

TOWN OF HOLBROOK, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2020

TOWN OF HOLBROOK, MASSACHUSETTS

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JUNE 30, 2020

TABLE OF CONTENTS

Independent Auditor's Report.....1
Management's Discussion and Analysis3
Basic Financial Statements11
 Statement of Net Position13
 Statement of Activities14
 Governmental Funds – Balance Sheet.....16
 Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position.17
 Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances.....18
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities19
 Proprietary Funds – Statement of Net Position20
 Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position.....21
 Proprietary Funds – Statement of Cash Flows22
 Fiduciary Funds – Statement of Fiduciary Net Position.....23
 Fiduciary Funds – Statement of Changes in Fiduciary Net Position24
 Notes to Basic Financial Statements25
Required Supplementary Information.....62
 General Fund Budgetary Comparison Schedule63
 General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual....64
 Pension Plan Schedules65
 Schedule of the Town's Proportionate Share of the Net Pension Liability.....66
 Schedule of the Town's Contributions.....67
 Schedule of Special Funding Amounts of the Net Pension Liability68
 Other Postemployment Benefit Plan Schedules.....69
 Schedule of Changes in the Town's Net OPEB Liability and Related Ratios70
 Schedule of the Town's Contributions.....71
 Schedule of Investment Returns72
Notes to Required Supplementary Information.....73



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

To the Town Administrator and Board of Selectmen
Town of Holbrook, 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 Holbrook, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Holbrook, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holbrook, 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 January 20, 2021, on our consideration of the Town of Holbrook, 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 Holbrook, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan LLC

January 20, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Holbrook (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended 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'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, financial services, inspectional services, public safety, education, public works, public services, COVID-19 and interest. The business-type activities include activities of the water department, sewer department, solid waste department and PEG access operations.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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, sewer activities, solid waste activities and PEG access activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial 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 three different types of fiduciary funds. The Other Postemployment Benefits Trust Fund is used to report resources held in trust for healthcare benefits for retirees and beneficiaries. The private purpose trust fund and 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, police and fire details, payroll withholdings and student activity funds. The Town's private purpose trust fund is used to account for scholarships.

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.

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. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$18.0 million at the close of 2020.

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets.....	\$ 21,464,013	\$ 16,937,935
Capital assets, net of accumulated depreciation.....	<u>107,031,672</u>	<u>107,099,746</u>
Total assets.....	<u>128,495,685</u>	<u>124,037,681</u>
Deferred outflows of resources.....	<u>5,179,477</u>	<u>8,229,821</u>
Liabilities:		
Current liabilities (excluding debt).....	3,602,505	1,615,954
Noncurrent liabilities (excluding debt).....	71,618,218	72,797,266
Current debt.....	4,383,083	7,939,244
Noncurrent debt.....	<u>34,755,434</u>	<u>33,724,480</u>
Total liabilities.....	<u>114,359,240</u>	<u>116,076,944</u>
Deferred inflows of resources.....	<u>1,275,072</u>	<u>873,611</u>
Net position:		
Net investment in capital assets.....	70,219,822	67,712,171
Restricted.....	1,565,570	1,646,159
Unrestricted.....	<u>(53,744,542)</u>	<u>(54,041,383)</u>
Total net position.....	<u>\$ 18,040,850</u>	<u>\$ 15,316,947</u>

Net position of \$70.2 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, \$2.4 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 \$54.6 million. This deficit balance is primarily due to the recognition of a \$16.5 million net pension liability, and a \$54 million net OPEB liability.

The governmental activities net position increased by \$2.7 million in 2020. Key factors include \$810,000 of positive budgetary results in the general fund, as well as the recognition of \$3.6 million of capital grant revenue for received through the Commonwealth's Chapter 90 roadway improvement reimbursement program, FEMA reimbursements, and state grants for the 911 center.

Operating grant increases include a \$1.1 million increase in state chapter 70 school funding, a \$800,000 increase in the Massachusetts Teacher’s Retirement on-behalf payments, \$127,000 in COVID-19 funding, and operating grants relating to the new 911 center.

	2020	2019
Program Revenues:		
Charges for services..... \$	2,736,863	\$ 2,974,268
Operating grants and contributions.....	14,599,364	13,284,424
Capital grants and contributions.....	3,610,619	517,397
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	29,877,437	28,093,671
Motor vehicle and other excise taxes.....	1,549,572	1,548,886
Penalties and interest on taxes.....	443,670	395,399
Payments in lieu of taxes.....	1,618	3,292
Grants and contributions not restricted to specific programs.....	1,658,473	2,207,993
Unrestricted investment income.....	123,727	175,525
Total revenues.....	54,601,343	49,200,855
Expenses:		
General government.....	1,609,339	1,725,470
Financial services.....	1,095,912	1,169,789
Inspectional services.....	457,584	307,904
Public safety.....	12,459,232	11,745,500
Education.....	31,465,259	28,887,579
Public works.....	2,257,985	2,574,351
Public services.....	891,876	873,374
COVID-19.....	127,003	-
Interest.....	1,254,762	1,365,353
Total expenses.....	51,618,952	48,649,320
Excess (Deficiency) before transfers.....	2,982,391	551,535
Transfers.....	(258,488)	(15,792)
Change in net position.....	2,723,903	535,743
Net position, beginning of year.....	15,316,947	14,781,204
Net position, end of year..... \$	18,040,850	\$ 15,316,947

Business-type Activities:

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28.6 million at the close of 2020.

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets.....	\$ 9,475,047	\$ 4,007,777
Capital assets, net of accumulated depreciation.....	<u>39,564,330</u>	<u>39,455,047</u>
Total assets.....	<u>49,039,377</u>	<u>43,462,824</u>
Deferred outflows of resources.....	<u>105,571</u>	<u>163,219</u>
Liabilities:		
Current liabilities (excluding debt).....	372,463	348,902
Noncurrent liabilities (excluding debt).....	1,463,434	1,469,435
Current debt.....	9,075,158	3,693,222
Noncurrent debt.....	<u>9,594,314</u>	<u>10,148,998</u>
Total liabilities.....	<u>20,505,369</u>	<u>15,660,557</u>
Deferred inflows of resources.....	<u>22,434</u>	<u>15,930</u>
Net position:		
Net investment in capital assets.....	27,282,939	26,681,289
Unrestricted.....	<u>1,334,206</u>	<u>1,268,267</u>
Total net position.....	<u>\$ 28,617,145</u>	<u>\$ 27,949,556</u>

Business-type net position of \$27.3 million represents the net investment in capital assets. The remaining balance of unrestricted business-type net position totaled \$1.3 million.

	<u>2020</u>	<u>2019</u>
Program Revenues:		
Charges for services.....	\$ 6,151,917	\$ 5,588,597
General Revenues:		
Unrestricted investment income.....	<u>8,160</u>	<u>12,120</u>
Total revenues.....	<u>6,160,077</u>	<u>5,600,717</u>
Expenses:		
Water.....	2,017,327	2,129,767
Sewer.....	2,767,757	2,776,104
Solid waste.....	737,481	529,330
PEG access.....	<u>228,411</u>	<u>-</u>
Total expenses.....	<u>5,750,976</u>	<u>5,435,201</u>
Excess (Deficiency) before transfers.....	409,101	165,516
Transfers.....	<u>258,488</u>	<u>15,792</u>
Change in net position.....	667,589	181,308
Net position, beginning of year (as restated).....	<u>27,949,556</u>	<u>27,768,248</u>
Net position, end of year.....	<u>\$ 28,617,145</u>	<u>\$ 27,949,556</u>

The Town's business-type activities include water, sewer, solid waste and PEG access activities.

The water enterprise fund's net position of \$9.9 million represents the net investment in capital assets while \$301,000 is unrestricted. Net position increased by \$664,000 during the year. Cash and short term debt were up as the Town borrowed \$7.1 million in short-term BANs related to the joint water treatment plant project. This project is in the design phase and is anticipated to be completed in 2024.

