

***TOWN OF WESTON, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2020***

TOWN OF WESTON, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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## Independent Auditor's Report

To the Town Manager and Select Board  
Town of Weston, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Weston, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the Town of Weston, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Weston, Massachusetts' internal control over financial reporting and compliance.

*Powers & Sullivan LLC*

March 26, 2021

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Weston, we offer readers of the Town of Weston's financial statements this narrative overview and analysis of the financial activities of the Town of Weston for the year ended June 30, 2020. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

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

### ***Overview of the Financial Statements***

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government; facilities town-wide; finance; land use, planning and inspectional services; public safety; education; public works; community preservation; COVID-19; affordable housing; health and human services; culture and recreation; public library, and interest. The business-type activities include activities of the water department, recreation department, and the Brook School Apartments.

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

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

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information following the notes to the basic financial statements to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains one type of proprietary fund.

*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, recreation activities, and Brook School Apartments.

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

The Town maintains two different types of fiduciary funds. The Other Postemployment Benefits Fund is used to report resources held in trust for healthcare benefits for retirees and beneficiaries. The Agency fund reports resources held by the Town in a custodial capacity for individuals, private organizations and other governments. The Town's agency funds are used to account for performance bonds, guaranteed deposits and student activity funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **COVID-19**

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. As of June 30, 2020, the Town incurred COVID-19 related expenses totaling \$180,389. The Town anticipates being reimbursed for these costs through the Coronavirus Relief Fund.

## Government-wide Financial Analysis

### Governmental Activities:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Weston's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$42.5 million at the close of 2020.

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>Assets:</b>                                      |                      |                      |
| Current assets.....                                 | \$ 79,987,057        | \$ 85,354,493        |
| Capital assets, nondepreciable.....                 | 43,486,231           | 30,432,416           |
| Capital assets, net of accumulated depreciation.... | 165,703,101          | 162,634,737          |
| <b>Total assets.....</b>                            | <b>289,176,389</b>   | <b>278,421,646</b>   |
| <b>Deferred outflows of resources.....</b>          | <b>16,310,205</b>    | <b>7,856,150</b>     |
| <b>Liabilities:</b>                                 |                      |                      |
| Current liabilities (excluding debt).....           | 10,455,563           | 11,355,184           |
| Noncurrent liabilities (excluding debt).....        | 126,596,373          | 115,159,867          |
| Current debt.....                                   | 7,122,287            | 25,249,147           |
| Noncurrent debt.....                                | 101,794,263          | 74,813,432           |
| <b>Total liabilities.....</b>                       | <b>245,968,486</b>   | <b>226,577,630</b>   |
| <b>Deferred inflows of resources.....</b>           | <b>16,993,366</b>    | <b>17,875,327</b>    |
| <b>Net position:</b>                                |                      |                      |
| Net investment in capital assets.....               | 120,633,143          | 112,268,737          |
| Restricted.....                                     | 28,729,196           | 35,609,967           |
| Unrestricted.....                                   | (106,837,597)        | (106,053,865)        |
| <b>Total net position.....</b>                      | <b>\$ 42,524,742</b> | <b>\$ 41,824,839</b> |

Net position of \$120.6 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$28.7 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of \$106.8 million. The deficit is the result of the recognition of the Town's net pension liability of \$66.2 million along with the recognition of the other postemployment benefits liability of \$58.8 million. These are long-term unfunded liabilities that will not require significant short-term resources.

The governmental activities net position increased by \$700,000 in 2020. Key contributing factors include a \$1.6 million decrease in the net other postemployment benefit liability and associated deferred inflows and outflows of resources related to other postemployment benefits, capital grants totaling \$1.4 million from the state highway program and from the state matching share of the community preservation fund, \$2.2 million in taxes collected

related to the community preservation fund, offset by a \$3.3 million increase in the net pension liability and associated deferred inflows and outflows of resources related to pensions.

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>Program Revenues:</b>  |                      |                      |
| Charges for services.....   | \$ 6,157,058         | \$ 5,422,689         |
| Operating grants and contributions.....                                     | 18,257,319           | 16,186,610           |
| Capital grants and contributions.....                                       | 1,418,725            | 523,019              |
| <b>General Revenues:</b>  |                      |                      |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 80,233,169           | 76,795,941           |
| Tax and other liens.....  | 296,322              | 70,647               |
| Motor vehicle and other excise taxes.....                                   | 3,095,334            | 3,174,108            |
| Community preservation tax.....   | 2,215,653            | 2,107,301            |
| Penalties and interest on taxes.....  | 179,659              | 632,034              |
| Payments in lieu of taxes.....  | 29,952               | 41,477               |
| Grants and contributions not restricted to<br>specific programs.....        | 526,880              | 593,577              |
| Unrestricted investment income.....   | 1,632,313            | 2,605,553            |
| Miscellaneous.....  | 122,487              | 106,635              |
| <b>Total revenues.....</b>  | <b>114,164,871</b>   | <b>108,259,591</b>   |
| <b>Expenses:</b>  |                      |                      |
| General government.....   | 5,679,312            | 4,712,513            |
| Facilities town-wide.....   | 2,039,507            | 1,884,332            |
| Finance.....  | 1,428,345            | 1,313,740            |
| Land use, planning and inspectional services....                            | 1,899,127            | 1,816,090            |
| Public safety.....  | 12,425,726           | 12,509,295           |
| Education.....  | 72,643,686           | 68,314,656           |
| Public works.....   | 8,828,999            | 7,889,417            |
| Community preservation.....   | 539,237              | 746,132              |
| COVID-19.....   | 180,389              | -                    |
| Affordable housing.....   | 100,066              | 94,908               |
| Health and human services.....  | 1,585,683            | 1,372,970            |
| Culture and recreation.....   | 12,845               | 25,149               |
| Public library.....   | 2,453,320            | 2,454,699            |
| Interest.....   | 2,939,598            | 2,350,306            |
| <b>Total expenses.....</b>  | <b>112,755,840</b>   | <b>105,484,207</b>   |
| <b>Excess (Deficiency) before transfers.....</b>                            | <b>1,409,031</b>     | <b>2,775,384</b>     |
| <b>Transfers.....</b>   | <b>(709,128)</b>     | <b>(640,547)</b>     |
| <b>Change in net position.....</b>  | <b>699,903</b>       | <b>2,134,837</b>     |
| <b>Net position, beginning of year.....</b>                                 | <b>41,824,839</b>    | <b>39,690,002</b>    |
| <b>Net position, end of year.....</b>                                       | <b>\$ 42,524,742</b> | <b>\$ 41,824,839</b> |

During 2020, the Town pre-funded future OPEB liabilities totaling \$2.2 million by contributing funds to the other postemployment benefit trust fund in excess of the pay-as-you-go contribution. These funds are reported within the fiduciary funds financial statements. As of June 30, 2020, the balance of this fund totaled \$22.2 million.

**Business-type Activities:**

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8.3 million at the close of 2020.

|   | 2020              | 2019                |
|---|-------------------|---------------------|
| <b>Assets:</b>                                      |                   |                     |
| Current assets..... \$                              | 4,670,879         | \$ 4,838,098        |
| Capital assets, net of accumulated depreciation.... | 14,602,333        | 14,944,597          |
| <b>Total assets.....</b>                            | <b>19,273,212</b> | <b>19,782,695</b>   |
| <b>Deferred outflows of resources.....</b>          | <b>542,066</b>    | <b>255,246</b>      |
| <b>Liabilities:</b>                                 |                   |                     |
| Current liabilities (excluding debt).....           | 667,717           | 550,283             |
| Noncurrent liabilities (excluding debt).....        | 3,609,974         | 3,296,436           |
| Current debt.....                                   | 755,370           | 1,519,464           |
| Noncurrent debt.....                                | 5,916,850         | 5,454,223           |
| <b>Total liabilities.....</b>                       | <b>10,949,911</b> | <b>10,820,406</b>   |
| <b>Deferred inflows of resources.....</b>           | <b>528,439</b>    | <b>608,207</b>      |
| <b>Net position:</b>                                |                   |                     |
| Net investment in capital assets.....               | 8,862,194         | 9,018,609           |
| Unrestricted.....                                   | (525,266)         | (409,281)           |
| <b>Total net position..... \$</b>                   | <b>8,336,928</b>  | <b>\$ 8,609,328</b> |

Business-type net position of \$8.9 million represents the net investment in capital assets. The remaining balance of unrestricted business-type net position was a deficit of \$525,000.

|  | 2020             | 2019                |
|--|------------------|---------------------|
| <b>Program Revenues:</b>                         |                  |                     |
| Charges for services..... \$                     | 4,995,532        | \$ 6,104,393        |
| Operating grants and contributions.....          | 612,122          | 641,401             |
| <b>General Revenues:</b>                         |                  |                     |
| Unrestricted investment income.....              | 9,569            | 3,906               |
| <b>Total revenues.....</b>                       | <b>5,617,223</b> | <b>6,749,700</b>    |
| <b>Expenses:</b>                                 |                  |                     |
| Water.....                                       | 4,152,061        | 3,825,935           |
| Recreation.....                                  | 1,309,764        | 1,908,694           |
| Brooks school apartments.....                    | 1,136,926        | 1,160,894           |
| <b>Total expenses.....</b>                       | <b>6,598,751</b> | <b>6,895,523</b>    |
| <b>Excess (Deficiency) before transfers.....</b> | <b>(981,528)</b> | <b>(145,823)</b>    |
| <b>Transfers.....</b>                            | <b>709,128</b>   | <b>640,547</b>      |
| <b>Change in net position.....</b>               | <b>(272,400)</b> | <b>494,724</b>      |
| <b>Net position, beginning of year.....</b>      | <b>8,609,328</b> | <b>8,114,604</b>    |
| <b>Net position, end of year..... \$</b>         | <b>8,336,928</b> | <b>\$ 8,609,328</b> |

The Town's business-type activities include water, recreation, and the Brook School Apartments.

The water enterprise fund's net position of \$3.5 million represents the net investment in capital assets while \$1.1 million is unrestricted. Net position decreased by \$246,000 primarily due to a decrease in operating revenues.

The recreation enterprise fund's net position of \$829,000 represents the net investment in capital assets while unrestricted net position was in a deficit of \$1.9 million. Net position decreased by \$231,000, which was the result of a \$836,000 operating loss, offset by a general fund budgeted subsidy of \$606,000.

The Brook School Apartment enterprise fund's net position of \$4.5 million represents the net investment in capital assets while unrestricted net position was \$270,000. Net position increased by \$205,000 primarily due to net operating income, this is consistent with prior years.

### ***Financial Analysis of the Government's Funds***

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$68.9 million, an increase of \$13.0 million from the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$10.1 million, while \$3.7 million is committed for future Town articles and continuing appropriations, \$5.0 million has been assigned for encumbrances and amounts appropriated to fund the subsequent fiscal year budget. The balance of the general fund increased by \$536,000 during the current year. This increase is primarily due to positive budgetary results, offset by the planned use of free cash and overlay during the year of \$3.4 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 10.0% of total general fund expenditures plus transfers out, while total fund balance represents 18.6% of that same amount.

The community preservation fund balance reported a decrease of \$7.0 million during the current year. This decrease is primarily due to a \$7.8 million transfer to the capital projects fund to fund the Josiah Smith Tavern restoration project.

The capital projects fund balance reported a net increase of \$19.3 million during the current year. The expenditures in this fund included \$1.8 million in expenditures related to the Josiah Smith Tavern restoration, \$3.6 million in expenditures related to the Case House renovation, \$11.4 million in expenditures related to Town Center improvements, \$3.4 million in expenditures related to the purchase of land on Wellesley Street, \$676,000 in expenditures for a fire truck, \$147,000 in expenditures for Proctor field and track construction, and \$305,000 in expenditures related to drain improvement projects. These projects were financed by the issuance of \$30.7 million of general obligation bonds, \$3.5 million in bond premiums and \$8.8 million in transfers from the community preservation fund and nonmajor governmental funds during 2020.

Nonmajor governmental funds reported an increase of \$110,000 in fund balance, which was primarily attributable to a timing difference between the receipt and expenditure of state and federal grants.

## ***General Fund Budgetary Highlights***

The Town has adopted a budget for the general fund. Actual revenues exceeded budgeted amounts by \$533,000. Unexpended appropriations totaled \$6.6 million of which \$4.2 million was carried forward to 2020. The change between the final budget and the original budget was \$120,000, representing the appropriated use of free cash at the December 3, 2019 Town Meeting.

## ***Capital Asset and Debt Administration***

During the current year the Town expended \$24.9 million on governmental activities capital assets consisting mainly of \$10.9 million related to Town Center improvements, \$3.6 million related to the Case House renovation, \$3.5 million related to the purchase of land on Wellesley Street, \$1.4 million related to the Josiah Smith Tavern restoration, \$1.4 million related to roadway improvements and \$3.9 million in other equipment, and infrastructure improvements. Business-type activities expended \$468,000 for capital assets. Of this amount \$400,000 was expended for water infrastructure and \$68,000 was expended for repairs at the Brook School Apartments.

Outstanding long-term debt for governmental activities, as of June 30, 2020, totaled \$102.0 million. The Town issued \$30.7 million in general obligation bonds for governmental activities in fiscal year 2020. Outstanding long-term debt for enterprise activities, as of June 30, 2020, totaled \$6.5 million, of which \$5.1 million relates to water enterprise activities, and \$1.4 million relates to Brook School Apartment activities. The Town borrowed \$1.2 million through the MWRA in fiscal year 2020 for water projects.

Please refer to the notes to the basic financial statements for further discussion of the capital asset and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Weston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Weston, Massachusetts, 11 Town House Road Weston, Massachusetts 02493.

