
Covered payroll	N/A	N/A	N/A	\$ 17,023
Contribution as a percentage of covered payroll	N/A	N/A	N/A	6.73%

Notes to Schedule:

Valuation date	June 30, 2019
Asset valuation method	Market value as of the reporting/measurement date
Actuarial cost method	Individual entry age normal
Salary increases	3.0% per annum
Investment rate of return	6.75% (previously 7.0%)
Single equivalent discount rate	2.21% (previously 3.5%)

SCHEDULE OF INVESTMENT RETURNS

	<u>2020</u>	<u>Year Ended June 30, 2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	2.25%	7.06%	5.80%	-0.80%

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

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Encumbrances	Actual	Positive (Negative) Variance
	Original Budget	Final Budget	Budgetary Amounts		Budgetary Adjusted	
Revenues:						
Property taxes, net of tax refunds	\$ 34,521,693	\$ 34,701,693	\$ 34,648,205		\$ 34,648,205	\$ (53,488)
Intergovernmental	5,117,193	5,117,193	5,209,097		5,209,097	91,904
Motor vehicle and other excise taxes	2,102,917	2,102,917	2,506,215		2,506,215	403,298
Licenses and permits	540,000	540,000	771,895		771,895	231,895
Penalties and interest on taxes	99,339	99,339	141,261		141,261	41,922
Fines and forfeitures	50,000	50,000	49,647		49,647	(353)
Departmental and other revenues	326,050	326,050	467,898		467,898	141,848
Investment income	50,000	50,000	151,774		151,774	101,774
Total Revenues	42,807,192	42,987,192	43,945,992		43,945,992	958,800
Expenditures:						
General government	3,554,587	3,704,587	2,881,855	\$ 407,248	3,289,103	415,484
Public safety	6,380,617	6,529,117	6,261,863	140,424	6,402,287	126,830
Education	23,851,197	23,881,197	23,688,247	-	23,688,247	192,950
Public works	2,243,975	2,243,975	2,076,450	58,750	2,135,200	108,775
Health and human services	472,117	472,117	431,445	-	431,445	40,672
Culture and recreation	579,526	579,526	542,336	-	542,336	37,190
Pension and fringe benefits	7,293,417	7,293,417	7,183,345	45,000	7,228,345	65,072
State and county charges	1,091,015	1,091,015	999,826	-	999,826	91,189
Debt service	1,067,779	1,067,779	1,054,086	-	1,054,086	13,693
Total Expenditures	46,534,230	46,862,730	45,119,453	\$ 651,422	45,770,875	1,091,855
Other Financing Sources (Uses):						
Premium from issuance of short-term notes	-	-	15,086		15,086	15,086
Transfers in	983,402	1,073,402	1,073,402		1,073,402	-
Transfers out	(100,000)	(100,000)	-		-	100,000
Total Other Financing Sources (Uses)	883,402	973,402	1,088,488		1,088,488	115,086
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,843,636)	(2,902,136)	\$ (84,973)		\$ (736,395)	\$ 2,165,741
Other Budgetary Items:						
Prior year encumbrances	290,785	290,785				
Free cash	2,524,871	2,583,371				
Other items	27,980	27,980				
Total Other Budgetary Items	2,843,636	2,902,136				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF WRENTHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

An annual budget is legally adopted for the general fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved at the annual Town meeting each spring. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance. Unspent funds from continuing appropriations such as capital articles are carried forward into the subsequent fiscal year and are available for spending.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The Town Accountant is responsible to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town’s accounting system.

The Town’s general fund is prepared on a basis of accounting other than GAAP. The “actual” results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide meaningful comparison with the budget. A reconciliation of reported balances is provided below:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues — budgetary basis			\$ 43,945,992
Revenue recognition	\$ 62,723	\$ 15,086	77,809
Stabilization revenue	-	105,307	105,307
MTRS on-behalf pension payments	<u>3,355,656</u>	<u>-</u>	<u>3,355,656</u>
Revenues — GAAP basis	<u>\$ 3,418,379</u>	<u>\$ 120,393</u>	<u>\$ 47,484,764</u>
Expenditures — budgetary basis			\$ 45,119,453
Expense recognition	\$ 119,556	\$ -	119,556
Transfer treatment - indirect costs	-	(493,364)	(493,364)
MTRS on-behalf pension payments	<u>3,355,656</u>	<u>-</u>	<u>3,355,656</u>
Expenditures — GAAP basis	<u>\$ 3,475,212</u>	<u>\$ (493,364)</u>	<u>\$ 48,101,301</u>
Other Financing Sources — budgetary basis			\$ 1,088,488
Transfer treatment - indirect costs	\$ -	\$ (493,364)	(493,364)
Debt premium fund transfers	<u>-</u>	<u>(15,086)</u>	<u>(15,086)</u>
Other Financing Sources — GAAP basis	<u>\$ -</u>	<u>\$ (15,086)</u>	<u>\$ 580,038</u>