The sewer enterprise fund's net position of \$17.4 million represents the net investment in capital assets while unrestricted net position was \$711,000. Net position decreased by \$280,000, which is consistent with the prior year as depreciation expense charged to the fund exceeded the amount budgeted for principal payments on long-term debt.

The solid waste enterprise fund's net position of \$322,000 is unrestricted. Net position increased by \$283,000 during the year. The increase in both charges for services and the cost of services is due to a new trash collection program implemented in the fall of 2019, including a new fee schedule.

The PEG access enterprise fund operated for the first year in 2020. Revenues of \$228,000 consist of fees collected from Verizon and Comcast through cable bills. All funds collected are provided to Holbrook Community Access and Media (HCAM) for public, education and government (PEG) access.

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 \$11 million, an increase of \$5.3 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 \$7.5 million, while \$482,000 has been assigned for encumbrances and free cash voted for fiscal year 21 appropriations. The balance of the general fund increased by \$1.2 million during the current year, primarily due to better than anticipated revenue collections and unexpended appropriations. 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 17.2% of total general fund expenditures. Total fund balance represents 18.3% of total general fund expenditures.

The School Building fund had a fund balance of \$2,000 at year-end, an increase of \$2.8 million over the prior year. The increase is associated with the issuance of long-term bonds and bond premiums used to finance the school building project. The project did not have any expenditures in fiscal year 2020.

Nonmajor governmental funds reported an increase of \$1.3 million in fund balance, which was primarily attributable to a timing difference between the receipt and expenditure of state and federal grants and bond proceeds.

General Fund Budgetary Highlights

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 budget includes approximately \$42.8 million in appropriations and other amounts to be raised and \$58,000 in encumbrances and appropriations carried over from previous years. During 2020, Town Meeting approved supplemental appropriations totaling \$1.3 million, primarily for the voted use of free cash for transfers to the Stabilization and OPEB trust funds.

Capital Asset and Debt Administration

During the current year, the Town expended \$3.4 million on governmental activities capital assets consisting mainly of construction costs for the new dispatch center, as well as roadway improvements funded through the Mass Highway Chapter 90 program and public safety vehicles.

Outstanding long-term debt for governmental activities, as of 2020, totaled \$36.8 million, of which \$34.8 million relates to school projects, and the remaining balance is for other CIP related projects. The Town issued \$2.9 million in new debt and retired \$1.8 million in governmental debt during the year.

Outstanding long-term debt for enterprise activities, as of 2020, totaled \$11.6 million, of which \$10.1 million relates to water enterprise activities, and \$1.5 million relates to sewer activities. The Town issued \$1.4 million in enterprise fund long-term debt and retired \$1.8 million in enterprise fund debt during the year.

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 Holbrook's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town of Holbrook, Massachusetts, 50 North Franklin Street, Holbrook, Massachusetts 02343.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 10,217,808	\$ 7,729,610	\$ 17,947,418
Investments.....	2,322,172	-	2,322,172
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,380,160	-	1,380,160
Tax liens.....	2,101,031	-	2,101,031
Motor vehicle and other excise taxes.....	268,440	-	268,440
User charges.....	-	1,737,597	1,737,597
Departmental and other.....	279,636	7,840	287,476
Intergovernmental.....	3,559,516	-	3,559,516
Tax foreclosures.....	1,335,250	-	1,335,250
Total current assets.....	<u>21,464,013</u>	<u>9,475,047</u>	<u>30,939,060</u>
NONCURRENT:			
Capital assets, nondepreciable.....	4,786,685	366,818	5,153,503
Capital assets, net of accumulated depreciation.....	<u>102,244,987</u>	<u>39,197,512</u>	<u>141,442,499</u>
Total noncurrent assets.....	<u>107,031,672</u>	<u>39,564,330</u>	<u>146,596,002</u>
TOTAL ASSETS.....	<u>128,495,685</u>	<u>49,039,377</u>	<u>177,535,062</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	1,722,801	31,046	1,753,847
Deferred outflows related to OPEB.....	<u>3,456,676</u>	<u>74,525</u>	<u>3,531,201</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>5,179,477</u>	<u>105,571</u>	<u>5,285,048</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,101,493	299,999	2,401,492
Accrued liabilities.....	20,162	-	20,162
Accrued interest.....	105,460	66,184	171,644
Other liabilities.....	37,543	-	37,543
Unearned revenue.....	861,597	-	861,597
Capital lease obligations.....	241,176	-	241,176
Landfill closure.....	17,000	-	17,000
Compensated absences.....	208,357	6,280	214,637
Workers' compensation.....	9,717	-	9,717
Notes payable.....	2,298,000	7,111,474	9,409,474
Bonds payable.....	<u>2,085,083</u>	<u>1,963,684</u>	<u>4,048,767</u>
Total current liabilities.....	<u>7,985,588</u>	<u>9,447,621</u>	<u>17,433,209</u>
NONCURRENT:			
Capital lease obligations.....	209,696	-	209,696
Landfill closure.....	68,000	-	68,000
Compensated absences.....	922,811	3,600	926,411
Net pension liability.....	16,484,975	297,074	16,782,049
Net OPEB liability.....	53,932,736	1,162,760	55,095,496
Bonds payable.....	<u>34,755,434</u>	<u>9,594,314</u>	<u>44,349,748</u>
Total noncurrent liabilities.....	<u>106,373,652</u>	<u>11,057,748</u>	<u>117,431,400</u>
TOTAL LIABILITIES.....	<u>114,359,240</u>	<u>20,505,369</u>	<u>134,864,609</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	53,560	-	53,560
Deferred inflows related to pensions.....	1,102,536	19,869	1,122,405
Deferred inflows related to OPEB.....	<u>118,976</u>	<u>2,565</u>	<u>121,541</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>1,275,072</u>	<u>22,434</u>	<u>1,297,506</u>
NET POSITION			
Net investment in capital assets.....	70,219,822	27,282,939	97,502,761
Restricted for:			
Permanent funds:			
Expendable.....	148,451	-	148,451
Nonexpendable.....	11,479	-	11,479
Gifts and grants.....	1,405,640	-	1,405,640
Unrestricted.....	<u>(53,744,542)</u>	<u>1,334,206</u>	<u>(52,410,336)</u>
TOTAL NET POSITION.....	<u>\$ 18,040,850</u>	<u>\$ 28,617,145</u>	<u>\$ 46,657,995</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,609,339	\$ 133,377	\$ 214,584	\$ -	\$ (1,261,378)
Financial services.....	1,095,912	1,770	-	-	(1,094,142)
Inspectional services.....	457,584	344,068	-	-	(113,516)
Public safety.....	12,459,232	1,981,205	840,985	3,264,639	(6,372,403)
Education.....	31,465,259	245,561	13,304,948	-	(17,914,750)
Public works.....	2,257,985	4,889	19,440	345,980	(1,887,676)
Public services.....	891,876	25,993	92,404	-	(773,479)
COVID-19.....	127,003	-	127,003	-	-
Interest.....	1,254,762	-	-	-	(1,254,762)
Total Governmental Activities.....	51,618,952	2,736,863	14,599,364	3,610,619	(30,672,106)
<i>Business-Type Activities:</i>					
Water.....	2,017,327	2,818,436	-	-	801,109
Sewer.....	2,767,757	2,225,065	-	-	(542,692)
Solid waste.....	737,481	880,005	-	-	142,524
PEG Access.....	228,411	228,411	-	-	-
Total Business-Type Activities.....	5,750,976	6,151,917	-	-	400,941
Total Primary Government.....	\$ 57,369,928	\$ 8,888,780	\$ 14,599,364	\$ 3,610,619	\$ (30,271,165)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (30,672,106)	\$ 400,941	\$ (30,271,165)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	29,877,437	-	29,877,437
Motor vehicle and other excise taxes.....	1,549,572	-	1,549,572
Penalties and interest on taxes.....	443,670	-	443,670
Payments in lieu of taxes.....	1,618	-	1,618
Grants and contributions not restricted to specific programs.....	1,658,473	-	1,658,473
Unrestricted investment income.....	123,727	8,160	131,887
<i>Transfers, net</i>	<u>(258,488)</u>	<u>258,488</u>	<u>-</u>
Total general revenues and transfers.....	<u>33,396,009</u>	<u>266,648</u>	<u>33,662,657</u>
Change in net position.....	2,723,903	667,589	3,391,492
<i>Net position:</i>			
Beginning of year.....	<u>15,316,947</u>	<u>27,949,556</u>	<u>43,266,503</u>
End of year.....	\$ <u><u>18,040,850</u></u>	\$ <u><u>28,617,145</u></u>	\$ <u><u>46,657,995</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