# ***Basic Financial Statements***

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## STATEMENT OF NET POSITION

JUNE 30, 2020

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS</b>   |                            |                             |                      |
| <b>CURRENT:</b>   |                            |                             |                      |
| Cash and cash equivalents.....                                  | \$ 60,346,133              | \$ 2,210,172                | \$ 62,556,305        |
| Investments.....  | 14,627,075                 | -                           | 14,627,075           |
| Receivables, net of allowance for uncollectibles:               |                            |                             |                      |
| Real estate and personal property taxes.....                    | 2,020,783                  | -                           | 2,020,783            |
| Tax liens.....  | 593,947                    | -                           | 593,947              |
| Motor vehicle excise taxes.....                                 | 156,829                    | -                           | 156,829              |
| User fees.....  | -                          | 2,641,418                   | 2,641,418            |
| Departmental and other.....                                     | 136,086                    | 9,530                       | 145,616              |
| Intergovernmental - other.....                                  | 1,873,572                  | 42,391                      | 1,915,963            |
| Internal balances.....  | 232,632                    | (232,632)                   | -                    |
| Total current assets.....                                       | <u>79,987,057</u>          | <u>4,670,879</u>            | <u>84,657,936</u>    |
| <b>NONCURRENT:</b>  |                            |                             |                      |
| Capital assets, nondepreciable.....                             | 43,486,231                 | -                           | 43,486,231           |
| Capital assets, net of accumulated depreciation.....            | 165,703,101                | 14,602,333                  | 180,305,434          |
| Total noncurrent assets.....                                    | <u>209,189,332</u>         | <u>14,602,333</u>           | <u>223,791,665</u>   |
| <b>TOTAL ASSETS.....</b>  | <u>289,176,389</u>         | <u>19,273,212</u>           | <u>308,449,601</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                            |                             |                      |
| Deferred outflows for refunding debt.....                       | 362,155                    | 74,954                      | 437,109              |
| Deferred outflows related to pensions.....                      | 6,168,127                  | 134,984                     | 6,303,111            |
| Deferred outflows related to other postemployment benefits..... | 9,779,923                  | 332,128                     | 10,112,051           |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>                | <u>16,310,205</u>          | <u>542,066</u>              | <u>16,852,271</u>    |
| <b>LIABILITIES</b>  |                            |                             |                      |
| <b>CURRENT:</b>   |                            |                             |                      |
| Warrants payable.....   | 3,122,256                  | 349,035                     | 3,471,291            |
| Accrued payroll.....  | 2,276,079                  | 36,478                      | 2,312,557            |
| Accrued interest.....   | 1,373,256                  | 54,627                      | 1,427,883            |
| Customer deposits.....  | -                          | 65,577                      | 65,577               |
| Other liabilities.....  | 2,117,522                  | -                           | 2,117,522            |
| Fees collected in advance.....                                  | 13,450                     | -                           | 13,450               |
| Compensated absences.....                                       | 1,553,000                  | 162,000                     | 1,715,000            |
| Bonds payable.....  | 7,122,287                  | 755,370                     | 7,877,657            |
| Total current liabilities.....                                  | <u>17,577,850</u>          | <u>1,423,087</u>            | <u>19,000,937</u>    |
| <b>NONCURRENT:</b>  |                            |                             |                      |
| Compensated absences.....                                       | 1,650,000                  | 166,000                     | 1,816,000            |
| Net pension liability.....                                      | 66,182,877                 | 1,448,358                   | 67,631,235           |
| Net other postemployment benefits liability.....                | 58,763,496                 | 1,995,616                   | 60,759,112           |
| Bonds payable.....  | 101,794,263                | 5,916,850                   | 107,711,113          |
| Total noncurrent liabilities.....                               | <u>228,390,636</u>         | <u>9,526,824</u>            | <u>237,917,460</u>   |
| <b>TOTAL LIABILITIES.....</b>                                   | <u>245,968,486</u>         | <u>10,949,911</u>           | <u>256,918,397</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                            |                             |                      |
| Deferred inflows related to pensions.....                       | 4,029,417                  | 88,181                      | 4,117,598            |
| Deferred inflows related to other postemployment benefits.....  | 12,963,949                 | 440,258                     | 13,404,207           |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>                 | <u>16,993,366</u>          | <u>528,439</u>              | <u>17,521,805</u>    |
| <b>NET POSITION</b>   |                            |                             |                      |
| Net investment in capital assets.....                           | 120,633,143                | 8,862,194                   | 129,495,337          |
| Restricted for:   |                            |                             |                      |
| Permanent funds:  |                            |                             |                      |
| Expendable.....   | 6,530,986                  | -                           | 6,530,986            |
| Nonexpendable.....  | 10,896,893                 | -                           | 10,896,893           |
| Gifts and grants.....   | 4,004,455                  | -                           | 4,004,455            |
| Affordable housing.....   | 1,119,252                  | -                           | 1,119,252            |
| Community preservation.....                                     | 6,177,610                  | -                           | 6,177,610            |
| Unrestricted.....   | (106,837,597)              | (525,266)                   | (107,362,863)        |
| <b>TOTAL NET POSITION.....</b>                                  | <u>\$ 42,524,742</u>       | <u>\$ 8,336,928</u>         | <u>\$ 50,861,670</u> |

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

| Functions/Programs                             | Expenses              | Program Revenues        |  |  | Net (Expense)<br>Revenue |
|--|-----------------------|-------------------------|--|--|--------------------------|
|  |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                          |
| <b>Primary Government:</b>                     |                       |                         |  |  |                          |
| <i>Governmental Activities:</i>                |                       |                         |  |  |                          |
| General government.....                        | \$ 5,679,312          | \$ 1,097,218            | \$ 1,225,489                             | \$ -                                   | \$ (3,356,605)           |
| Facilities Town-wide.....                      | 2,039,507             | -                       | -  | -                                      | (2,039,507)              |
| Finance.....                                   | 1,428,345             | -                       | -  | -                                      | (1,428,345)              |
| Land use, planning and inspectional services.. | 1,899,127             | -                       | -  | -                                      | (1,899,127)              |
| Public safety.....                             | 12,425,726            | 682,782                 | 397,867                                  | -                                      | (11,345,077)             |
| Education.....                                 | 72,643,686            | 3,562,618               | 16,167,709                               | -                                      | (52,913,359)             |
| Public works.....                              | 8,828,999             | 548,312                 | 41,116                                   | 713,968                                | (7,525,603)              |
| Community preservation.....                    | 539,237               | -                       | -  | 704,757                                | 165,520                  |
| COVID-19.....                                  | 180,389               | -                       | 180,389                                  | -                                      | -                        |
| Affordable housing.....                        | 100,066               | -                       | -  | -                                      | (100,066)                |
| Health and human services.....                 | 1,585,683             | 141,888                 | 199,528                                  | -                                      | (1,244,267)              |
| Culture and recreation.....                    | 12,845                | -                       | 3,967                                    | -                                      | (8,878)                  |
| Public library.....                            | 2,453,320             | 124,240                 | 26,584                                   | -                                      | (2,302,496)              |
| Interest.....                                  | 2,939,598             | -                       | 14,670                                   | -                                      | (2,924,928)              |
| <b>Total Governmental Activities.....</b>      | <b>112,755,840</b>    | <b>6,157,058</b>        | <b>18,257,319</b>                        | <b>1,418,725</b>                       | <b>(86,922,738)</b>      |
| <i>Business-Type Activities:</i>               |                       |                         |  |  |                          |
| Water.....                                     | 4,152,061             | 3,810,569               | -  | -                                      | (341,492)                |
| Recreation.....                                | 1,309,764             | 473,081                 | -  | -                                      | (836,683)                |
| Brook School Apartments.....                   | 1,136,926             | 711,882                 | 612,122                                  | -                                      | 187,078                  |
| <b>Total Business-Type Activities.....</b>     | <b>6,598,751</b>      | <b>4,995,532</b>        | <b>612,122</b>                           | <b>-</b>                               | <b>(991,097)</b>         |
| <b>Total Primary Government.....</b>           | <b>\$ 119,354,591</b> | <b>\$ 11,152,590</b>    | <b>\$ 18,869,441</b>                     | <b>\$ 1,418,725</b>                    | <b>\$ (87,913,835)</b>   |

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

|   | Primary Government         |                             |                          |
|---|----------------------------|-----------------------------|--------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                    |
| <b>Changes in net position:</b>   |                            |                             |                          |
| Net (expense) revenue from previous page..... \$                            | <b>(86,922,738)</b>        | <b>(991,097)</b>            | <b>(87,913,835)</b>      |
| <i>General revenues:</i>  |                            |                             |                          |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 80,233,169                 | -                           | 80,233,169               |
| Tax liens.....  | 296,322                    | -                           | 296,322                  |
| Motor vehicle excise taxes.....   | 3,095,334                  | -                           | 3,095,334                |
| Community preservation tax.....   | 2,215,653                  | -                           | 2,215,653                |
| Penalties and interest on taxes.....  | 179,659                    | -                           | 179,659                  |
| Payments in lieu of taxes.....  | 29,952                     | -                           | 29,952                   |
| Grants and contributions not restricted to<br>specific programs.....        | 526,880                    | -                           | 526,880                  |
| Unrestricted investment income.....   | 1,632,313                  | 9,569                       | 1,641,882                |
| Miscellaneous.....  | 122,487                    | -                           | 122,487                  |
| <i>Transfers, net</i> .....   | <u>(709,128)</u>           | <u>709,128</u>              | <u>-</u>                 |
| Total general revenues and transfers.....                                   | <u>87,622,641</u>          | <u>718,697</u>              | <u>88,341,338</u>        |
| Change in net position.....   | 699,903                    | (272,400)                   | 427,503                  |
| <i>Net position:</i>  |                            |                             |                          |
| Beginning of year.....  | <u>41,824,839</u>          | <u>8,609,328</u>            | <u>50,434,167</u>        |
| End of year..... \$   | <u><u>42,524,742</u></u>   | <u><u>8,336,928</u></u>     | <u><u>50,861,670</u></u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

|   | General              | Community<br>Preservation | Capital<br>Projects  | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------------|----------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                           |                      |                                   |                                |
| Cash and cash equivalents.....  | \$ 24,466,083        | \$ 5,778,530              | \$ 21,218,980        | \$ 8,882,540                      | \$ 60,346,133                  |
| Investments.....  | -                    | -                         | -                    | 14,627,075                        | 14,627,075                     |
| Receivables, net of uncollectibles:   |                      |                           |                      |                                   |                                |
| Real estate and personal property taxes.....  | 1,980,149            | 40,634                    | -                    | -                                 | 2,020,783                      |
| Tax liens.....  | 579,334              | 14,613                    | -                    | -                                 | 593,947                        |
| Motor vehicle excise taxes.....   | 156,829              | -                         | -                    | -                                 | 156,829                        |
| Departmental and other.....   | 130,827              | -                         | -                    | 5,259                             | 136,086                        |
| Intergovernmental.....  | 41,929               | 390,000                   | -                    | 1,441,643                         | 1,873,572                      |
| Due from other funds.....   | 232,632              | -                         | -                    | -                                 | 232,632                        |
| <b>TOTAL ASSETS.....</b>  | <b>\$ 27,587,783</b> | <b>\$ 6,223,777</b>       | <b>\$ 21,218,980</b> | <b>\$ 24,956,517</b>              | <b>\$ 79,987,057</b>           |
| <b>LIABILITIES</b>  |                      |                           |                      |                                   |                                |
| Warrants payable.....   | \$ 1,630,976         | \$ 45,407                 | \$ 1,220,774         | \$ 225,099                        | \$ 3,122,256                   |
| Accrued payroll.....  | 2,187,516            | 760                       | -                    | 87,803                            | 2,276,079                      |
| Other liabilities.....  | 2,107,066            | -                         | -                    | 10,456                            | 2,117,522                      |
| Fees collected in advance.....  | -                    | -                         | -                    | 13,450                            | 13,450                         |
| <b>TOTAL LIABILITIES.....</b>   | <b>5,925,558</b>     | <b>46,167</b>             | <b>1,220,774</b>     | <b>336,808</b>                    | <b>7,529,307</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                           |                      |                                   |                                |
| Unavailable revenue.....  | 2,846,869            | 55,245                    | -                    | 608,691                           | 3,510,805                      |
| <b>FUND BALANCES</b>  |                      |                           |                      |                                   |                                |
| Nonspendable.....   | -                    | -                         | -                    | 10,896,893                        | 10,896,893                     |
| Restricted.....   | -                    | 6,122,365                 | 19,998,206           | 13,114,125                        | 39,234,696                     |
| Committed.....  | 3,745,669            | -                         | -                    | -                                 | 3,745,669                      |
| Assigned.....   | 4,990,464            | -                         | -                    | -                                 | 4,990,464                      |
| Unassigned.....   | 10,079,223           | -                         | -                    | -                                 | 10,079,223                     |
| <b>TOTAL FUND BALANCES.....</b>   | <b>18,815,356</b>    | <b>6,122,365</b>          | <b>19,998,206</b>    | <b>24,011,018</b>                 | <b>68,946,945</b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES.....</b> | <b>\$ 27,587,783</b> | <b>\$ 6,223,777</b>       | <b>\$ 21,218,980</b> | <b>\$ 24,956,517</b>              | <b>\$ 79,987,057</b>           |

See notes to basic financial statements.

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

JUNE 30, 2020

|  |                    |                      |
|--|--------------------|----------------------|
| Total governmental fund balances.....  |                    | \$ 68,946,945        |
| Capital assets (net) used in governmental activities are not financial resources<br>and, therefore, are not reported in the funds.....   |                    | 209,189,332          |
| Accounts receivable are not available to pay for current-period<br>expenditures and, therefore, are unavailable in the funds.....  |                    | 3,510,805            |
| The statement of net position includes certain deferred inflows of resources<br>and deferred outflows of resources that will be amortized over future periods.<br>In governmental funds, these amounts are not deferred..... |                    | (683,161)            |
| In the statement of activities, interest is accrued on outstanding long-term debt,<br>whereas in governmental funds interest is not reported until due.....  |                    | (1,373,256)          |
| Long-term liabilities are not due and payable in the current period and, therefore,<br>are not reported in the governmental funds:   |                    |                      |
| Bonds payable.....   | (108,916,550)      |                      |
| Net pension liability.....   | (66,182,877)       |                      |
| Net other postemployment benefits liability.....   | (58,763,496)       |                      |
| Compensated absences.....  | <u>(3,203,000)</u> |                      |
| Net effect of reporting long-term liabilities.....   |                    | <u>(237,065,923)</u> |
| Net position of governmental activities.....   |                    | <u>\$ 42,524,742</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

|   | General              | Community<br>Preservation | Capital<br>Projects  | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------------|----------------------|-----------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                      |                           |                      |                                   |                                |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ 79,531,869        | \$ -                      | \$ -                 | \$ -                              | \$ 79,531,869                  |
| Tax liens.....  | 282,327              | 6,548                     | -                    | -                                 | 288,875                        |
| Motor vehicle excise taxes.....   | 3,059,295            | -                         | -                    | -                                 | 3,059,295                      |
| Charges for services.....   | 369,375              | -                         | -                    | 442,219                           | 811,594                        |
| Penalties and interest on taxes.....                                      | 175,971              | 3,688                     | -                    | -                                 | 179,659                        |
| Fees and rentals.....   | 301,084              | -                         | -                    | -                                 | 301,084                        |
| Payments in lieu of taxes.....  | 29,952               | -                         | -                    | -                                 | 29,952                         |
| Licenses and permits.....   | 1,026,039            | -                         | -                    | -                                 | 1,026,039                      |
| Fines and forfeitures.....  | 74,273               | -                         | -                    | -                                 | 74,273                         |
| Intergovernmental - Teachers Retirement.....                              | 10,578,596           | -                         | -                    | -                                 | 10,578,596                     |
| Intergovernmental.....  | 5,025,069            | 704,757                   | 100,001              | 5,330,606                         | 11,160,433                     |
| Intergovernmental - COVID-19 relief.....                                  | -                    | -                         | -                    | 180,389                           | 180,389                        |
| Departmental and other.....   | 943,044              | -                         | -                    | 1,410,007                         | 2,353,051                      |
| Community preservation taxes.....   | -                    | 2,197,920                 | -                    | -                                 | 2,197,920                      |
| Contributions and donations.....  | -                    | -                         | -                    | 330,919                           | 330,919                        |
| Investment income.....  | 743,538              | 138,790                   | -                    | 749,985                           | 1,632,313                      |
| <b>TOTAL REVENUES.....</b>  | <b>102,140,432</b>   | <b>3,051,703</b>          | <b>100,001</b>       | <b>8,444,125</b>                  | <b>113,736,261</b>             |
| <b>EXPENDITURES:</b>  |                      |                           |                      |                                   |                                |
| Current:  |                      |                           |                      |                                   |                                |
| General government.....   | 2,135,885            | -                         | 1,957,736            | 974,201                           | 5,067,822                      |
| Facilities Town-wide.....   | 1,697,726            | -                         | -                    | -                                 | 1,697,726                      |
| Finance.....  | 883,866              | -                         | -                    | -                                 | 883,866                        |
| Land use, planning and inspectional services.....                         | 941,815              | 925,102                   | 20,361,858           | -                                 | 22,228,775                     |
| Public safety.....  | 7,455,269            | -                         | 426,761              | 311,224                           | 8,193,254                      |
| Education.....  | 41,201,444           | -                         | 181,085              | 4,758,802                         | 46,141,331                     |
| Public works.....   | 5,331,219            | -                         | 691,650              | 281,407                           | 6,304,276                      |
| Community preservation.....   | -                    | 539,237                   | -                    | -                                 | 539,237                        |
| COVID-19.....   | -                    | -                         | -                    | 180,389                           | 180,389                        |
| Affordable housing.....   | -                    | -                         | -                    | 74,671                            | 74,671                         |
| Health and human services.....  | 820,365              | -                         | -                    | 239,676                           | 1,060,041                      |
| Culture and recreation.....   | -                    | -                         | 5,067                | 7,778                             | 12,845                         |
| Public library.....   | 1,355,729            | -                         | 58,513               | 277,491                           | 1,691,733                      |
| Pension benefits.....   | 5,183,330            | -                         | -                    | -                                 | 5,183,330                      |
| Pension benefits - Teachers Retirement.....                               | 10,578,596           | -                         | -                    | -                                 | 10,578,596                     |
| Property and liability insurance.....                                     | 290,559              | -                         | -                    | -                                 | 290,559                        |
| Employee benefits.....  | 13,349,622           | -                         | -                    | -                                 | 13,349,622                     |
| State and county charges.....   | 369,766              | -                         | -                    | -                                 | 369,766                        |
| Debt service:   |                      |                           |                      |                                   |                                |
| Principal.....  | 6,629,000            | 494,000                   | -                    | -                                 | 7,123,000                      |
| Interest.....   | 2,889,051            | 246,044                   | -                    | -                                 | 3,135,095                      |
| <b>TOTAL EXPENDITURES.....</b>  | <b>101,113,242</b>   | <b>2,204,383</b>          | <b>23,682,670</b>    | <b>7,105,639</b>                  | <b>134,105,934</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>1,027,190</b>     | <b>847,320</b>            | <b>(23,582,669)</b>  | <b>1,338,486</b>                  | <b>(20,369,673)</b>            |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                      |                           |                      |                                   |                                |
| Issuance of bonds.....  | -                    | -                         | 30,652,000           | -                                 | 30,652,000                     |
| Premium from issuance of bonds.....                                       | -                    | -                         | 3,451,118            | -                                 | 3,451,118                      |
| Transfers in.....   | 198,501              | -                         | 8,815,088            | 240,000                           | 9,253,589                      |
| Transfers out.....  | (689,734)            | (7,804,300)               | -                    | (1,468,683)                       | (9,962,717)                    |
| <b>TOTAL OTHER FINANCING SOURCES (USES)...</b>                            | <b>(491,233)</b>     | <b>(7,804,300)</b>        | <b>42,918,206</b>    | <b>(1,228,683)</b>                | <b>33,393,990</b>              |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>535,957</b>       | <b>(6,956,980)</b>        | <b>19,335,537</b>    | <b>109,803</b>                    | <b>13,024,317</b>              |
| <b>FUND BALANCES AT BEGINNING OF YEAR.....</b>                            | <b>18,279,399</b>    | <b>13,079,345</b>         | <b>662,669</b>       | <b>23,901,215</b>                 | <b>55,922,628</b>              |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 18,815,356</b> | <b>\$ 6,122,365</b>       | <b>\$ 19,998,206</b> | <b>\$ 24,011,018</b>              | <b>\$ 68,946,945</b>           |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

|  |                    |                    |
|--|--------------------|--------------------|
| Net change in fund balances - total governmental funds.....  |                    | \$ 13,024,317      |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>  |                    |                    |
| Capital outlay.....  | 24,858,695         |                    |
| Depreciation expense.....  | <u>(8,736,516)</u> |                    |
| Net effect of reporting capital assets.....  |                    | 16,122,179         |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>  |                    |                    |
|  |                    | 427,610            |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p> |                    |                    |
| Issuance of bonds.....   | (30,652,000)       |                    |
| Premium from issuance of bonds.....  | (3,451,118)        |                    |
| Net amortization of premium from issuance of bonds.....  | 675,581            |                    |
| Net change in deferred charge on refunding.....  | (137,908)          |                    |
| Debt service principal payments.....   | <u>7,123,000</u>   |                    |
| Net effect of reporting long-term debt.....  |                    | (26,442,445)       |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>   |                    |                    |
| Net change in compensated absences accrual.....  | (432,000)          |                    |
| Net change in accrued interest on long-term debt.....  | (342,176)          |                    |
| Net change in deferred outflow/(inflow) of resources related to pensions.....  | (2,558,212)        |                    |
| Net change in net pension liability.....   | (703,993)          |                    |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...   | 12,032,136         |                    |
| Net change in net other postemployment benefits liability.....   | (10,452,513)       |                    |
| Net change in landfill closure.....  | <u>25,000</u>      |                    |
| Net effect of recording long-term liabilities.....   |                    | <u>(2,431,758)</u> |
| Change in net position of governmental activities.....   |                    | \$ <u>699,903</u>  |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2020

|   | Business-type Activities - Enterprise Funds |                       |                            |                     |
|---|---|-----------------------|----------------------------|---------------------|
|   | Water                                       | Recreation            | Brook School<br>Apartments | Total               |
| <b>ASSETS</b>   |   |                       |                            |                     |
| <b>CURRENT:</b>   |   |                       |                            |                     |
| Cash and cash equivalents.....                                  | \$ 1,086,412                                | \$ -                  | \$ 1,123,760               | \$ 2,210,172        |
| Receivables, net of allowance for uncollectibles:               |   |                       |                            |                     |
| User fees.....  | 2,641,418                                   | -                     | -                          | 2,641,418           |
| Departmental and other.....                                     | -   | -                     | 9,530                      | 9,530               |
| Intergovernmental.....  | -   | -                     | 42,391                     | 42,391              |
| Total current assets.....                                       | 3,727,830                                   | -                     | 1,175,681                  | 4,903,511           |
| <b>NONCURRENT:</b>  |   |                       |                            |                     |
| Capital assets, net of accumulated depreciation.....            | 7,875,251                                   | 829,289               | 5,897,793                  | 14,602,333          |
| <b>TOTAL ASSETS.....</b>  | <b>11,603,081</b>                           | <b>829,289</b>        | <b>7,073,474</b>           | <b>19,505,844</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |   |                       |                            |                     |
| Deferred loss on refunding.....                                 | 74,954                                      | -                     | -                          | 74,954              |
| Deferred outflows related to pensions.....                      | 84,693                                      | -                     | 50,291                     | 134,984             |
| Deferred outflows related to other postemployment benefits..... | 66,581                                      | 226,011               | 39,536                     | 332,128             |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>                | <b>226,228</b>                              | <b>226,011</b>        | <b>89,827</b>              | <b>542,066</b>      |
| <b>LIABILITIES</b>  |   |                       |                            |                     |
| <b>CURRENT:</b>   |   |                       |                            |                     |
| Warrants payable.....   | 308,701                                     | 9,275                 | 31,059                     | 349,035             |
| Accrued payroll.....  | 12,399                                      | 18,524                | 5,555                      | 36,478              |
| Due to other funds.....   | -   | 232,632               | -                          | 232,632             |
| Customer deposits payable.....                                  | -   | -                     | 65,577                     | 65,577              |
| Accrued interest.....   | 33,557                                      | -                     | 21,070                     | 54,627              |
| Compensated absences.....                                       | 38,000                                      | 114,000               | 10,000                     | 162,000             |
| Bonds payable.....  | 540,565                                     | -                     | 214,805                    | 755,370             |
| Total current liabilities.....                                  | 933,222                                     | 374,431               | 348,066                    | 1,655,719           |
| <b>NONCURRENT:</b>  |   |                       |                            |                     |
| Compensated absences.....                                       | 48,000                                      | 118,000               | -                          | 166,000             |
| Net pension liability.....                                      | 908,742                                     | -                     | 539,616                    | 1,448,358           |
| Net other postemployment benefits liability.....                | 400,055                                     | 1,358,005             | 237,556                    | 1,995,616           |
| Bonds payable.....  | 4,743,304                                   | -                     | 1,173,546                  | 5,916,850           |
| Total noncurrent liabilities.....                               | 6,100,101                                   | 1,476,005             | 1,950,718                  | 9,526,824           |
| <b>TOTAL LIABILITIES.....</b>                                   | <b>7,033,323</b>                            | <b>1,850,436</b>      | <b>2,298,784</b>           | <b>11,182,543</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |   |                       |                            |                     |
| Deferred inflows related to pensions.....                       | 55,327                                      | -                     | 32,854                     | 88,181              |
| Deferred inflows related to other postemployment benefits.....  | 88,257                                      | 299,593               | 52,408                     | 440,258             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>                 | <b>143,584</b>                              | <b>299,593</b>        | <b>85,262</b>              | <b>528,439</b>      |
| <b>NET POSITION</b>   |   |                       |                            |                     |
| Net investment in capital assets.....                           | 3,523,463                                   | 829,289               | 4,509,442                  | 8,862,194           |
| Unrestricted.....   | 1,128,939                                   | (1,924,018)           | 269,813                    | (525,266)           |
| <b>TOTAL NET POSITION.....</b>                                  | <b>\$ 4,652,402</b>                         | <b>\$ (1,094,729)</b> | <b>\$ 4,779,255</b>        | <b>\$ 8,336,928</b> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

|   | Business-type Activities - Enterprise Funds |                       |                            |                     |
|---|---|-----------------------|----------------------------|---------------------|
|   | Water                                       | Recreation            | Brook School<br>Apartments | Total               |
| <b>OPERATING REVENUES:</b>                                  |   |                       |                            |                     |
| Charges for services.....                                   | \$ 3,810,569                                | \$ 473,081            | \$ 711,882                 | \$ 4,995,532        |
| Intergovernmental.....                                      | -   | -                     | 612,122                    | 612,122             |
| <b>TOTAL OPERATING REVENUES .....</b>                       | <b>3,810,569</b>                            | <b>473,081</b>        | <b>1,324,004</b>           | <b>5,607,654</b>    |
| <b>OPERATING EXPENSES:</b>                                  |   |                       |                            |                     |
| Cost of services and administration.....                    | 3,167,399                                   | 230,878               | 660,148                    | 4,058,425           |
| Salaries and wages.....                                     | 311,086                                     | 1,055,995             | 184,725                    | 1,551,806           |
| Depreciation.....   | 533,843                                     | 22,891                | 253,410                    | 810,144             |
| <b>TOTAL OPERATING EXPENSES.....</b>                        | <b>4,012,328</b>                            | <b>1,309,764</b>      | <b>1,098,283</b>           | <b>6,420,375</b>    |
| <b>OPERATING INCOME (LOSS).....</b>                         | <b>(201,759)</b>                            | <b>(836,683)</b>      | <b>225,721</b>             | <b>(812,721)</b>    |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                    |   |                       |                            |                     |
| Investment income.....                                      | 7,277                                       | 366                   | 1,926                      | 9,569               |
| Interest expense.....                                       | (139,733)                                   | -                     | (38,643)                   | (178,376)           |
| <b>TOTAL NONOPERATING<br/>REVENUES (EXPENSES), NET.....</b> | <b>(132,456)</b>                            | <b>366</b>            | <b>(36,717)</b>            | <b>(168,807)</b>    |
| <b>INCOME (LOSS) BEFORE TRANSFERS.....</b>                  | <b>(334,215)</b>                            | <b>(836,317)</b>      | <b>189,004</b>             | <b>(981,528)</b>    |
| <b>TRANSFERS:</b>   |   |                       |                            |                     |
| Transfers in.....   | 87,812                                      | 605,727               | 15,589                     | 709,128             |
| <b>CHANGE IN NET POSITION.....</b>                          | <b>(246,403)</b>                            | <b>(230,590)</b>      | <b>204,593</b>             | <b>(272,400)</b>    |
| <b>NET POSITION AT BEGINNING OF YEAR.....</b>               | <b>4,898,805</b>                            | <b>(864,139)</b>      | <b>4,574,662</b>           | <b>8,609,328</b>    |
| <b>NET POSITION AT END OF YEAR.....</b>                     | <b>\$ 4,652,402</b>                         | <b>\$ (1,094,729)</b> | <b>\$ 4,779,255</b>        | <b>\$ 8,336,928</b> |

See notes to basic financial statements.