	General	School Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 6,473,405	\$ 2,674	\$ 3,741,729	\$ 10,217,808
Investments.....	2,280,412	-	41,760	2,322,172
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,380,160	-	-	1,380,160
Tax liens.....	2,101,031	-	-	2,101,031
Motor vehicle and other excise taxes.....	268,440	-	-	268,440
Departmental and other.....	1,658	-	277,978	279,636
Intergovernmental.....	24,351	1,754,546	1,780,619	3,559,516
Tax foreclosures.....	1,335,250	-	-	1,335,250
TOTAL ASSETS.....	\$ 13,864,707	\$ 1,757,220	\$ 5,842,086	\$ 21,464,013
LIABILITIES				
Warrants payable.....	\$ 1,011,537	\$ -	\$ 1,089,956	\$ 2,101,493
Accrued liabilities.....	20,162	-	-	20,162
Other liabilities.....	37,543	-	-	37,543
Unearned revenue.....	-	-	861,597	861,597
Notes payable.....	-	1,755,000	543,000	2,298,000
TOTAL LIABILITIES.....	1,069,242	1,755,000	2,494,553	5,318,795
DEFERRED INFLOWS OF RESOURCES				
Taxes paid in advance.....	53,560	-	-	53,560
Unavailable revenue.....	4,754,982	-	375,061	5,130,043
TOTAL DEFERRED INFLOWS OF RESOURCES.....	4,808,542	-	375,061	5,183,603
FUND BALANCES				
Nonspendable.....	-	-	11,479	11,479
Restricted.....	-	2,220	2,960,993	2,963,213
Assigned.....	481,698	-	-	481,698
Unassigned.....	7,505,225	-	-	7,505,225
TOTAL FUND BALANCES.....	7,986,923	2,220	2,972,472	10,961,615
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 13,864,707	\$ 1,757,220	\$ 5,842,086	\$ 21,464,013

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.....	\$	10,961,615
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		107,031,672
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,130,043
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		3,957,965
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(105,460)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(36,840,517)	
Net pension liability.....	(16,484,975)	
Net OPEB liability.....	(53,932,736)	
Landfill closure.....	(85,000)	
Capital lease obligations.....	(450,872)	
Workers' compensation.....	(9,717)	
Compensated absences.....	(1,131,168)	
Net effect of reporting long-term liabilities.....		<u>(108,934,985)</u>
Net position of governmental activities.....	\$	<u>18,040,850</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	School Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 28,611,057	\$ -	\$ -	\$ 28,611,057
Tax liens.....	257,695	-	-	257,695
Motor vehicle and other excise taxes.....	1,505,492	-	-	1,505,492
Charges for services.....	958,866	-	1,202,995	2,161,861
Penalties and interest on taxes.....	443,670	-	-	443,670
Fees and rentals.....	83,939	-	100	84,039
Payments in lieu of taxes.....	1,618	-	-	1,618
Licenses and permits.....	406,271	-	-	406,271
Fines and forfeitures.....	12,679	-	-	12,679
Intergovernmental - teachers retirement.....	3,567,240	-	-	3,567,240
Intergovernmental - other.....	9,227,973	-	6,818,630	16,046,603
Intergovernmental - COVID-19 relief.....	-	-	127,003	127,003
Departmental and other.....	97,536	-	85,116	182,652
Contributions and donations.....	-	-	43,419	43,419
Investment income/(loss).....	119,559	-	4,168	123,727
TOTAL REVENUES.....	45,293,595	-	8,281,431	53,575,026
EXPENDITURES:				
Current:				
General government.....	655,940	-	277,820	933,760
Financial services.....	731,044	-	-	731,044
Inspectional services.....	297,202	-	-	297,202
Public safety.....	6,622,071	-	4,596,697	11,218,768
Education.....	17,338,774	-	2,006,673	19,345,447
Public works.....	1,276,650	-	520,130	1,796,780
Public services.....	532,143	-	81,531	613,674
COVID-19.....	-	-	127,003	127,003
Pension benefits - teachers retirement.....	3,567,240	-	-	3,567,240
Insurance.....	698,000	-	-	698,000
Employee benefits.....	7,649,398	-	-	7,649,398
State and county charges.....	1,073,156	-	-	1,073,156
Debt service:				
Principal.....	1,762,117	-	-	1,762,117
Interest.....	1,346,254	-	-	1,346,254
TOTAL EXPENDITURES.....	43,549,989	-	7,609,854	51,159,843
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,743,606	-	671,577	2,415,183
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	2,476,000	390,000	2,866,000
Premium from issuance of bonds and notes.....	-	120,062	129,975	250,037
Transfers in.....	2,051,731	215,000	1,009,685	3,276,416
Transfers out.....	(2,593,758)	-	(941,146)	(3,534,904)
TOTAL OTHER FINANCING SOURCES (USES).....	(542,027)	2,811,062	588,514	2,857,549
NET CHANGE IN FUND BALANCES.....	1,201,579	2,811,062	1,260,091	5,272,732
FUND BALANCES AT BEGINNING OF YEAR.....	6,785,344	(2,808,842)	1,712,381	5,688,883
FUND BALANCES AT END OF YEAR.....	\$ 7,986,923	\$ 2,220	\$ 2,972,472	\$ 10,961,615