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

|  | Business-type Activities - Enterprise Funds |                     |                            |                     |
|--|---|---------------------|----------------------------|---------------------|
|  | Water                                       | Recreation          | Brook School<br>Apartments | Total               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                     |   |                     |                            |                     |
| Receipts from customers and users.....   | \$ 3,570,727                                | \$ 705,713          | \$ 1,344,846               | \$ 5,621,286        |
| Payments to vendors.....   | (2,929,252)                                 | (284,076)           | (617,994)                  | (3,831,322)         |
| Payments to employees.....   | (306,878)                                   | (1,250,830)         | (171,134)                  | (1,728,842)         |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>334,597</b>                              | <b>(829,193)</b>    | <b>555,718</b>             | <b>61,122</b>       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                          |   |                     |                            |                     |
| Transfers in.....  | 87,812                                      | 605,727             | 15,589                     | 709,128             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                 |   |                     |                            |                     |
| Proceeds from the issuance of bonds and notes.....                               | 1,217,997                                   | -                   | -                          | 1,217,997           |
| Acquisition and construction of capital assets.....                              | (399,609)                                   | -                   | (68,271)                   | (467,880)           |
| Principal payments on bonds and notes.....                                       | (1,270,300)                                 | -                   | (202,200)                  | (1,472,500)         |
| Interest expense.....  | (153,106)                                   | -                   | (58,668)                   | (211,774)           |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>               | <b>(605,018)</b>                            | <b>-</b>            | <b>(329,139)</b>           | <b>(934,157)</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                     |   |                     |                            |                     |
| Investment income.....   | 7,277                                       | 366                 | 1,926                      | 9,569               |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>                              | <b>(175,332)</b>                            | <b>(223,100)</b>    | <b>244,094</b>             | <b>(154,338)</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>                       | <b>1,261,744</b>                            | <b>223,100</b>      | <b>879,666</b>             | <b>2,364,510</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>                             | <b>\$ 1,086,412</b>                         | <b>\$ -</b>         | <b>\$ 1,123,760</b>        | <b>\$ 2,210,172</b> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>                     |   |                     |                            |                     |
| <b>FROM OPERATING ACTIVITIES:</b>  |   |                     |                            |                     |
| Operating income (loss).....   | \$ (201,759)                                | \$ (836,683)        | \$ 225,721                 | \$ (812,721)        |
| Adjustments to reconcile operating income to net cash from operating activities: |   |                     |                            |                     |
| Depreciation.....  | 533,843                                     | 22,891              | 253,410                    | 810,144             |
| Deferred (outflows)/inflows related to pensions.....                             | 33,747                                      | -                   | 19,208                     | 52,955              |
| Deferred (outflows)/inflows related to other postemployment benefits.....        | (77,126)                                    | (318,516)           | (44,494)                   | (440,136)           |
| Changes in assets and liabilities:   |   |                     |                            |                     |
| User charges.....  | (239,842)                                   | -                   | -                          | (239,842)           |
| Departmental and other.....  | -   | -                   | (7,384)                    | (7,384)             |
| Intergovernmental.....   | -   | -                   | 27,475                     | 27,475              |
| Warrants payable.....  | 175,505                                     | (53,198)            | (5,813)                    | 116,494             |
| Accrued payroll.....   | 6,972                                       | (18,422)            | 1,666                      | (9,784)             |
| Due to other funds.....  | -   | 232,632             | -                          | 232,632             |
| Customer deposits.....   | -   | -                   | 751                        | 751                 |
| Compensated absences.....  | (12,000)                                    | 29,000              | 1,000                      | 18,000              |
| Net pension liability.....   | 28,895                                      | -                   | 28,759                     | 57,654              |
| Other postemployment benefits.....   | 86,362                                      | 113,103             | 55,419                     | 254,884             |
| Total adjustments.....   | 536,356                                     | 7,490               | 329,997                    | 873,843             |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>\$ 334,597</b>                           | <b>\$ (829,193)</b> | <b>\$ 555,718</b>          | <b>\$ 61,122</b>    |
| <b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>                     |   |                     |                            |                     |
| Change in the deferred loss on debt refunding.....                               | \$ (20,593)                                 | \$ -                | \$ -                       | \$ (20,593)         |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

|   | Other<br>Postemployment<br>Benefit<br>Trust Fund | Agency<br>Funds  |
|---|--|------------------|
| <b>ASSETS</b>                                     |  |                  |
| Cash and cash equivalents.....                    | \$ 88,289  | \$ 946,682       |
| Equity securities.....                            | 3,932,425  | -                |
| Equity mutual funds.....                          | 13,027,628                                       | -                |
| Fixed income mutual funds.....                    | 5,162,164  | -                |
| Receivables, net of allowance for uncollectibles: |  |                  |
| Departmental and other.....                       | -  | 75,537           |
| <b>TOTAL ASSETS</b> .....                         | <b>22,210,506</b>                                | <b>1,022,219</b> |
| <b>LIABILITIES</b>                                |  |                  |
| Warrants payable.....                             | -  | 10,215           |
| Accrued payroll.....                              | -  | 22,207           |
| Liabilities due depositors.....                   | -  | 944,550          |
| Other liabilities.....                            | -  | 45,247           |
| <b>TOTAL LIABILITIES</b> .....                    | <b>-</b>   | <b>1,022,219</b> |
| <b>NET POSITION</b>                               |  |                  |
| Restricted for other postemployment benefits..... | \$ 22,210,506                                    | \$ -             |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

|  | <u>Other<br/>Postemployment<br/>Benefit<br/>Trust Fund</u> |
|--|--|
| <b><u>ADDITIONS:</u></b>   |  |
| Contributions:   |  |
| Employer contributions.....  | \$ 2,214,656   |
| Employer contributions for other postemployment benefit payments.... | <u>3,286,467</u>   |
| Total contributions.....   | <u>5,501,123</u>   |
| Net investment income:   |  |
| Investment income.....   | <u>673,313</u>   |
| TOTAL ADDITIONS.....   | <u>6,174,436</u>   |
| <b><u>DEDUCTIONS:</u></b>  |  |
| Other postemployment benefit payments.....                           | <u>3,286,467</u>   |
| NET INCREASE (DECREASE) IN NET POSITION.....                         | 2,887,969  |
| NET POSITION AT BEGINNING OF YEAR.....                               | <u>19,322,537</u>  |
| NET POSITION AT END OF YEAR.....                                     | <u>\$ 22,210,506</u>                                       |

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town of Weston is a municipal corporation that is governed by an elected Select Board.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that require inclusion in the basic financial statements.

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

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

***Fund Financial Statements***

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

***Major Fund Criteria***

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

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

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

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

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

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

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

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

#### *Fund Financial Statements*

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

Real estate, personal property tax, motor vehicle taxes and other revenues are considered available when the cash is received and are recognized as revenue at that time. Investment income is susceptible to accrual.

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

The following major governmental funds are reported:

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

The *community preservation fund* is a special revenue fund used to account for funds held for uses restricted by law for community preservation purposes. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

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

The *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 funds financial statements. The following describes the general use of these fund types:

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

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

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

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

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the Town's water activities.

The *recreation enterprise fund* is used to account for the Town's recreation activities.

The *Brook School Apartments enterprise fund* is used to account for the Town's Brook School Apartment activities.

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

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### E. Fair Value Measurements

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

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

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

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

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

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

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

## F. Accounts Receivable

### *Government-Wide and Fund Financial Statements*

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

### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair value. Taxes are due on, November 1<sup>st</sup>, February 1<sup>st</sup>, May 1<sup>st</sup>, and August 1<sup>st</sup>, and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed by the end of the second quarter after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

### ***Motor Vehicle Excise Taxes***

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

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

### ***User Fees***

User fees are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed once a year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

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

### ***Departmental and Other***

Departmental and other receivables consist primarily of amounts from ambulance receivables and are recorded as receivables in the year accrued.

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

**Intergovernmental**

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

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

G. Inventories

*Government-Wide and Fund Financial Statements*

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

H. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, building improvements, equipment, vehicles and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, when actual historical cost could not be determined. Donated capital assets; donated works of art, historical treasures and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$20,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis, in accordance with Massachusetts General Laws (MGL). The estimated useful lives of capital assets are as follows:

| <u>Capital Asset Type</u>       | <u>Estimated Useful Life (in years)</u> |
|---------------------------------|---|
| Buildings and improvements..... | 20-40                                   |
| Machinery and equipment.....    | 5-10                                    |
| Infrastructure.....             | 50-75                                   |

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

*Governmental Fund Financial Statements*

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

### I. Deferred Outflows/Inflows of Resources

#### *Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. As of June 30, 2020, the Town reported deferred loss on refunded debt, deferred outflows of resources related to pensions, and deferred outflows related to other postemployment benefits in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. As of June 30, 2020, the Town reported deferred inflows related to pensions and deferred inflows related to other postemployment benefits in this category.

#### *Governmental Fund Financial Statements*

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. Unavailable revenue at the governmental fund financial statement level represents non-exchange revenues received in advance or outstanding receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

### J. Interfund Receivables and Payables

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

### K. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

L. Unavailable Revenue

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

M. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net Position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

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

Net position has been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Gifts and grants" represents restrictions placed on assets from outside parties, and consist primarily of gifts and federal and state grants.

"Affordable housing" represents amounts restricted for a fund (established in accordance with MGL, Chapter 44, Section 53E½) used to account for activities related to the creation and preservation of affordable housing for the benefit of low to moderate income households.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

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

#### *Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

"Assigned" fund balance includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Town's by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

#### N. Long-term Debt

##### *Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

O. Pensions

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

P. Investment Income

Excluding the permanent funds, investment income derived from special revenue and capital project funds is legally assigned to the general fund unless otherwise directed by MGL.

Q. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

R. Use of Estimates*Government-Wide and Fund Financial Statements*

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

S. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Weston's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$57,933,326 and the bank balance totaled \$58,607,594. Of the bank balance, \$2,000,101 was covered by Federal Depository Insurance, \$39,069,802 was covered by the Depositors Insurance Fund, and \$17,537,691 was collateralized.

Investments

The Town of Weston had the following investments, including cash equivalents classified as investments, at June 30, 2020:

| <u>Investment Type</u>         | <u>Fair value</u>    | <u>Maturities</u>   |                     |
|--------------------------------|----------------------|---------------------|---------------------|
|                                |                      | <u>Under 1 Year</u> | <u>1-5 Years</u>    |
| <u>Debt securities:</u>        |                      |                     |                     |
| U.S. treasury notes.....       | \$ 3,863,437         | \$ <u>1,436,958</u> | \$ <u>2,426,479</u> |
| <u>Other investments:</u>      |                      |                     |                     |
| Equity securities.....         | 14,696,063 (a)       |                     |                     |
| Equity mutual funds.....       | 13,027,628 (a)       |                     |                     |
| Fixed income mutual funds..... | 5,162,164 (a)        |                     |                     |
| Money market mutual funds..... | 1,904,980            |                     |                     |
| MMDT - Cash portfolio.....     | <u>3,752,970</u>     |                     |                     |
| Total investments.....         | \$ <u>42,407,242</u> |                     |                     |

(a) The OPEB fiduciary fund's \$22,122,217 in investments are reported in equity securities, equity mutual funds and fixed income mutual funds above.

Custodial Credit Risk – Town Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments of \$3,863,437 have custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. Investments in external investment pools and open-end mutual funds are not exposed to custodial credit risk.

Interest Rate Risk – Town Investments

The Town's investment policy limits investment maturities of general operating funds to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately three months.

Credit Risk – Town Investments

The Town has not adopted a formal policy related to credit risk. At June 30, 2020 the Town had \$3,863,437 invested in U.S. Treasury notes which have a quality rating of AAA.

Fair Value of Investments

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

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

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

| Investment Type                                | June 30,<br>2020 | Fair Value Measurements Using  |   |  |
|--|------------------|--|---|--|
|  |                  | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>     |                  |  |   |  |
| <u>Debt securities:</u>                        |                  |  |   |  |
| U.S. treasury notes.....                       | \$ 3,863,437     | \$ 3,863,437   | \$ -  | \$ -   |
| <u>Other investments:</u>                      |                  |  |   |  |
| Equity securities.....                         | 14,696,063       | 14,696,063   | -   | -  |
| Equity mutual funds.....                       | 13,027,628       | 13,027,628   | -   | -  |
| Fixed income mutual funds.....                 | 5,162,164        | 5,162,164  | -   | -  |
| Money market mutual funds.....                 | 1,904,980        | 1,904,980  | -   | -  |
| Total other investments.....                   | 34,790,835       | 34,790,835   | -   | -  |
| Total investments measured at fair value.....  | 38,654,272       | \$ 38,654,272  | \$ -  | \$ -   |
| <b>Investments measured at amortized cost:</b> |                  |  |   |  |
| MMDT - Cash portfolio.....                     | 3,752,970        |  |   |  |
| Total investments.....                         | \$ 42,407,242    |  |   |  |

United States treasury notes, equity securities, mutual funds and money market mutual funds classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those equities.

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

**NOTE 3 – RECEIVABLES**

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

|   | Gross<br>Amount     | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|---|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u>                           |                     |                                    |                     |
| Real estate and personal property taxes... \$ | 2,020,783           | -                                  | \$ 2,020,783        |
| Tax liens.....                                | 593,947             | -                                  | 593,947             |
| Motor vehicle excise taxes.....               | 214,829             | (58,000)                           | 156,829             |
| Departmental and other.....                   | 211,623             | -                                  | 211,623             |
| Intergovernmental - other.....                | 1,873,572           | -                                  | 1,873,572           |
| Total.....                                    | <u>\$ 4,914,754</u> | <u>\$ (58,000)</u>                 | <u>\$ 4,856,754</u> |

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

|                                    | Gross<br>Amount     | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|------------------------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u>                |                     |                                    |                     |
| Water user charges..... \$         | 2,641,418           | -                                  | \$ 2,641,418        |
| Brooks departmental and other..... | 9,530               | -                                  | 9,530               |
| Intergovernmental - other.....     | 42,391              | -                                  | 42,391              |
| Total.....                         | <u>\$ 2,693,339</u> | <u>\$ -</u>                        | <u>\$ 2,693,339</u> |

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

|   | General<br>Fund     | Other<br>Governmental<br>Funds | Total               |
|---|---------------------|--------------------------------|---------------------|
| <u>Receivables:</u>                             |                     |                                |                     |
| Real estate and personal property taxes..... \$ | 1,979,879           | \$ 40,633                      | \$ 2,020,512        |
| Tax liens.....                                  | 579,334             | 14,613                         | 593,947             |
| Motor vehicle excise taxes.....                 | 156,829             | -                              | 156,829             |
| Departmental and other.....                     | 130,827             | 5,259                          | 136,086             |
| Intergovernmental - other.....                  | -                   | 603,431                        | 603,431             |
| Total.....                                      | <u>\$ 2,846,869</u> | <u>\$ 663,936</u>              | <u>\$ 3,510,805</u> |

**NOTE 4 – CAPITAL ASSETS**

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

|  | Beginning<br>Balance  | Increases            | Decreases             | Ending<br>Balance     |
|--|-----------------------|----------------------|-----------------------|-----------------------|
| <b>Governmental Activities:</b>                        |                       |                      |                       |                       |
| <u>Capital assets not being depreciated:</u>           |                       |                      |                       |                       |
| Art.....   | \$ 187,500            | \$ -                 | \$ -                  | \$ 187,500            |
| Land.....  | 22,087,803            | 3,462,000            | -                     | 25,549,803            |
| Construction in progress.....                          | 8,157,113             | 13,189,087           | (3,597,272)           | 17,748,928            |
| Total capital assets not being depreciated....         | <u>30,432,416</u>     | <u>16,651,087</u>    | <u>(3,597,272)</u>    | <u>43,486,231</u>     |
| <u>Capital assets being depreciated:</u>               |                       |                      |                       |                       |
| Buildings and improvements.....                        | 188,204,917           | 7,080,626            | (779,706)             | 194,505,837           |
| Machinery and equipment.....                           | 7,696,091             | 1,536,854            | (551,866)             | 8,681,079             |
| Infrastructure.....                                    | 42,321,836            | 3,187,400            | (23,407)              | 45,485,829            |
| Total capital assets being depreciated.....            | <u>238,222,844</u>    | <u>11,804,880</u>    | <u>(1,354,979)</u>    | <u>248,672,745</u>    |
| <u>Less accumulated depreciation for:</u>              |                       |                      |                       |                       |
| Buildings and improvements.....                        | (65,948,696)          | (6,861,581)          | 779,706               | (72,030,571)          |
| Machinery and equipment.....                           | (3,160,504)           | (833,378)            | 551,866               | (3,442,016)           |
| Infrastructure.....                                    | (6,478,907)           | (1,041,557)          | 23,407                | (7,497,057)           |
| Total accumulated depreciation.....                    | <u>(75,588,107)</u>   | <u>(8,736,516)</u>   | <u>1,354,979</u>      | <u>(82,969,644)</u>   |
| Total capital assets being depreciated, net.....       | <u>162,634,737</u>    | <u>3,068,364</u>     | <u>-</u>              | <u>165,703,101</u>    |
| Total governmental activities capital assets, net..... | <u>\$ 193,067,153</u> | <u>\$ 19,719,451</u> | <u>\$ (3,597,272)</u> | <u>\$ 209,189,332</u> |
| <br>   |                       |                      |                       |                       |
|  | Beginning<br>Balance  | Increases            | Decreases             | Ending<br>Balance     |
| <b>Water:</b>  |                       |                      |                       |                       |
| <u>Capital assets being depreciated:</u>               |                       |                      |                       |                       |
| Buildings and improvements.....                        | \$ 3,818,238          | \$ -                 | \$ -                  | \$ 3,818,238          |
| Machinery and equipment.....                           | 9,069                 | -                    | -                     | 9,069                 |
| Infrastructure.....                                    | 9,002,528             | 399,609              | (147,269)             | 9,254,868             |
| Total capital assets being depreciated....             | <u>12,829,835</u>     | <u>399,609</u>       | <u>(147,269)</u>      | <u>13,082,175</u>     |
| <u>Less accumulated depreciation for:</u>              |                       |                      |                       |                       |
| Buildings and improvements.....                        | (1,122,526)           | (95,327)             | -                     | (1,217,853)           |
| Machinery and equipment.....                           | (4,985)               | (907)                | -                     | (5,892)               |
| Infrastructure.....                                    | (3,692,839)           | (437,609)            | 147,269               | (3,983,179)           |
| Total accumulated depreciation.....                    | <u>(4,820,350)</u>    | <u>(533,843)</u>     | <u>147,269</u>        | <u>(5,206,924)</u>    |
| Total capital assets being depreciated, net.....       | <u>8,009,485</u>      | <u>(134,234)</u>     | <u>-</u>              | <u>7,875,251</u>      |
| Total water activities capital assets, net.....        | <u>\$ 8,009,485</u>   | <u>\$ (134,234)</u>  | <u>\$ -</u>           | <u>\$ 7,875,251</u>   |

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| <b>Recreation:</b>                                   |                              |                     |                  |                           |
| <u>Capital assets being depreciated:</u>             |                              |                     |                  |                           |
| Buildings and improvements.....                      | \$ 1,501,772                 | \$ -                | \$ -             | \$ 1,501,772              |
| Machinery and equipment.....                         | 55,434                       | -                   | (6,777)          | 48,657                    |
| Total capital assets being depreciated.....          | <u>1,557,206</u>             | <u>-</u>            | <u>(6,777)</u>   | <u>1,550,429</u>          |
| <u>Less accumulated depreciation for:</u>            |                              |                     |                  |                           |
| Buildings and improvements.....                      | (693,940)                    | (17,348)            | -                | (711,288)                 |
| Machinery and equipment.....                         | (11,086)                     | (5,543)             | 6,777            | (9,852)                   |
| Total accumulated depreciation.....                  | <u>(705,026)</u>             | <u>(22,891)</u>     | <u>6,777</u>     | <u>(721,140)</u>          |
| Total capital assets being depreciated, net.....     | <u>852,180</u>               | <u>(22,891)</u>     | <u>-</u>         | <u>829,289</u>            |
| Total Recreation activities capital assets, net..... | <u>\$ 852,180</u>            | <u>\$ (22,891)</u>  | <u>\$ -</u>      | <u>\$ 829,289</u>         |
| <br>   |                              |                     |                  |                           |
|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
| <b>Brook School Apartments:</b>                      |                              |                     |                  |                           |
| <u>Capital assets being depreciated:</u>             |                              |                     |                  |                           |
| Buildings and improvements.....                      | \$ 8,527,653                 | \$ 68,271           | \$ -             | \$ 8,595,924              |
| <u>Less accumulated depreciation for:</u>            |                              |                     |                  |                           |
| Buildings and improvements.....                      | (2,444,721)                  | (253,410)           | -                | (2,698,131)               |
| Total capital assets being depreciated, net.....     | <u>6,082,932</u>             | <u>(185,139)</u>    | <u>-</u>         | <u>5,897,793</u>          |
| Total brook school apartment capital assets, net..   | <u>\$ 6,082,932</u>          | <u>\$ (185,139)</u> | <u>\$ -</u>      | <u>\$ 5,897,793</u>       |

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

|  |                     |
|--|---------------------|
| <b>Governmental Activities:</b>                          |                     |
| General government.....                                  | \$ 1,460,808        |
| Land use, planning and inspectional services.....        | 542,125             |
| Public safety.....                                       | 850,604             |
| Education.....   | 4,492,258           |
| Public works.....  | 1,058,208           |
| Health and human services.....                           | 65,543              |
| Library.....   | 241,575             |
| Affordable housing.....                                  | <u>25,395</u>       |
| Total depreciation expense - governmental activities.... | <u>\$ 8,736,516</u> |
| <br>   |                     |
| <b>Business-Type Activities:</b>                         |                     |
| Water.....   | \$ 533,843          |
| Recreation.....  | 22,891              |
| Brook School Apartments.....                             | <u>253,410</u>      |
| Total depreciation expense - business-type activities... | <u>\$ 810,144</u>   |

**NOTE 5 – INTERFUND TRANSFERS**

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

| Transfers Out:                   | Transfers In:     |                     |                             |                       |                            |                              | Total               |
|----------------------------------|-------------------|---------------------|-----------------------------|-----------------------|----------------------------|------------------------------|---------------------|
|                                  | General fund      | Capital Projects    | Nonmajor governmental funds | Water Enterprise fund | Recreation Enterprise fund | Brook School Apartments fund |                     |
| General fund.....                | \$ -              | \$ -                | \$ -                        | \$ 78,809             | \$ 605,727                 | \$ 5,198                     | \$ 689,734 (1)      |
| Community preservation fund..... | -                 | 7,800,000           | -                           | -                     | -                          | 4,300                        | 7,804,300 (2)       |
| Nonmajor governmental funds..... | 198,501           | 1,015,088           | 240,000                     | 9,003                 | -                          | 6,091                        | 1,468,683 (3)       |
| <b>Total.....</b>                | <b>\$ 198,501</b> | <b>\$ 8,815,088</b> | <b>\$ 240,000</b>           | <b>\$ 87,812</b>      | <b>\$ 605,727</b>          | <b>\$ 15,589</b>             | <b>\$ 9,962,717</b> |

- (1) Transfers from the general fund of \$11,000 to the water enterprise fund for debt service; \$65,000 to the water enterprise fund for a water tank study; and a \$560,438 subsidy to the recreation enterprise fund. Also included are transfers for merit pay of \$15,289 to the recreation enterprise fund, \$5,198 to the Brook School Apartments enterprise fund, \$2,809 to the water enterprise fund, as well as \$30,000 to the recreation enterprise fund for the community center contribution.
- (2) Transfers from the community preservation fund of \$7,800,000 to the capital project fund for construction of Josiah Smith Tavern and \$4,300 to the Brook School Apartments enterprise fund for debt service.
- (3) Budgeted transfers to the general fund from cemetery perpetual care, well litigation, and the Josiah Smith Tavern. Transfer from the expendable trust fund of \$902,574 to the capital project fund for open space purposes. Transfer from the library trustees of \$240,000 to the town gift fund for the arts and innovation center. Also included are transfers from the nonmajor governmental funds of \$112,514 to the capital project fund and \$9,003 to the water enterprise fund for debt premiums.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively. Details related to the short-term debt activity for the year ended June 30, 2020 is as follows:

| Type                          | Purpose                | Rate (%) | Due Date | Balance at June 30, 2019 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2020 |
|-------------------------------|------------------------|----------|----------|--------------------------|-----------------|-------------------|--------------------------|
| <b>Governmental Funds:</b>    |                        |          |          |                          |                 |                   |                          |
| BAN                           | Municipal Purpose..... | 3.00     | 01/30/20 | \$ 8,405,566             | \$ -            | \$ (8,405,566)    | \$ -                     |
| BAN                           | Municipal Purpose..... | 2.00     | 01/30/20 | 9,045,000                | -               | (9,045,000)       | -                        |
| BAN                           | Municipal Purpose..... | 2.00     | 01/29/21 | -                        | 3,747,000       | (3,747,000)       | - (1)                    |
| Total Governmental Funds..... |                        |          |          | \$ 17,450,566            | \$ 3,747,000    | \$ (21,197,566)   | \$ -                     |
| <b>Water Enterprise Fund</b>  |                        |          |          |                          |                 |                   |                          |
| BAN                           | Municipal Purpose..... | 3.00     | 01/30/20 | \$ 860,000               | \$ -            | \$ (860,000)      | \$ -                     |

(1) At the BAN’s maturity on January 29, 2021, the Town rolled the balance into a general obligation bond. As a result, the Town has recognized the \$3,747,000 as bond proceeds and has recorded the corresponding debt as long-term as of June 30, 2020.

**NOTE 7 – LONG-TERM DEBT**

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

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

**Bonds and Notes Payable Schedule – Governmental Funds**

| Project  | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2020 |
|--|--------------------|----------------------|-------------------|------------------------------|
| Municipal Purpose Refunding Bonds of 2011..... | 2021               | \$ 2,761,000         | 2.00-2.50         | \$ 140,000                   |
| Municipal Purpose Bonds of 2012.....           | 2028               | 1,804,332            | 2.00-2.63         | 820,000                      |
| Municipal Purpose Refunding Bonds of 2012..... | 2021               | 3,027,000            | 2.00-5.00         | 188,000                      |
| Municipal Purpose Bonds of 2013.....           | 2038               | 18,666,334           | 1.00-4.00         | 13,314,000                   |
| Municipal Purpose Bonds of 2014.....           | 2039               | 5,000,000            | 2.00-5.00         | 3,800,000                    |
| Municipal Purpose Refunding Bonds of 2014..... | 2026               | 12,398,970           | 2.00-5.00         | 3,825,900                    |
| Municipal Purpose Bonds of 2015.....           | 2040               | 22,354,000           | 2.50-5.00         | 17,595,000                   |
| Municipal Purpose Refunding Bonds of 2015..... | 2025               | 890,000              | 2.50-5.00         | 450,000                      |
| Municipal Purpose Bonds of 2016.....           | 2036               | 4,302,400            | 2.00-5.00         | 3,165,000                    |
| Municipal Purpose Refunding Bonds of 2017..... | 2030               | 12,819,000           | 1.75-4.00         | 10,180,000                   |
| Municipal Purpose Bonds of 2017.....           | 2044               | 5,504,800            | 3.00-5.00         | 5,265,600                    |
| Municipal Purpose Bonds of 2019.....           | 2039               | 13,659,000           | 3.00-5.00         | 12,590,000                   |
| Municipal Purpose Bonds of 2020.....           | 2041               | 26,905,000           | 2.00-5.00         | 26,905,000                   |
| Municipal Purpose Bonds of 2021.....           | 2031               | 3,747,000            | 4.00-5.00         | 3,747,000                    |
| Total Bonds Payable.....                       |                    |                      |                   | 101,985,500                  |
| Add: Unamortized premium on bonds.....         |                    |                      |                   | 6,931,050                    |
| Total Bonds Payable, net.....                  |                    |                      |                   | \$ 108,916,550               |