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.....	\$	5,272,732
<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.....		3,439,034
Depreciation expense.....		<u>(3,507,108)</u>
Net effect of reporting capital assets.....		(68,074)
<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>		
		1,026,317
<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>		
Principal payments on capital leases.....		253,432
Issuance of bonds.....		(2,866,000)
Premium from issuance of bonds.....		(250,037)
Net amortization of premium from issuance of bonds.....		97,127
Debt service principal payments.....		<u>1,762,117</u>
Net effect of reporting long-term debt.....		(1,003,361)
<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.....		(5,662)
Net change in accrued interest on long-term debt.....		(5,635)
Net change in deferred outflow/(inflow) of resources related to pensions.....		(2,548,814)
Net change in net pension liability.....		2,445,618
Net change in deferred outflow/(inflow) of resources related to OPEB.....		(863,832)
Net change in net OPEB liability.....		(1,532,669)
Net change in landfill closure.....		17,000
Net change in workers' compensation liability.....		<u>(9,717)</u>
Net effect of recording long-term liabilities.....		<u>(2,503,711)</u>
Change in net position of governmental activities.....	\$	<u><u>2,723,903</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Solid Waste	PEG Access	Total
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 7,388,949	\$ 180,260	\$ 160,401	\$ -	\$ 7,729,610
Receivables, net of allowance for uncollectibles:					
User charges.....	655,950	853,497	228,150	-	1,737,597
Departmental and other.....	-	-	7,840	-	7,840
Total current assets.....	<u>8,044,899</u>	<u>1,033,757</u>	<u>396,391</u>	<u>-</u>	<u>9,475,047</u>
NONCURRENT:					
Capital assets, non depreciable.....	366,818	-	-	-	366,818
Capital assets, net of accumulated depreciation.....	<u>20,358,280</u>	<u>18,839,232</u>	<u>-</u>	<u>-</u>	<u>39,197,512</u>
Total noncurrent assets.....	<u>20,725,098</u>	<u>18,839,232</u>	<u>-</u>	<u>-</u>	<u>39,564,330</u>
TOTAL ASSETS.....	<u>28,769,997</u>	<u>19,872,989</u>	<u>396,391</u>	<u>-</u>	<u>49,039,377</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions.....	23,577	4,437	3,032	-	31,046
Deferred outflows related to OPEB.....	<u>55,678</u>	<u>15,735</u>	<u>3,112</u>	<u>-</u>	<u>74,525</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>79,255</u>	<u>20,172</u>	<u>6,144</u>	<u>-</u>	<u>105,571</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	291,189	8,157	653	-	299,999
Accrued interest.....	63,971	2,213	-	-	66,184
Compensated absences.....	6,280	-	-	-	6,280
Notes payable.....	7,111,474	-	-	-	7,111,474
Bonds payable.....	<u>1,354,351</u>	<u>609,333</u>	<u>-</u>	<u>-</u>	<u>1,963,684</u>
Total current liabilities.....	<u>8,827,265</u>	<u>619,703</u>	<u>653</u>	<u>-</u>	<u>9,447,621</u>
NONCURRENT:					
Compensated absences.....	3,600	-	-	-	3,600
Net pension liability.....	225,602	42,458	29,014	-	297,074
Net OPEB liability.....	868,709	245,500	48,551	-	1,162,760
Bonds payable.....	<u>8,708,770</u>	<u>885,544</u>	<u>-</u>	<u>-</u>	<u>9,594,314</u>
Total noncurrent liabilities.....	<u>9,806,681</u>	<u>1,173,502</u>	<u>77,565</u>	<u>-</u>	<u>11,057,748</u>
TOTAL LIABILITIES.....	<u>18,633,946</u>	<u>1,793,205</u>	<u>78,218</u>	<u>-</u>	<u>20,505,369</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions.....	15,088	2,840	1,941	-	19,869
Deferred inflows related to OPEB.....	<u>1,916</u>	<u>542</u>	<u>107</u>	<u>-</u>	<u>2,565</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>17,004</u>	<u>3,382</u>	<u>2,048</u>	<u>-</u>	<u>22,434</u>
NET POSITION					
Net investment in capital assets.....	9,897,314	17,385,625	-	-	27,282,939
Unrestricted.....	<u>300,988</u>	<u>710,949</u>	<u>322,269</u>	<u>-</u>	<u>1,334,206</u>
TOTAL NET POSITION.....	<u>\$ 10,198,302</u>	<u>\$ 18,096,574</u>	<u>\$ 322,269</u>	<u>\$ -</u>	<u>\$ 28,617,145</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Solid Waste	PEG Access	Total
OPERATING REVENUES:					
Charges for services.....	\$ 2,144,647	\$ 2,225,065	\$ 880,005	\$ 228,411	\$ 5,478,128
Intergovernmental.....	673,789	-	-	-	673,789
TOTAL OPERATING REVENUES	2,818,436	2,225,065	880,005	228,411	6,151,917
OPERATING EXPENSES:					
Cost of services and administration.....	1,107,290	1,974,645	737,481	228,411	4,047,827
Depreciation.....	625,576	761,135	-	-	1,386,711
TOTAL OPERATING EXPENSES	1,732,866	2,735,780	737,481	228,411	5,434,538
OPERATING INCOME (LOSS)	1,085,570	(510,715)	142,524	-	717,379
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	5,405	1,856	899	-	8,160
Interest expense.....	(284,461)	(31,977)	-	-	(316,438)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(279,056)	(30,121)	899	-	(308,278)
INCOME (LOSS) BEFORE TRANSFERS	806,514	(540,836)	143,423	-	409,101
TRANSFERS:					
Transfers in.....	588,195	642,384	250,000	-	1,480,579
Transfers out.....	(730,464)	(381,280)	(110,347)	-	(1,222,091)
TOTAL TRANSFERS	(142,269)	261,104	139,653	-	258,488
CHANGE IN NET POSITION	664,245	(279,732)	283,076	-	667,589
NET POSITION AT BEGINNING OF YEAR	9,534,057	18,376,306	39,193	-	27,949,556
NET POSITION AT END OF YEAR	\$ 10,198,302	\$ 18,096,574	\$ 322,269	\$ -	\$ 28,617,145

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Solid Waste	PEG Access	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 2,269,585	\$ 2,403,920	\$ 767,235	\$ 228,411	\$ 5,669,151
Receipts from other governments.....	673,789	-	-	-	673,789
Payments to vendors.....	(523,263)	(1,962,675)	(780,718)	(228,411)	(3,495,067)
Payments to employees.....	(469,926)	-	-	-	(469,926)
NET CASH FROM OPERATING ACTIVITIES.....	1,950,185	441,245	(13,483)	-	2,377,947
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	588,195	642,384	250,000	-	1,480,579
Transfers out.....	(730,464)	(381,280)	(110,347)	-	(1,222,091)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(142,269)	261,104	139,653	-	258,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	8,520,474	-	-	-	8,520,474
Acquisition and construction of capital assets.....	(1,433,140)	(62,854)	-	-	(1,495,994)
Principal payments on bonds and notes.....	(3,083,889)	(580,000)	-	-	(3,663,889)
Interest expense.....	(284,509)	(62,384)	-	-	(346,893)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	3,718,936	(705,238)	-	-	3,013,698
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	5,405	1,856	899	-	8,160
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	5,532,257	(1,033)	127,069	-	5,658,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,856,692	181,293	33,332	-	2,071,317
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 7,388,949	\$ 180,260	\$ 160,401	\$ -	\$ 7,729,610
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 1,085,570	\$ (510,715)	\$ 142,524	\$ -	\$ 717,379
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	625,576	761,135	-	-	1,386,711
Deferred (outflows)/inflows related to pensions.....	34,881	6,565	4,487	-	45,933
Deferred (outflows)/inflows related to OPEB.....	13,267	4,135	817	-	18,219
Changes in assets and liabilities:					
User charges.....	124,938	178,855	(130,010)	-	173,783
Departmental and other.....	-	-	17,240	-	17,240
Warrants payable.....	65,782	3,124	(45,113)	-	23,793
Compensated absences.....	890	-	-	-	890
Net pension liability.....	(33,469)	(6,299)	(4,306)	-	(44,074)
Net OPEB liability.....	32,750	4,445	878	-	38,073
Total adjustments.....	864,615	951,960	(156,007)	-	1,660,568
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,950,185	\$ 441,245	\$ (13,483)	\$ -	\$ 2,377,947

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 4,567	\$ 185,916	\$ 286,884
Investments.....	-	90,057	-
Private equity funds.....	66,299	-	-
Equity mutual funds.....	801,296	-	-
Fixed income mutual funds.....	349,477	-	-
TOTAL ASSETS.....	1,221,639	275,973	286,884
LIABILITIES			
Warrants payable.....	-	-	64,046
Liabilities due depositors.....	-	-	90,595
Other liabilities.....	-	-	132,243
TOTAL LIABILITIES.....	-	-	286,884
NET POSITION			
Restricted for other postemployment benefits.....	1,221,639	-	-
Held in trust for other purposes.....	-	275,973	-
TOTAL NET POSITION.....	\$ 1,221,639	\$ 275,973	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 305,000	\$ -
Employer contributions for OPEB payments.....	2,120,417	-
Private donations.....	-	25,325
Total contributions.....	2,425,417	25,325
Net Investment income.....	20,810	-
TOTAL ADDITIONS.....	2,446,227	25,325
DEDUCTIONS:		
Other postemployment benefit payments.....	2,120,417	-
Scholarships.....	-	18,300
TOTAL DEDUCTIONS.....	2,120,417	18,300
NET INCREASE (DECREASE) IN NET POSITION.....	325,810	7,025
NET POSITION AT BEGINNING OF YEAR.....	895,829	268,948
NET POSITION AT END OF YEAR.....	\$ 1,221,639	\$ 275,973

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Holbrook, 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 Holbrook is a municipal corporation that is governed by an elected Board of Selectmen.