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

| Year       | Principal             | Interest             | Total                 |
|------------|-----------------------|----------------------|-----------------------|
| 2021.....  | \$ 6,130,300          | \$ 3,484,205         | \$ 9,614,505          |
| 2022.....  | 7,699,200             | 3,355,471            | 11,054,671            |
| 2023.....  | 7,474,400             | 3,007,307            | 10,481,707            |
| 2024.....  | 7,425,800             | 2,678,636            | 10,104,436            |
| 2025.....  | 7,133,500             | 2,378,208            | 9,511,708             |
| 2026.....  | 6,636,600             | 2,116,882            | 8,753,482             |
| 2027.....  | 6,003,300             | 1,882,808            | 7,886,108             |
| 2028.....  | 5,718,000             | 1,674,066            | 7,392,066             |
| 2029.....  | 5,552,700             | 1,459,115            | 7,011,815             |
| 2030.....  | 5,002,400             | 1,250,341            | 6,252,741             |
| 2031.....  | 4,773,000             | 1,053,453            | 5,826,453             |
| 2032.....  | 4,352,700             | 893,403              | 5,246,103             |
| 2033.....  | 4,352,300             | 747,523              | 5,099,823             |
| 2034.....  | 3,921,900             | 630,903              | 4,552,803             |
| 2035.....  | 3,870,500             | 527,045              | 4,397,545             |
| 2036.....  | 3,641,100             | 428,831              | 4,069,931             |
| 2037.....  | 3,123,700             | 335,683              | 3,459,383             |
| 2038.....  | 3,128,200             | 245,090              | 3,373,290             |
| 2039.....  | 2,442,800             | 152,689              | 2,595,489             |
| 2040.....  | 1,916,300             | 80,957               | 1,997,257             |
| 2041.....  | 1,090,800             | 26,556               | 1,117,356             |
| 2042.....  | 194,200               | 20,114               | 214,314               |
| 2043.....  | 198,700               | 13,560               | 212,260               |
| 2044.....  | 203,100               | 3,427                | 206,527               |
| Total..... | \$ <u>101,985,500</u> | \$ <u>28,446,266</u> | \$ <u>130,431,766</u> |

**Bonds and Notes Payable Schedule – Enterprise Funds**

| Project  | Maturities<br>Through | Original<br>Loan<br>Amount | Interest<br>Rate<br>(%) | Outstanding<br>at June 30,<br>2020 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|
| <b>Water Projects</b>                          |                       |                            |                         |                                    |
| Municipal Purpose Refunding Bonds of 2012..... | 2021                  | \$ 115,000                 | 2.00-2.63               | \$ 11,000                          |
| Municipal Purpose Bonds of 2013.....           | 2033                  | 432,000                    | 1.00-4.00               | 266,000                            |
| Municipal Purpose Bonds of 2015.....           | 2040                  | 253,000                    | 2.50-5.00               | 200,000                            |
| Municipal Purpose Bonds of 2016.....           | 2023                  | 87,500                     | 5.00                    | 36,000                             |
| Municipal Purpose Refunding Bonds of 2017..... | 2030                  | 1,693,000                  | 1.75-4.00               | 1,515,000                          |
| Municipal Purpose Bonds of 2017.....           | 2044                  | 465,100                    | 3.00-5.00               | 434,400                            |
| Municipal Purpose Bonds of 2019.....           | 2039                  | 1,011,000                  | 3.00-5.00               | 940,000                            |
| Subtotal General Obligation Bonds Payable....  |                       |                            |                         | 3,402,400                          |
| MWRA Loan .....                                | 2025                  | 900,000                    | 0.00                    | 450,000                            |
| MWRA Loan .....                                | 2026                  | 105,000                    | 0.00                    | 63,000                             |
| MWRA Loan .....                                | 2030                  | 1,217,997                  | 0.00                    | 1,217,997                          |
| Subtotal Direct Borrowings Payable.....        |                       |                            |                         | 1,730,997                          |
| Total Bonds Payable.....                       |                       |                            |                         | 5,133,397                          |
| Add: Unamortized premium on bonds.....         |                       |                            |                         | 150,472                            |
| Total Bonds Payable, net.....                  |                       |                            |                         | \$ 5,283,869                       |
| <b>Brook School Apartments Projects</b>        |                       |                            |                         |                                    |
| Municipal Purpose Bonds of 2014.....           | 2034                  | \$ 1,375,000               | 2.00-5.00               | \$ 955,000                         |
| Municipal Purpose Refunding Bonds of 2014..... | 2025                  | 1,199,000                  | 2.00-5.00               | 409,100                            |
| Total Bonds Payable.....                       |                       |                            |                         | 1,364,100                          |
| Add: Unamortized premium on bonds.....         |                       |                            |                         | 24,251                             |
| Total Bonds Payable, net.....                  |                       |                            |                         | \$ 1,388,351                       |
| Total Enterprise.....                          |                       |                            |                         | \$ 6,672,220                       |

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

**WATER ENTERPRISE FUND, DEBT SERVICE PAYMENTS**

| Year       | General Obligation Bonds Payable: |            |              |
|------------|-----------------------------------|------------|--------------|
|            | Principal                         | Interest   | Total        |
| 2021.....  | \$ 291,000                        | \$ 114,986 | \$ 405,986   |
| 2022.....  | 284,300                           | 102,555    | 386,855      |
| 2023.....  | 281,500                           | 90,311     | 371,811      |
| 2024.....  | 269,800                           | 78,535     | 348,335      |
| 2025.....  | 272,100                           | 67,525     | 339,625      |
| 2026.....  | 268,400                           | 58,400     | 326,800      |
| 2027.....  | 256,700                           | 51,205     | 307,905      |
| 2028.....  | 247,000                           | 44,139     | 291,139      |
| 2029.....  | 237,300                           | 37,049     | 274,349      |
| 2030.....  | 157,600                           | 30,802     | 188,402      |
| 2031.....  | 97,000                            | 26,143     | 123,143      |
| 2032.....  | 97,300                            | 23,161     | 120,461      |
| 2033.....  | 92,700                            | 20,241     | 112,941      |
| 2034.....  | 68,100                            | 17,461     | 85,561       |
| 2035.....  | 69,500                            | 15,419     | 84,919       |
| 2036.....  | 69,900                            | 13,333     | 83,233       |
| 2037.....  | 71,300                            | 11,161     | 82,461       |
| 2038.....  | 66,800                            | 8,935      | 75,735       |
| 2039.....  | 67,200                            | 6,762      | 73,962       |
| 2040.....  | 33,700                            | 4,578      | 38,278       |
| 2041.....  | 24,200                            | 3,482      | 27,682       |
| 2042.....  | 25,800                            | 2,668      | 28,468       |
| 2043.....  | 26,300                            | 1,796      | 28,096       |
| 2044.....  | 26,900                            | 908        | 27,808       |
| Total..... | \$ 3,402,400                      | \$ 831,555 | \$ 4,233,955 |

| Year       | Direct Borrowings Payable: |          |              |
|------------|----------------------------|----------|--------------|
|            | Principal                  | Interest | Total        |
| 2021.....  | \$ 222,300                 | \$ -     | \$ 222,300   |
| 2022.....  | 222,300                    | -        | 222,300      |
| 2023.....  | 222,300                    | -        | 222,300      |
| 2024.....  | 222,300                    | -        | 222,300      |
| 2025.....  | 222,300                    | -        | 222,300      |
| 2026.....  | 132,300                    | -        | 132,300      |
| 2027.....  | 121,800                    | -        | 121,800      |
| 2028.....  | 121,800                    | -        | 121,800      |
| 2029.....  | 121,800                    | -        | 121,800      |
| 2030.....  | 121,797                    | -        | 121,797      |
| Total..... | \$ 1,730,997               | \$ -     | \$ 1,730,997 |

**BROOK SCHOOL APARTMENTS FUND, DEBT SERVICE PAYMENTS**

| Year       | Principal           | Interest          | Total               |
|------------|---------------------|-------------------|---------------------|
| 2021.....  | \$ 202,700          | \$ 50,568         | \$ 253,268          |
| 2022.....  | 203,500             | 41,132            | 244,632             |
| 2023.....  | 204,100             | 32,358            | 236,458             |
| 2024.....  | 74,400              | 23,990            | 98,390              |
| 2025.....  | 74,400              | 22,020            | 96,420              |
| 2026.....  | 70,000              | 19,700            | 89,700              |
| 2027.....  | 70,000              | 17,600            | 87,600              |
| 2028.....  | 70,000              | 15,500            | 85,500              |
| 2029.....  | 70,000              | 13,400            | 83,400              |
| 2030.....  | 65,000              | 11,212            | 76,212              |
| 2031.....  | 65,000              | 9,100             | 74,100              |
| 2032.....  | 65,000              | 6,906             | 71,906              |
| 2033.....  | 65,000              | 4,632             | 69,632              |
| 2034.....  | 65,000              | 2,356             | 67,356              |
| Total..... | \$ <u>1,364,100</u> | \$ <u>270,474</u> | \$ <u>1,634,574</u> |

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

| Purpose                                       | Amount              |
|---|---------------------|
| Brook School Apartments.....                  | \$ 226,000          |
| Affordable housing.....                       | 250,000             |
| Town Center construction.....                 | 760,000             |
| 500 Wellesley Street land acquisition.....    | 11,734              |
| Josiah Smith Tavern building restoration..... | <u>4,683,622</u>    |
| Total.....                                    | \$ <u>5,931,356</u> |

Changes in Long-term Liabilities

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

|  | Beginning<br>Balance | Bonds and<br>Notes<br>Issued | Bonds and<br>Notes<br>Redeemed | Other<br>Increases | Other<br>Decreases | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------|------------------------------|--------------------------------|--------------------|--------------------|-------------------|------------------------|
| <b>Governmental Activities:</b>                            |                      |                              |                                |                    |                    |                   |                        |
| Long-term bonds payable.....                               | \$ 78,456,500        | \$ 30,652,000                | \$ (7,123,000)                 | \$ -               | \$ -               | \$ 101,985,500    | \$ 6,130,300           |
| Add: Unamortized premium on bonds.....                     | 4,155,513            | 3,451,118                    | (675,581)                      | -                  | -                  | 6,931,050         | 991,987                |
| Total bonds payable.....                                   | 82,612,013           | 34,103,118                   | (7,798,581)                    | -                  | -                  | 108,916,550       | 7,122,287              |
| Landfill closure.....                                      | 25,000               | -                            | -                              | -                  | (25,000)           | -                 | -                      |
| Compensated absences.....                                  | 2,771,000            | -                            | -                              | 1,833,000          | (1,401,000)        | 3,203,000         | 1,553,000              |
| Net pension liability.....                                 | 65,478,884           | -                            | -                              | 5,878,637          | (5,174,644)        | 66,182,877        | -                      |
| Net other postemployment benefits.....                     | 48,310,983           | -                            | -                              | 15,772,953         | (5,320,440)        | 58,763,496        | -                      |
| Total governmental activity<br>long-term liabilities.....  | \$ 199,197,880       | \$ 34,103,118                | \$ (7,798,581)                 | \$ 23,484,590      | \$ (11,921,084)    | \$ 237,065,923    | \$ 8,675,287           |
| <b>Business-Type Activities:</b>                           |                      |                              |                                |                    |                    |                   |                        |
| Long-term general obligation bonds payable...\$            | 5,278,500            | \$ -                         | \$ (512,000)                   | \$ -               | \$ -               | \$ 4,766,500      | \$ 493,700             |
| Long-term direct borrowings payable.....                   | 613,500              | 1,217,997                    | (100,500)                      | -                  | -                  | 1,730,997         | 222,300                |
| Add: Unamortized premium on bonds.....                     | 221,687              | -                            | (46,964)                       | -                  | -                  | 174,723           | 39,370                 |
| Total bonds payable.....                                   | 6,113,687            | 1,217,997                    | (659,464)                      | -                  | -                  | 6,672,220         | 755,370                |
| Compensated absences.....                                  | 310,000              | -                            | -                              | 163,000            | (145,000)          | 328,000           | 162,000                |
| Net pension liability.....                                 | 1,390,704            | -                            | -                              | 170,897            | (113,243)          | 1,448,358         | -                      |
| Net other postemployment benefits.....                     | 1,740,732            | -                            | -                              | 435,567            | (180,683)          | 1,995,616         | -                      |
| Total business-type activity<br>long-term liabilities..... | \$ 9,555,123         | \$ 1,217,997                 | \$ (659,464)                   | \$ 769,464         | \$ (438,926)       | \$ 10,444,194     | \$ 917,370             |

Long-term liabilities related to governmental activities are normally paid from the general fund and the community preservation fund, while long-term liabilities related to business-type activities are normally paid from the enterprise funds.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balances according to the constraints imposed on the use of the resources.

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

In addition to the nonspendable fund balance, the Town classifies spendable fund balances based on a hierarchy of spending constraints as follows:

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund, change in purpose of the fund, or appropriations from the fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any appropriations made into the fund require a majority vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. In accordance with Massachusetts General Law the Town has established a general stabilization fund and a pension liability stabilization fund to assist the Town in funding its liability for pension benefits.

At year end, the balance of the general stabilization fund is approximately \$3.3 million and the balance of the pension liability stabilization fund is approximately \$434,000. These stabilization funds are reported as unassigned fund balance within the general fund.

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

|   | General              | Community Preservation Fund | Capital Projects     | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|----------------------|-----------------------------|--------------------------|
| <b>Fund Balances:</b>                             |                      |                             |                      |                             |                          |
| <b>Nonspendable:</b>                              |                      |                             |                      |                             |                          |
| Permanent fund principal.....                     | \$ -                 | \$ -                        | \$ -                 | \$ 10,896,893               | \$ 10,896,893            |
| <b>Restricted for:</b>                            |                      |                             |                      |                             |                          |
| Community preservation.....                       | -                    | 6,122,365                   | -                    | -                           | 6,122,365                |
| Capital projects.....                             | -                    | -                           | 19,998,206           | -                           | 19,998,206               |
| School lunch.....                                 | -                    | -                           | -                    | 197,191                     | 197,191                  |
| School grants.....                                | -                    | -                           | -                    | 1,645,121                   | 1,645,121                |
| School gifts.....                                 | -                    | -                           | -                    | 530,690                     | 530,690                  |
| School revolving funds.....                       | -                    | -                           | -                    | 717,980                     | 717,980                  |
| Town grants.....                                  | -                    | -                           | -                    | 253,465                     | 253,465                  |
| Town gifts.....                                   | -                    | -                           | -                    | 1,377,988                   | 1,377,988                |
| Affordable housing.....                           | -                    | -                           | -                    | 1,113,993                   | 1,113,993                |
| Receipts reserved for appropriation.....          | -                    | -                           | -                    | 746,711                     | 746,711                  |
| Expendable trust funds.....                       | -                    | -                           | -                    | 6,530,986                   | 6,530,986                |
| <b>Committed to:</b>                              |                      |                             |                      |                             |                          |
| <b>Articles and continuing appropriations:</b>    |                      |                             |                      |                             |                          |
| General government.....                           | 113,621              | -                           | -                    | -                           | 113,621                  |
| Facilities town-wide.....                         | 667,613              | -                           | -                    | -                           | 667,613                  |
| Public safety.....                                | 116,881              | -                           | -                    | -                           | 116,881                  |
| Education.....                                    | 7,231                | -                           | -                    | -                           | 7,231                    |
| Public works.....                                 | 2,088,207            | -                           | -                    | -                           | 2,088,207                |
| Health and human services.....                    | 15,000               | -                           | -                    | -                           | 15,000                   |
| Insurance.....                                    | 123,169              | -                           | -                    | -                           | 123,169                  |
| Fringe benefits.....                              | 613,947              | -                           | -                    | -                           | 613,947                  |
| <b>Assigned to:</b>                               |                      |                             |                      |                             |                          |
| <b>Encumbrances:</b>                              |                      |                             |                      |                             |                          |
| General government.....                           | 5,443                | -                           | -                    | -                           | 5,443                    |
| Facilities town-wide.....                         | 107,519              | -                           | -                    | -                           | 107,519                  |
| Finance.....                                      | 64                   | -                           | -                    | -                           | 64                       |
| Land use, planning, and inspectional services.... | 1,200                | -                           | -                    | -                           | 1,200                    |
| Public safety.....                                | 8,004                | -                           | -                    | -                           | 8,004                    |
| Education.....                                    | 308,382              | -                           | -                    | -                           | 308,382                  |
| Public works.....                                 | 30,464               | -                           | -                    | -                           | 30,464                   |
| Library.....                                      | 8,577                | -                           | -                    | -                           | 8,577                    |
| Free cash used for subsequent year budget.....    | 4,520,811            | -                           | -                    | -                           | 4,520,811                |
| Unassigned.....                                   | 10,079,223           | -                           | -                    | -                           | 10,079,223               |
| <b>Total Fund Balances.....</b>                   | <b>\$ 18,815,356</b> | <b>\$ 6,122,365</b>         | <b>\$ 19,998,206</b> | <b>\$ 24,011,018</b>        | <b>\$ 68,946,945</b>     |

**NOTE 9 – RISK FINANCING**

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

**NOTE 10 – PENSION PLAN***Plan Descriptions*

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available, audited financial report. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, Massachusetts 01821 or by visiting [www.mass.gov/perac](http://www.mass.gov/perac) or <http://www.middlesexretirement.org>.

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

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$10,578,596 is reported in the general fund as intergovernmental revenue and employee benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$87,233,662 as of the measurement date.

*Benefits Provided*

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

service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

There were no changes in pension benefit terms that effect measurement of the total pension liability as of December 31, 2019.

### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2019 was \$5,287,887, 25.69% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

### *Pension Liabilities*

At June 30, 2020, the Town reported a liability of \$67,631,235 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to update the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 4.23%, which changed 0.06% from its proportion measured at December 31, 2018.

*Pension Expense*

For the year ended June 30, 2020, the Town recognized pension expense of \$8,660,701. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$6,303,112 and deferred inflows of resources related to pensions of \$4,117,598. The balances of deferred outflows and inflows at June 30, 2020 consist of the following:

| Deferred Category   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total        |
|---|--------------------------------------|-------------------------------------|--------------|
| Differences between expected and actual experience.....           | \$ 1,645,613                         | \$ (153,169)                        | \$ 1,492,444 |
| Difference between projected and actual earnings, net.....        | -                                    | (1,755,025)                         | (1,755,025)  |
| Changes in assumptions.....                                       | 4,657,498                            | -                                   | 4,657,498    |
| Changes in proportion and proportionate share of contributions... | -                                    | (2,209,404)                         | (2,209,404)  |
| <br>  |                                      |                                     |              |
| Total deferred outflows/(inflows) of resources.....               | \$ 6,303,111                         | \$ (4,117,598)                      | \$ 2,185,513 |

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

| Year ended June 30: |              |
|---------------------|--------------|
| 2021.....           | \$ 1,125,437 |
| 2022.....           | 361,300      |
| 2023.....           | 865,255      |
| 2024.....           | (166,479)    |
| Total.....          | \$ 2,185,513 |

*Actuarial Assumptions*

The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions:

|                                    |  |
|------------------------------------|--|
| Valuation date.....                | January 1, 2020  |
| Actuarial cost method.....         | Entry age normal cost method.  |
| Amortization method.....           | Prior year's total contribution increased by 6.5% for fiscal 2020 through fiscal 2027, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments. |
| Remaining amortization period..... | 17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI, 2 years from July 1, 2018 for 2033 ERI, and 4 years from July 1, 2018 for 2010 ERI.   |

|   |   |
|---|---|
| Asset valuation method.....                 | The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the market value. |
| Investment rate if return/Discount rate.... | 7.30%, net pension plan investment expense, including inflation (previously 7.50%).   |
| Inflation rate.....                         | 3.25%   |
| Projected salary increases.....             | Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.  |
| Cost of living adjustments.....             | 3.0% of the first \$16,000 of retirement income, as of July 1, 2019.  |
| Mortality rates:                            |   |
| Pre-Retirement.....                         | The RP-2014 Blue Collar Employee Mortality Table projected generationally from Scale MP-2017.   |
| Healthy Retiree.....                        | The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally from Scale MP-2017.  |
| Disabled Retiree.....                       | The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally from Scale MP-2017.   |

*Investment Policy*

The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of 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, adding expected inflation and subtracting expected investment expenses and risk margin. The System’s expected future real rate of return, after deducting inflation, but before investment expense, used in the derivation of the long-term investment rate of return assumption as of December 31, 2019 are summarized in the following table:

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

*Rate of Return*

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

*Discount Rate*

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

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

|  | 1% Decrease<br>(6.30%)      | Current<br>Discount<br>(7.30%) | 1% Increase<br>(8.30%)      |
|--|-----------------------------|--------------------------------|-----------------------------|
|  | <u>                    </u> | <u>                    </u>    | <u>                    </u> |
| The Town's proportionate share of the net pension liability..... | \$ 83,113,432               | \$ 67,631,235                  | \$ 54,603,365               |

*Changes in Assumptions and Plan Provisions*

The following assumption changes were reflected in the January 1, 2020 actuarial valuation:

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

There were no changes to plan provisions in the January 1, 2018 actuarial valuation.

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

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

*Funding Policy* – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town

contributes between 67 to 85 percent, depending on coverage selected, for eligible retired plan members. Plan members receiving benefits contribute the remaining 15 to 33 percent of their premium costs for health, life and dental insurance. The medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions.

The Commonwealth of Massachusetts passed legislation that enabled the Town to establish a postemployment benefit trust fund for the purpose of accumulating assets to pre-fund its OPEB liabilities. During 2020, the Town pre-funded future OPEB liabilities totaling \$2.2 million by contributing funds to the OPEB fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of June 30, 2020, the balance of this fund totaled \$22.2 million.

*Measurement Date* – GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. GASB #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s current fiscal year, consistently applied from period to period. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

*Employees Covered by Benefit Terms* – The following table represents the Plan’s membership at June 30, 2020:

|   |                   |
|---|-------------------|
| Active members.....                               | 619               |
| Inactive members currently receiving benefits.... | <u>359</u>        |
| Total.....  | <u><u>978</u></u> |

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

|  |                             |
|--|-----------------------------|
| Total OPEB liability.....  | \$ 82,969,618               |
| Less: OPEB plan’s fiduciary net position.....  | <u>(22,210,506)</u>         |
| Net OPEB liability.....  | <u><u>\$ 60,759,112</u></u> |
| The OPEB plan’s fiduciary net position<br>as a percentage of the total OPEB liability..... | 26.77%                      |

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2020 to be in accordance with GASB #74 and GASB #75:

|                            |  |
|----------------------------|--|
| Valuation date.....        | July 1, 2018   |
| Actuarial cost method..... | Entry age normal cost method.  |
| Amortization method.....   | Increasing at 3.5% over 26 years on an closed amortization period for pre-funding. |

|   |  |
|---|--|
| Amortization period.....                | 26 years.  |
| Asset valuation method.....             | Market value.  |
| Discount/Investment rate of return..... | 6.75%, net of investment expenses, including inflation.  |
| Inflation rate.....                     | 2.4%.  |
| Healthcare cost trend rates.....        | 8.0% for 2018, decreasing 0.5% per year to 5.5%, then grading down to an ultimate rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.   |
| Mortality rates:                        |  |
| Pre-Retirement.....                     | For general and public safety employees, the RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using Scale BB2D. For teachers, the RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using Scale MP-2016.         |
| Post-Retirement.....                    | For general and public safety employees, the RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using Scale BB2D. For teachers, the RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using Scale MP-2016. |

*Rate of Return* – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

| <u>Asset Class</u>        | <u>Long-Term Expected<br/>Asset Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|---------------------------|--|---|
| Domestic equity.....      | 40.00%   | 4.96%   |
| International equity..... | 20.00%   | 7.01%   |
| Domestic bonds.....       | 20.00%   | 2.22%   |
| International bonds.....  | 5.00%  | 1.53%   |
| Alternatives.....         | 15.00%   | 2.76%   |
| Total.....                | <u>100.00%</u>                                 |   |

*Discount Rate* – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected future benefit payments as of June 30, 2020.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 6.75%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

|                         | 1% Decrease<br>(5.75%) | Current<br>Discount Rate<br>(6.75%) | 1% Increase<br>(7.75%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 73,779,678          | \$ 60,759,112                       | \$ 50,311,585          |

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend* – The following table presents the Plan’s net OPEB liability, calculated using the current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (7% year 1 decreasing to 2.9%) or 1-percentage point higher (9% year 1 decreasing to 4.9%) than the current healthcare cost trend rates:

|                         | 1% Decrease<br>7% Year 1<br>Decreasing to 2.9% | Current Trend<br>8% Year 1<br>Decreasing to 3.9% | 1% Increase<br>9% Year 1<br>Decreasing to 4.9% |
|-------------------------|--|--|--|
| Net OPEB liability..... | \$ 48,175,339                                  | \$ 60,759,112                                    | \$ 76,866,782                                  |

*Changes of Assumptions and Plan Provisions*

- The discount rate changed from 7.75% as of June 30, 2019 to 6.75% as of June 30, 2020.
- The inflation rate changed from 2.60% as of June 30, 2019 to 2.40% as of June 30, 2020.

There were no changes to plan provisions in the July 1, 2018 actuarial valuation.

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

Changes in Net OPEB Liability

|   | Increase (Decrease)            |  |                                    |
|---|--------------------------------|--|------------------------------------|
|   | Total OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| Balances at June 30, 2019.....                          | \$ 69,374,252                  | \$ 19,322,537                            | \$ 50,051,715                      |
| Changes for the year:                                   |                                |  |                                    |
| Service cost.....                                       | 1,977,302                      | -  | 1,977,302                          |
| Interest.....   | 5,402,395                      | -  | 5,402,395                          |
| Changes of benefit terms.....                           | (1,139,651)                    | -  | (1,139,651)                        |
| Differences between expected and actual experience..... | -                              | -  | -                                  |
| Changes in assumptions and other inputs.....            | 10,641,787                     | -  | 10,641,787                         |
| Benefit payments.....                                   | (3,286,467)                    | (3,286,467)                              | -                                  |
| Employer contributions.....                             | -                              | 5,501,123                                | (5,501,123)                        |
| Investment income.....                                  | -                              | 673,313                                  | (673,313)                          |
| Net change.....   | <u>13,595,366</u>              | <u>2,887,969</u>                         | <u>10,707,397</u>                  |
| Balances at June 30, 2020.....                          | <u>\$ 82,969,618</u>           | <u>\$ 22,210,506</u>                     | <u>\$ 60,759,112</u>               |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$3,736,251. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total                 |
|--|--------------------------------------|-------------------------------------|-----------------------|
| Differences between expected and actual experience.....    | \$ -                                 | \$ (8,294,703)                      | \$ (8,294,703)        |
| Difference between projected and actual earnings, net..... | 958,623                              | -                                   | 958,623               |
| Changes in assumptions.....                                | 9,153,428                            | (5,109,504)                         | 4,043,924             |
| Total deferred outflows/(inflows) of resources.....        | <u>\$ 10,112,051</u>                 | <u>\$ (13,404,207)</u>              | <u>\$ (3,292,156)</u> |

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

|                                    |                           |
|------------------------------------|---------------------------|
| <u>Fiscal year ending June 30:</u> |                           |
| 2021.....                          | \$ (849,460)              |
| 2022.....                          | (849,459)                 |
| 2023.....                          | (881,854)                 |
| 2024.....                          | (918,192)                 |
| 2025.....                          | (1,114,397)               |
| Thereafter.....                    | <u>1,321,206</u>          |
| <br>Total.....                     | <br><u>\$ (3,292,156)</u> |

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

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

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

**NOTE 13 – COVID-19**

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

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

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most

recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

#### **NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 26, 2021, which is the date the financial statements were available to be issued.