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.

The Town has an agreement with the Town of Randolph to operate a joint water program under the direction of a Joint Water Board. All revenues and expenditures related to the operation of the joint water program are accounted for separately in the Town's Water Enterprise Fund. The Town of Holbrook and Randolph are each assessed annually a 50% share of the anticipated operating costs of the joint water program. At the conclusion of each fiscal year the fund balance is analyzed by the Joint Board and either the two towns are reimbursed for their 50% share of operating surpluses, or the fund balance is voted by the Joint Board and Town Meeting to be utilized for another purpose (reduced future costs, or capital). In 2020, the total appropriations of the joint water program totaled \$1,347,578. The Town of Randolph's \$673,789 apportioned share of operating costs are recorded as intergovernmental revenue.

The Town has entered into a joint venture with the Towns of Westwood, Avon, Dedham, Canton, Braintree, Milton, Norwood and Randolph to pool resources and share the costs, risks and rewards associated with providing vocational educational through the Blue Hills Regional Technical School District. The members share in the operations of the Blue Hills Regional Technical School District and each member is responsible for its proportionate share of the operational and capital cost of the Blue Hills Regional Technical School District, which are paid in the form of assessments. The Town does not have an equity interest in the Blue Hills Regional Technical School District and the 2020 assessment was \$2,078,000. The School issues a publicly available financial report that can be obtained by writing to the School Business Manager at 800 Randolph Street, Canton, Massachusetts 02021.

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 *school building fund* is used to account for the costs and proceeds associated with the construction of the new high school.

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

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

The *permanent funds* are 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 *sewer enterprise fund* is used to account for the Town's sewer activities.

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

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

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of performance bonds, payroll withholdings, 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 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on, November 1st, February 1st, May 1st, and August 1st, 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 in the first 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 and Other 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 quarterly 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 are recorded at the estimated fair market

value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$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, equipment, and furnishings.....	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 outflows of resources related to pensions, and OPEB 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, taxes paid in advance and OPEB 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. The Town also reports taxes paid in advance in this category

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.

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.

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 Norfolk County Retirement System (NCRS) and the Massachusetts Teachers Retirement System (MTRS) 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. Fund Deficits

The Town did not report any individual fund deficits as of June 30, 2020.

S. 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.

T. 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 Holbrook'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 \$17,297,681 and the bank balance totaled \$18,709,043. Of the bank balance, \$2,978,914 was covered by Federal Depository Insurance \$13,544,331 was covered by the Depositors Insurance Fund, and \$2,185,798 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Town of Holbrook 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.....	\$ 330,375	\$ 240,257	\$ 90,118
Government sponsored enterprises.....	391,150	-	391,150
Corporate bonds.....	1,419,619	283,261	1,136,358
Total debt securities.....	2,141,144	\$ 523,518	\$ 1,617,626
<u>Other investments:</u>			
Equity securities.....	271,085		
Equity mutual funds.....	801,296		
Fixed income mutual funds.....	349,477		
Money market mutual funds.....	743,776		
Private equity funds.....	66,299		
MMDT.....	383,328		
Total investments.....	\$ 4,756,405		

The OPEB fiduciary fund's \$1,217,072 of investments is included with investments listed 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 does not have a formal investment policy related to the custodial credit risk of investments. The Town's investments in U.S. Treasury Notes, Government Sponsored Enterprises, Corporate Bonds, and Equity Securities totaling \$2,412,229 have custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. The Town's investments in MMDT, Fixed Income Mutual Funds, Equity Mutual Funds, Private Equity Funds and Money Market Mutual Funds are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form.

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’s debt securities were rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	-	\$ 171,295
AA+.....	391,150	-
A+.....	-	214,284
A.....	-	141,533
A-.....	-	476,968
BBB+.....	-	255,423
BBB.....	-	160,116
 Total.....	 \$ 391,150	 \$ 1,419,619

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 2020, for which the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 330,375	\$ 330,375	\$ -	\$ -
Government sponsored enterprises.....	391,150	391,150	-	-
Corporate bonds.....	1,419,619	-	1,419,619	-
Total debt securities.....	2,141,144	721,525	1,419,619	-
<u>Other investments:</u>				
Equity securities.....	271,085	271,085	-	-
Equity mutual funds.....	801,296	801,296	-	-
Fixed income mutual funds.....	349,477	349,477	-	-
Private equity funds.....	66,299	-	-	66,299
Money market mutual funds.....	743,776	743,776	-	-
Total other investments.....	2,231,933	2,165,634	-	66,299
Total investments measured at fair value.....	4,373,077	\$ 2,887,159	\$ 1,419,619	\$ 66,299
Investments measured at amortized cost:				
MMDT.....	383,328			
Total investments.....	\$ 4,756,405			

U.S. treasury notes, government sponsored enterprises, equity securities, equity mutual funds, fixed income mutual funds and money market mutual funds classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Private equity funds classified in Level 3 of the fair value hierarchy are valued using either a discounted cash flow or market comparable companies technique.

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,458,965	\$ (78,805)	\$ 1,380,160
Tax liens.....	2,551,031	(450,000)	2,101,031
Motor vehicle and other excise taxes.....	402,033	(133,593)	268,440
Departmental and other.....	312,399	(32,763)	279,636
Intergovernmental.....	3,559,516	-	3,559,516
 Total.....	 \$ <u>8,283,944</u>	 \$ <u>(695,161)</u>	 \$ <u>7,588,783</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 655,950	\$ -	\$ 655,950
Sewer user charges.....	853,497	-	853,497
Solid waste user charges.....	228,150	-	228,150
Solid waste departmental and other.....	7,840	-	7,840
 Total.....	 \$ <u>1,745,437</u>	 \$ <u>-</u>	 \$ <u>1,745,437</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 Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 1,024,252	\$ -	\$ 1,024,252
Tax liens.....	2,101,031	-	2,101,031
Motor vehicle and other excise taxes.....	268,440	-	268,440
Departmental and other.....	-	277,978	277,978
Intergovernmental.....	26,009	97,083	123,092
Tax foreclosures.....	1,335,250	-	1,335,250
 Total.....	 \$ <u>4,754,982</u>	 \$ <u>375,061</u>	 \$ <u>5,130,043</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,807,743	\$ -	\$ -	\$ 1,807,743
Construction in progress.....	200,000	2,778,942	-	2,978,942
Total capital assets not being depreciated.....	2,007,743	2,778,942	-	4,786,685
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	116,704,724	-	(4,112,797)	112,591,927
Machinery, equipment, and furnishings.....	5,849,560	404,993	(1,211,644)	5,042,909
Infrastructure.....	5,741,379	255,099	-	5,996,478
Total capital assets being depreciated.....	128,295,663	660,092	(5,324,441)	123,631,314
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(17,837,071)	(2,691,022)	4,112,797	(16,415,296)
Machinery, equipment, and furnishings.....	(3,464,279)	(507,158)	1,211,644	(2,759,793)
Infrastructure.....	(1,902,310)	(308,928)	-	(2,211,238)
Total accumulated depreciation.....	(23,203,660)	(3,507,108)	5,324,441	(21,386,327)
Total capital assets being depreciated, net.....	105,092,003	(2,847,016)	-	102,244,987
Total governmental activities capital assets, net.....	\$ 107,099,746	\$ (68,074)	\$ -	\$ 107,031,672

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 100,562	\$ -	\$ -	\$ 100,562
Construction in progress.....	230,948	35,308	-	266,256
Total capital assets not being depreciated.....	331,510	35,308	-	366,818
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	1,015,993	-	-	1,015,993
Machinery, equipment, and furnishings.....	142,903	-	(62,162)	80,741
Infrastructure.....	27,371,912	1,397,832	(691,667)	28,078,077
Total capital assets being depreciated.....	28,530,808	1,397,832	(753,829)	29,174,811
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(983,641)	(1,675)	-	(985,316)
Machinery, equipment, and furnishings.....	(80,167)	(11,972)	62,162	(29,977)
Infrastructure.....	(7,880,976)	(611,929)	691,667	(7,801,238)
Total accumulated depreciation.....	(8,944,784)	(625,576)	753,829	(8,816,531)
Total capital assets being depreciated, net.....	19,586,024	772,256	-	20,358,280
Total water activities capital assets, net.....	\$ 19,917,534	\$ 807,564	\$ -	\$ 20,725,098

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sewer:				
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 1,232,000	\$ -	\$ -	\$ 1,232,000
Infrastructure.....	<u>34,559,990</u>	<u>62,854</u>	<u>-</u>	<u>34,622,844</u>
Total capital assets being depreciated.....	<u>35,791,990</u>	<u>62,854</u>	<u>-</u>	<u>35,854,844</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(787,725)	(30,800)	-	(818,525)
Infrastructure.....	<u>(15,466,752)</u>	<u>(730,335)</u>	<u>-</u>	<u>(16,197,087)</u>
Total accumulated depreciation.....	<u>(16,254,477)</u>	<u>(761,135)</u>	<u>-</u>	<u>(17,015,612)</u>
Total capital assets being depreciated, net.....	<u>19,537,513</u>	<u>(698,281)</u>	<u>-</u>	<u>18,839,232</u>
Total sewer activities capital assets, net.....	<u>\$ 19,537,513</u>	<u>\$ (698,281)</u>	<u>\$ -</u>	<u>\$ 18,839,232</u>

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

Governmental Activities:

General government.....	\$ 55,413
Public safety.....	541,146
Education.....	2,507,283
Public works.....	398,419
Public services.....	<u>4,847</u>
Total depreciation expense - governmental activities.....	<u>\$ 3,507,108</u>

Business-Type Activities:

Water.....	\$ 625,576
Sewer.....	<u>761,135</u>
Total depreciation expense - business-type activities.....	<u>\$ 1,386,711</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	School Building Funds	Nonmajor governmental funds	Water Enterprise fund	Sewer Enterprise fund	Solid Waste Enterprise fund	
General fund.....	\$ -	\$ 215,000	\$ 953,561	\$ 532,813	\$ 642,384	\$ 250,000	\$ 2,593,758 (1)
School Building funds.....	15,213	-	-	-	-	-	15,213 (2)
Nonmajor governmental funds...	869,809	-	56,124	-	-	-	925,933 (2)
Water Enterprise fund.....	675,082	-	-	55,382	-	-	730,464 (3)
Sewer Enterprise fund.....	381,280	-	-	-	-	-	381,280 (3)
Solid Waste Enterprise fund.....	110,347	-	-	-	-	-	110,347 (3)
Total.....	\$ <u>2,051,731</u>	\$ <u>215,000</u>	\$ <u>1,009,685</u>	\$ <u>588,195</u>	\$ <u>642,384</u>	\$ <u>250,000</u>	\$ <u>4,756,995</u>

- 1.) Budgeted transfers to the school building and other capital project funds for construction and other capital costs, as well as to the enterprise funds for debt service.
- 2.) Transfers to the general fund from school building, revolving and other special revenue funds, as well as transfers to the water enterprise fund from nonmajor governmental funds for re-purposed bond proceeds.
- 3.) Budgeted transfers to the general fund for indirect costs, also to the nonmajor governmental funds from the water and sewer enterprise funds for their share of various capital improvement projects.

NOTE 6 – CAPITAL LEASES

The Town has entered into a lease agreement to finance the acquisition of various vehicles and equipment. The lease agreements qualify as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The following identifies the assets acquired through capital lease agreements:

Asset:	Governmental Activities
Machinery and equipment.....	\$ 1,248,102
Vehicles.....	495,962
Less: accumulated depreciation....	<u>(725,192)</u>
Total.....	\$ <u>1,018,872</u>

The following schedule presents the future minimum lease payments as of June 30, 2020:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2021.....	\$ 257,208
2022.....	160,931
2023.....	<u>58,904</u>
Total minimum lease payments.....	477,043
Less: amounts representing interest.....	<u>(26,171)</u>
Present value of minimum lease payments.....	<u>\$ 450,872</u>

NOTE 7 – SHORT-TERM FINANCING

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

- Current operating costs prior to the collection of revenues through issuance of revenue 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:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2019</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2020</u>
Governmental Funds:							
BAN	Municipal Purpose.....	1.75	03/17/21	\$ -	\$ 543,000	\$ -	\$ 543,000
BAN	Municipal Purpose.....	2.00	05/29/20	6,080,000	-	6,080,000	-
BAN	Municipal Purpose.....	0.64	07/09/21	-	<u>1,755,000</u>	-	<u>1,755,000</u>
Total Governmental Funds.....				<u>\$ 6,080,000</u>	<u>\$ 2,298,000</u>	<u>\$ 6,080,000</u>	<u>\$ 2,298,000</u>
Water Enterprise Fund:							
BAN	Municipal Purpose.....	2.45	07/12/19	\$ 1,166,856	\$ -	\$ 1,166,856	\$ -
BAN	Municipal Purpose.....	1.90	07/10/20	-	1,111,474	-	1,111,474
BAN	Municipal Purpose.....	2.00	05/29/20	700,000	-	700,000	-
BAN	Municipal Purpose.....	1.69	07/10/20	-	1,500,000	-	1,500,000
BAN	Municipal Purpose.....	1.75	03/17/21	-	<u>4,500,000</u>	-	<u>4,500,000</u>
Total Water Enterprise Fund.....				<u>\$ 1,866,856</u>	<u>\$ 7,111,474</u>	<u>\$ 1,866,856</u>	<u>\$ 7,111,474</u>

The \$1,111,474 BAN was paid upon maturity with long-term bond proceeds from the bonds issued in fiscal year 2020. The \$1,500,000 BAN was rolled into a new BAN with a yield of .4% that will mature on March 17, 2021.

NOTE 8 – 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 Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Municipal Purpose Bonds of 2015 - refunding.....	2023	\$ 1,764,000	4.00-5.00	\$ 660,000
Municipal Purpose Bonds of 2016.....	2041	38,500,000	3.00-5.00	32,340,000
Municipal Purpose Bonds of 2020.....	2040	2,476,000	200-500	2,476,000
Municipal Purpose Bonds of 2020.....	2025	390,000	5.00	390,000
Total Bonds Payable.....				35,866,000
Add: Unamortized premium on bonds.....				974,517
Total Bonds Payable, net.....				\$ 36,840,517

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

Year	Principal	Interest	Total
2021.....	\$ 1,966,000	\$ 1,229,778	\$ 3,195,778
2022.....	1,965,000	1,132,888	3,097,888
2023.....	1,965,000	1,036,838	3,001,838
2024.....	1,740,000	940,788	2,680,788
2025.....	1,740,000	867,313	2,607,313
2026.....	1,665,000	812,988	2,477,988
2027.....	1,665,000	760,538	2,425,538
2028.....	1,665,000	708,088	2,373,088
2029.....	1,665,000	655,636	2,320,636
2030.....	1,665,000	606,938	2,271,938
2031.....	1,665,000	558,238	2,223,238
2032.....	1,665,000	509,413	2,174,413
2033.....	1,665,000	459,625	2,124,625
2034.....	1,665,000	408,813	2,073,813
2035.....	1,665,000	357,038	2,022,038
2036.....	1,660,000	304,175	1,964,175
2037.....	1,660,000	250,463	1,910,463
2038.....	1,660,000	195,785	1,855,785
2039.....	1,660,000	140,150	1,800,150
2040.....	1,660,000	83,550	1,743,550
2041.....	1,540,000	26,950	1,566,950
Total.....	\$ <u>35,866,000</u>	\$ <u>12,045,986</u>	\$ <u>47,911,986</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources to support a portion of eligible construction costs to reduce the total school related debt service of the Town. Through the end of 2020, the Town has recorded capital grant proceeds totaling \$50.5 million from the MSBA, which is equal to 69.12% of approved construction costs submitted for reimbursement for the School. The Town anticipates receiving \$1.8 million in additional capital grant proceeds in fiscal year 2021 for eligible costs incurred as of year-end. Accordingly, a \$1.8 million intergovernmental receivable has been recorded at year-end.