#### **NOTE 15 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

During 2020, the following GASB pronouncement was implemented:

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

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of*

*GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, in which certain paragraphs are required to be implemented in 2021 and 2022.*

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

## ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

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

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

YEAR ENDED JUNE 30, 2020

|   | Budgeted Amounts     |                      | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
|---|----------------------|----------------------|--------------------------------|--|--------------------------------|
|   | Original<br>Budget   | Final<br>Budget      |                                |  |                                |
| <b>REVENUES:</b>  |                      |                      |                                |  |                                |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ 79,881,983        | \$ 79,881,983        | \$ 79,203,869                  | \$ -                                       | \$ (678,114)                   |
| Tax liens.....  | -                    | -                    | 282,327                        | -  | 282,327                        |
| Motor vehicle excise taxes.....   | 2,980,000            | 2,980,000            | 3,059,295                      | -  | 79,295                         |
| Charges for services.....   | 340,000              | 340,000              | 369,375                        | -  | 29,375                         |
| Penalties and interest on taxes.....                                      | 150,000              | 150,000              | 175,971                        | -  | 25,971                         |
| Fees and rentals.....   | 295,000              | 295,000              | 301,084                        | -  | 6,084                          |
| Payments in lieu of taxes.....  | 39,623               | 39,623               | 29,952                         | -  | (9,671)                        |
| Licenses and permits.....   | 1,075,000            | 1,075,000            | 1,026,039                      | -  | (48,961)                       |
| Fines and forfeitures.....  | 85,000               | 85,000               | 74,273                         | -  | (10,727)                       |
| Intergovernmental.....  | 5,043,886            | 5,043,886            | 5,025,069                      | -  | (18,817)                       |
| Departmental and other.....   | 510,299              | 510,299              | 943,044                        | -  | 432,745                        |
| Investment income.....  | 235,000              | 235,000              | 678,715                        | -  | 443,715                        |
| <b>TOTAL REVENUES.....</b>  | <b>90,635,791</b>    | <b>90,635,791</b>    | <b>91,169,013</b>              | <b>-</b>                                   | <b>533,222</b>                 |
| <b>EXPENDITURES:</b>  |                      |                      |                                |  |                                |
| Current:  |                      |                      |                                |  |                                |
| General government.....   | 3,368,559            | 2,806,080            | 2,135,885                      | 119,064                                    | 551,131                        |
| Facilities Town-wide.....   | 2,618,809            | 2,604,736            | 1,697,726                      | 775,132                                    | 131,878                        |
| Finance.....  | 894,749              | 934,705              | 883,866                        | 64   | 50,775                         |
| Land use, planning and inspectional services.....                         | 883,694              | 1,032,606            | 941,815                        | 1,200                                      | 89,591                         |
| Public safety.....  | 7,657,494            | 7,836,713            | 7,455,269                      | 124,885                                    | 256,559                        |
| Education.....  | 41,900,436           | 41,938,143           | 41,201,444                     | 315,613                                    | 421,086                        |
| Public works.....   | 7,614,745            | 7,738,918            | 5,331,219                      | 2,118,671                                  | 289,028                        |
| Health and human services.....  | 805,638              | 868,247              | 820,365                        | 15,000                                     | 32,882                         |
| Public library.....   | 1,453,876            | 1,469,561            | 1,355,729                      | 8,577                                      | 105,255                        |
| Pension benefits.....   | 5,287,887            | 5,287,887            | 5,287,887                      | -  | -                              |
| Property and liability insurance.....                                     | 824,578              | 997,977              | 633,846                        | 123,169                                    | 240,962                        |
| Employee benefits.....  | 14,264,101           | 14,090,697           | 13,436,795                     | 613,947                                    | 39,955                         |
| State and county charges.....   | 390,664              | 390,664              | 369,766                        | -  | 20,898                         |
| Debt service:   |                      |                      |                                |  |                                |
| Principal.....  | 6,640,000            | 6,640,000            | 6,640,000                      | -  | -                              |
| Interest.....   | 3,013,941            | 3,013,941            | 2,889,051                      | -  | 124,890                        |
| <b>TOTAL EXPENDITURES.....</b>  | <b>97,619,171</b>    | <b>97,650,875</b>    | <b>91,080,663</b>              | <b>4,215,322</b>                           | <b>2,354,890</b>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>(6,983,380)</b>   | <b>(7,015,084)</b>   | <b>88,350</b>                  | <b>(4,215,322)</b>                         | <b>2,888,112</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                      |                      |                                |  |                                |
| Use of prior year reserves.....   | 3,305,684            | 3,305,684            | -                              | -  | (3,305,684)                    |
| Use of free cash.....   | 3,000,000            | 3,120,000            | -                              | -  | (3,120,000)                    |
| Use of overlay.....   | 256,000              | 256,000              | -                              | -  | (256,000)                      |
| Use of reserved premium.....  | 278,617              | 278,617              | -                              | -  | (278,617)                      |
| Transfers in.....   | 733,517              | 733,517              | 733,517                        | -  | -                              |
| Transfers out.....  | (590,438)            | (678,734)            | (678,734)                      | -  | -                              |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES).....</b>                      | <b>6,983,380</b>     | <b>7,015,084</b>     | <b>54,783</b>                  | <b>-</b>                                   | <b>(6,960,301)</b>             |
| <b>NET CHANGE IN FUND BALANCE.....</b>                                    | <b>-</b>             | <b>-</b>             | <b>143,133</b>                 | <b>(4,215,322)</b>                         | <b>(4,072,189)</b>             |
| <b>BUDGETARY FUND BALANCE, Beginning of year.....</b>                     | <b>14,974,445</b>    | <b>14,974,445</b>    | <b>14,974,445</b>              | <b>-</b>                                   | <b>-</b>                       |
| <b>BUDGETARY FUND BALANCE, End of year.....</b>                           | <b>\$ 14,974,445</b> | <b>\$ 14,974,445</b> | <b>\$ 15,117,578</b>           | <b>\$ (4,215,322)</b>                      | <b>\$ (4,072,189)</b>          |

See notes to required supplementary information.

# ***Pension Plan Schedules***

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

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

The Schedule of Special Funding Amounts of the Net Pension Liability related to the Teachers Retirement System presents trend information that discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town teachers; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

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

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

| Year                   | Proportion of<br>the net pension<br>liability (asset) | Proportionate<br>share of the<br>net pension<br>liability (asset) | Covered<br>payroll | Net pension<br>liability as a<br>percentage of<br>covered<br>payroll | Plan fiduciary<br>net position as<br>a percentage of<br>the total<br>pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2019..... | 4.227%  | \$ 67,631,235   | \$ 20,581,451      | 328.60%  | 49.45%   |
| December 31, 2018..... | 4.288%  | 66,869,588  | 19,704,147         | 339.37%  | 46.40%   |
| December 31, 2017..... | 4.325%  | 61,375,790  | 18,905,798         | 324.64%  | 49.27%   |
| December 31, 2016..... | 4.476%  | 63,418,247  | 19,031,657         | 333.23%  | 45.49%   |
| December 31, 2015..... | 4.549%  | 58,678,679  | 19,366,732         | 302.99%  | 46.13%   |
| December 31, 2014..... | 4.573%  | 54,939,016  | 18,621,858         | 295.02%  | 47.65%   |

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM**

| Year               | Actuarially<br>determined<br>contribution | Contributions in<br>relation to the<br>actuarially<br>determined<br>contribution | Contribution<br>deficiency<br>(excess) | Covered<br>payroll | Contributions as<br>a percentage of<br>covered<br>payroll |
|--------------------|---|--|--|--------------------|---|
| June 30, 2020..... | \$ 5,287,887                              | \$ (5,287,887)   | -                                      | \$ 20,787,266      | 25.44%  |
| June 30, 2019..... | 5,114,630                                 | (5,114,630)  | -                                      | 19,901,188         | 25.70%  |
| June 30, 2018..... | 4,792,481                                 | (4,792,481)  | -                                      | 19,094,856         | 25.10%  |
| June 30, 2017..... | 4,557,886                                 | (4,557,886)  | -                                      | 19,221,974         | 23.71%  |
| June 30, 2016..... | 4,270,242                                 | (4,270,242)  | -                                      | 19,560,399         | 21.83%  |
| June 30, 2015..... | 4,139,155                                 | (4,139,155)  | -                                      | 18,808,077         | 22.01%  |

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

See notes to required supplementary information.

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

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

| Year      | Commonwealth's<br>100% Share of the<br>Associated Net<br>Pension Liability | Expense and<br>Revenue<br>Recognized for the<br>Commonwealth's<br>Support | Plan Fiduciary Net<br>Position as a<br>Percentage of the<br>Total Liability |
|-----------|--|---|---|
| 2020..... | \$ 87,233,662  | \$ 10,578,596   | 53.95%  |
| 2019..... | 82,515,418   | 8,361,743   | 54.84%  |
| 2018..... | 81,750,201   | 8,532,506   | 54.25%  |
| 2017..... | 78,315,763   | 7,988,721   | 52.73%  |
| 2016..... | 74,825,908   | 6,069,047   | 55.38%  |
| 2015..... | 58,374,297   | 4,055,543   | 61.64%  |

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

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

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

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

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

|   | June 30,<br>2017     | June 30,<br>2018     | June 30,<br>2019     | June 30,<br>2020     |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>   |                      |                      |                      |                      |
| Service Cost.....   | \$ 2,774,232         | \$ 2,885,201         | \$ 3,000,210         | \$ 1,977,302         |
| Interest.....   | 4,667,219            | 4,959,793            | 5,266,595            | 5,402,395            |
| Changes of benefit terms.....   | -                    | (18,601)             | -                    | (1,139,651)          |
| Differences between expected and actual experience....                          | -                    | -                    | (11,515,947)         | -                    |
| Changes of assumptions.....   | -                    | -                    | (7,093,778)          | 10,641,787           |
| Benefit payments.....   | <u>(2,773,623)</u>   | <u>(2,968,864)</u>   | <u>(3,096,276)</u>   | <u>(3,286,467)</u>   |
| Net change in total OPEB liability.....   | 4,667,828            | 4,857,529            | (13,439,196)         | 13,595,366           |
| Total OPEB liability - beginning.....   | <u>73,288,091</u>    | <u>77,955,919</u>    | <u>82,813,448</u>    | <u>69,374,252</u>    |
| Total OPEB liability - ending (a).....  | <u>\$ 77,955,919</u> | <u>\$ 82,813,448</u> | <u>\$ 69,374,252</u> | <u>\$ 82,969,618</u> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |
| Employer contributions.....   | \$ 1,652,517         | \$ 1,736,480         | \$ 2,121,634         | \$ 2,214,656         |
| Employer contributions for OPEB payments.....                                   | 2,773,623            | 2,968,864            | 3,096,276            | 3,286,467            |
| Net investment income.....  | 911,453              | 753,993              | 923,173              | 673,313              |
| Benefit payments.....   | <u>(2,773,623)</u>   | <u>(2,968,864)</u>   | <u>(3,096,276)</u>   | <u>(3,286,467)</u>   |
| Net change in plan fiduciary net position.....                                  | 2,563,970            | 2,490,473            | 3,044,807            | 2,887,969            |
| Plan fiduciary net position - beginning of year.....                            | <u>11,223,287</u>    | <u>13,787,257</u>    | <u>16,277,730</u>    | <u>19,322,537</u>    |
| Plan fiduciary net position - end of year (b).....                              | <u>\$ 13,787,257</u> | <u>\$ 16,277,730</u> | <u>\$ 19,322,537</u> | <u>\$ 22,210,506</u> |
| <b>Net OPEB liability - ending (a)-(b).....</b>                                 | <u>\$ 64,168,662</u> | <u>\$ 66,535,718</u> | <u>\$ 50,051,715</u> | <u>\$ 60,759,112</u> |
| Plan fiduciary net position as a percentage of the<br>total OPEB liability..... | 17.69%               | 19.66%               | 27.85%               | 26.77%               |
| Covered-employee payroll.....   | \$ 41,848,763        | \$ 42,596,462        | \$ 47,231,600        | \$ 48,320,872        |
| Net OPEB liability as a percentage of<br>covered-employee payroll.....          | 153.33%              | 156.20%              | 105.97%              | 125.74%              |

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

See notes to required supplementary information.

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

| <u>Year</u>        | <u>Actuarially<br/>determined<br/>contribution</u> | <u>Contributions in<br/>relation to the<br/>actuarially<br/>determined<br/>contribution</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered-<br/>employee payroll</u> | <u>Contributions as<br/>a percentage of<br/>covered-<br/>employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2020..... | \$ 5,409,006                                       | \$ (5,501,123)  | \$ (92,117)                                     | \$ 48,320,872                        | 11.38%  |
| June 30, 2019..... | 6,794,570  | (5,217,910)   | 1,576,660                                       | 47,231,600                           | 11.05%  |
| June 30, 2018..... | 6,267,931  | (4,705,344)   | 1,562,587                                       | 42,596,462                           | 11.05%  |
| June 30, 2017..... | 4,426,140  | (4,426,140)   | -   | 41,848,763                           | 10.58%  |

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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| <u>Year</u>        | <u>Annual money-weighted<br/>rate of return,<br/>net of investment expense</u> |
|--------------------|--|
| June 30, 2020..... | 3.15%  |
| June 30, 2019..... | 5.22%  |
| June 30, 2018..... | 5.10%  |
| June 30, 2017..... | 8.03%  |

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

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting adopts the expenditure budget by majority vote.

Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a Special Town Meeting.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year.

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 budget includes approximately \$94.9 million in appropriations and other amounts to be raised and approximately \$3.3 million in encumbrances and appropriations carried over from previous years. The change between the final budget and the original budget was \$120,000. This increase was due to voted appropriations from free cash.

The accounting office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

Budgetary - GAAP Reconciliation

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

|  |    |                     |
|--|----|---------------------|
| Net change in fund balance - budgetary basis.....                                | \$ | 143,133             |
| <u>Perspective differences:</u>  |    |                     |
| Activity of the stabilization fund recorded in the<br>general fund for GAAP..... |    | 64,824              |
| <u>Basis of accounting differences:</u>  |    |                     |
| Net change in recording tax refunds payable.....                                 |    | 328,000             |
| Recognition of revenue for on-behalf payments.....                               |    | 10,578,596          |
| Recognition of expenditures for on-behalf payments....                           |    | <u>(10,578,596)</u> |
| Net change in fund balance - GAAP basis.....                                     | \$ | <u>535,957</u>      |

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

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

Schedule of Town's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes in Assumptions

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

Changes in Plan Provisions

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

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members, including teachers.

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

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

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Schedule of Investment Returns

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

Changes of Assumptions

- The discount rate changed from 7.75% as of June 30, 2019 to 6.75% as of June 30, 2020.
- The inflation rate changed from 2.60% as of June 30, 2019 to 2.40% as of June 30, 2020.

Changes in Provisions

None.