Bonds Payable Schedule – Water Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
MCWT.....	2031	\$ 12,082,402	2.00	\$ 6,044,608
Municipal Purpose Bonds of 2002.....	2022	1,580,000	3.50-5.00	148,125
Municipal Purpose Bonds of 2015.....	2025	4,600,000	2.50-5.00	2,300,000
Municipal Purpose Bonds of 2015 - refunding.....	2023	160,000	4.00-5.00	60,000
Municipal Purpose Bonds of 2016.....	2036	122,201	2.00	101,388
Municipal Purpose Bonds of 2020.....	2028	615,000	5.00	615,000
Municipal Purpose Bonds of 2020.....	2040	747,000	2.00-5.00	747,000
Municipal Purpose Bonds of 2020.....	2030	47,000	2.00-5.00	47,000
Total Bonds Payable.....				\$ 10,063,121

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

Year	Principal	Interest	Total
2021.....	\$ 1,354,351	\$ 256,841	\$ 1,611,192
2022.....	1,367,064	211,792	1,578,856
2023.....	1,307,798	171,771	1,479,569
2024.....	1,296,934	131,922	1,428,856
2025.....	1,311,355	102,437	1,413,792
2026.....	866,071	72,461	938,532
2027.....	822,266	51,976	874,242
2028.....	438,000	35,771	473,771
2029.....	369,358	23,346	392,704
2030.....	289,848	16,702	306,550
2031.....	289,929	10,853	300,782
2032.....	41,772	7,499	49,271
2033.....	41,908	6,696	48,604
2034.....	41,977	5,731	47,708
2035.....	42,189	4,835	47,024
2036.....	42,301	3,938	46,239
2037.....	35,000	3,150	38,150
2038.....	35,000	2,362	37,362
2039.....	35,000	1,575	36,575
2040.....	35,000	788	35,788
Total.....	\$ 10,063,121	\$ 1,122,445	\$ 11,185,566

Bonds Payable Schedule – Sewer Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Municipal Purpose Bonds of 2002.....	2022	\$ 6,500,000	3.50-5.00	\$ 641,875
Municipal Purpose Bonds of 2015 - refunding.....	2023	2,046,000	4.00-5.00	<u>765,000</u>
Total Bonds Payable.....				1,406,875
Add: Unamortized premium on bonds.....				<u>88,002</u>
Total Bonds Payable, net.....				<u>\$ 1,494,877</u>

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

Year	Principal	Interest	Total
2021.....	\$ 580,000	\$ 43,134	\$ 623,134
2022.....	571,875	23,767	595,642
2023.....	<u>255,000</u>	<u>10,200</u>	<u>265,200</u>
Total.....	<u>\$ 1,406,875</u>	<u>\$ 77,100</u>	<u>\$ 1,483,975</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
Water Projects.....	\$ 260,101
School.....	58,467,198
Landfill.....	585,000
Tri-Town Water Treatment Plant.....	7,712,000
Dam Repairs.....	<u>1,800,000</u>
Total.....	<u>\$ 68,824,299</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 34,762,117	\$ 2,866,000	\$ (1,762,117)	\$ -	\$ -	\$ 35,866,000	\$ 1,966,000
Add: Unamortized premium on bonds..	821,607	-	-	250,037	(97,127)	974,517	119,083
Total bonds payable.....	35,583,724	2,866,000	(1,762,117)	250,037	(97,127)	36,840,517	2,085,083
Capital lease obligations.....	704,304	-	-	-	(253,432)	450,872	241,176
Landfill closure.....	102,000	-	-	-	(17,000)	85,000	17,000
Compensated absences.....	1,125,506	-	-	200,434	(194,772)	1,131,168	208,357
Workers' compensation.....	-	-	-	9,717	-	9,717	9,717
Net pension liability.....	18,930,593	-	-	2,311,815	(4,757,433)	16,484,975	-
Net OPEB liability.....	52,400,067	-	-	3,921,186	(2,388,517)	53,932,736	-
Total governmental activity long-term liabilities.....	\$ 108,846,194	\$ 2,866,000	\$ (1,762,117)	\$ 6,693,189	\$ (7,708,281)	\$ 108,934,985	\$ 2,561,333
Business-Type Activities:							
Long-term bonds payable.....	\$ 11,858,029	\$ 1,409,000	\$ (1,797,033)	\$ -	\$ -	\$ 11,469,996	\$ 1,934,351
Add: Unamortized premium on bonds..	117,335	-	-	-	(29,333)	88,002	29,333
Total bonds payable.....	11,975,364	1,409,000	(1,797,033)	-	(29,333)	11,557,998	1,963,684
Compensated absences.....	8,990	-	-	6,280	(5,390)	9,880	6,280
Net pension liability.....	341,148	-	-	41,661	(85,735)	297,074	-
Net OPEB liability.....	1,124,687	-	-	74,973	(36,900)	1,162,760	-
Total business-type activity long-term liabilities.....	\$ 13,450,189	\$ 1,409,000	\$ (1,797,033)	\$ 122,914	\$ (157,358)	\$ 13,027,712	\$ 1,969,964

Long-term liabilities related to both governmental and business-type activities are normally paid from the general fund and the enterprise funds, respectively.

NOTE 9 – 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 requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval. In accordance with Massachusetts General Law the Town has established a general stabilization fund and a capital stabilization fund.

At year end, the balance of the general stabilization fund is approximately \$2.9 million, and the balance of the capital stabilization fund is approximately \$464,000. These stabilization funds are reported as unassigned fund balance within the general fund.

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

	General	School Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Nonexpendable trust funds.....	\$ -	\$ -	\$ 11,479	\$ 11,479
Restricted for:				
Junior/Senior high school.....	-	2,220	-	2,220
Federal grants.....	-	-	(151,071)	(151,071)
State grants.....	-	-	88,479	88,479
Community development.....	-	-	254,554	254,554
Receipts Reserved.....	-	-	1,103,288	1,103,288
Revolving.....	-	-	929,586	929,586
Other special revenue funds.....	-	-	110,390	110,390
Town capital projects.....	-	-	477,316	477,316
Expendable permanent funds.....	-	-	148,451	148,451
Assigned to:				
General government.....	14,400	-	-	14,400
Financial services.....	8,046	-	-	8,046
Public safety.....	730	-	-	730
Education.....	65,389	-	-	65,389
Public works.....	20,394	-	-	20,394
Employee benefits.....	18,739	-	-	18,739
Free cash used for subsequent year budget.....	354,000	-	-	354,000
Unassigned.....	7,505,225	-	-	7,505,225
Total Fund Balances.....	\$ 7,986,923	\$ 2,220	\$ 2,972,472	\$ 10,961,615

NOTE 10 – 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 11 – PENSION PLAN*Plan Descriptions*

The Town is a member of the Norfolk County Retirement System (NCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 41 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 480 Neponset Street, Building #15, Canton, MA 02021; or by visiting www.norfolkcountyretirement.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 \$3,567,240 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 \$29,416,324 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 since the prior measurement date.

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 NCRS 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 June 30, 2020, was \$2,140,930, 24.06% 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 \$16,782,049 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, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 2.86%, which decreased from prior year's proportion of 2.96% measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the Town recognized pension expense of \$2,353,475. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$1,753,847, and deferred inflows of resources related to pensions of \$1,122,405. At June 30, 2020 the balance of deferred outflows and inflows of resources related to pensions consisted of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,437,915	\$ -	\$ 1,437,915
Difference between projected and actual earnings, net.....	-	(472,669)	(472,669)
Changes in assumptions.....	307,818	-	307,818
Changes in proportion and proportionate share of contributions...	8,114	(649,736)	(641,622)
Total deferred outflows/(inflows) of resources.....	\$ 1,753,847	\$ (1,122,405)	\$ 631,442

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

<u>Year ended June 30:</u>	
2021.....	\$ 477,286
2022.....	218,200
2023.....	394,637
2024.....	<u>(458,681)</u>
Total.....	\$ <u>631,442</u>

Actuarial Assumptions

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

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Market Value.
Investment rate of return.....	7.75%
Discount rate.....	7.75%
Inflation rate.....	3.00%
Projected salary increases.....	3.50% - 5.50%
Cost of living adjustments.....	3% of the first \$18,000 of retirement income.
Mortality rates.....	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. generational adjusting is based on Scale MP-2014.

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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	30.50%	6.60%
International equities.....	15.50%	8.00%
Fixed income.....	20.50%	3.80%
Real estate.....	9.50%	8.20%
Private equity.....	10.00%	9.10%
Hedge funds.....	11.50%	7.20%
Real assets.....	2.50%	9.10%
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 16.28%. 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 7.75%. 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Town’s proportionate share of the net pension liability.....	\$ <u>21,796,596</u>	\$ <u>16,782,049</u>	\$ <u>12,521,194</u>

Changes in Assumptions Plan Provisions - The January 1, 2020 actuarial valuation included a 7.75% assumed rate of return on plan investments; this is the same percentage assumed rate included in the prior valuation. Additionally, the cost of living increase assumption was changed to 3.0% of the first \$18,000 of retirement income; the base in the prior valuation was \$17,000.

Changes in Plan Provisions- None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Holbrook administers a single-employer defined benefit healthcare plan (Plan). The plan provides health, 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. 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. Teachers retired prior to July 1, 2008, contribute 10% of the cost of premiums. All other retirees contribute 10% - 30% of the cost of premiums, based on the plan. The Town contributes the remaining cost of premiums for retired plan members and their spouses. For 2020, the Town’s age-adjusted contribution to the plan totaled \$2,425,417 million. For the year ended June 30, 2020, the Town’s average contribution rate was 8.84% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities.

During 2020, the Town pre-funded future OPEB liabilities by contributing \$305,000 to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$1,221,639.

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at July 1, 2018:

Active members.....	327
Inactive employees or beneficiaries currently receiving benefits.....	<u>311</u>
Total.....	<u>638</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.....	\$ 56,317,135
Less: OPEB plan's fiduciary net position.....	<u>(1,221,639)</u>
Net OPEB liability.....	<u>\$ 55,095,496</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	2.17%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2018 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2020.

Valuation date.....	Actuarially Determined Contribution was calculated as of July 1, 2018.
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Market value of assets as of the measurement date, June 30, 2020.
Investment rate of return.....	7.00%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index-SAPIHG).
Single equivalent discount rate.....	4.25%, net of OPEB plan investment expense, including inflation.
Inflation.....	2.50% as of June 30, 2020 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2019, and for future periods.
Healthcare cost trend rate.....	4.50%
Pre-Retirement mortality.....	RP-2014 Employees Mortality Table projected generationally with scale MP-2016 for males and females.
Post-Retirement mortality.....	RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.94%. 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expense and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting

inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap.....	23.33%	4.80%
Domestic Equity - Small/Mid Cap.....	11.67%	5.29%
International Equity - Developed Market..	13.33%	5.45%
International Equity - Emerging Market...	6.67%	6.42%
Domestic Fixed Income.....	20.00%	2.05%
International Fixed Income.....	5.00%	3.00%
Alternatives.....	20.00%	6.50%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.25% as of June 30, 2020. 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 not projected to be sufficient to make all projected benefit payments to current plan members for all future periods. Therefore, a blended rate of the Municipal Bond Index Rate for unfunded periods and the investment rate of return for funded periods was used.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 54,420,583	\$ 895,829	\$ 53,524,754
Changes for the year:			
Service cost.....	1,691,718	-	1,691,718
Interest.....	2,340,183	-	2,340,183
Differences between expected and actual experience..	(14,932)	-	(14,932)
Employer contributions.....	-	2,425,417	(2,425,417)
Net investment income.....	-	20,810	(20,810)
Benefit payments.....	(2,120,417)	(2,120,417)	-
Net change.....	1,896,552	325,810	1,570,742
Balances at June 30, 2020.....	\$ 56,317,135	\$ 1,221,639	\$ 55,095,496

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

The following table presents the net OPEB liability, calculated using the discount rate of 4.25%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25%) or 1-percentage-point higher (5.25%) than the current rate.

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Net OPEB liability.....	\$ 64,349,464	\$ 55,095,496	\$ 47,768,850

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

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

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 47,060,225	\$ 55,095,496	\$ 65,433,040

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$4,760,974. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB related to the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (121,541)	\$ (121,541)
Net difference between projected and actual earnings, net..	48,597	-	48,597
Changes of assumptions.....	3,482,604	-	3,482,604
Total deferred outflows/(inflows) of resources.....	\$ 3,531,201	\$ (121,541)	\$ 3,409,660

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense in the following periods:

<u>Reporting year ended June 30:</u>	
2021.....	\$ 919,511
2022.....	919,511
2023.....	924,433
2024.....	648,042
2025.....	<u>(1,837)</u>
 Total.....	 \$ <u>3,409,660</u>

Changes of Assumptions

None.

Changes in Plan Provisions

None.

NOTE 13 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town has reflected a \$85,000 post-closure care liability at June 30, 2020, as an obligation of governmental funds. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

NOTE 14 – 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.

The general fund has various commitments for goods and services related to encumbrances totaling \$128,000.

HRECC Project

The Holbrook Regional Emergency Communications Center is nearing completion of construction and technological outfitting of a new regional emergency communications center that is designed for future expansion. This facility will house the Telecommunicators of the HRECC who answer 911 calls and/or dispatch responders from the Towns of Holbrook, Sharon, Canton, Whitman, Abington and Rockland.

The project is in the final phase (technological outfitting) of this project and anticipate moving operations into the new facility and going live early in 2021. Final components of this phase include: final punch list, radio upgrade and installation, phone upgrade and installation, fire alarm monitoring equipment upgrade and installation and ultimately cutover of NG911 equipment on “go live” day.

This project has been funded entirely by grant funds received through the Executive Office of Public Safety and Security and the MA State 911 Department’s Regional Public Safety Answering Point and Regional Secondary Public Safety Answering Point and Regional Emergency Communication Center Development Grant. The grant itself is funded through the 911 cell phone surcharge that is presently set to \$1.50 per device.

The cost of the entire project is \$8 million which includes: Architectural services, OPM services, General Contractor and all filed sub bidders, upgrade to radio infrastructure and procurement and installation of all physical items required to occupy the center (phones, cameras, computers, radios, console furniture, chairs etc.) The project is currently under budget and there are no shortages projected.

Water Treatment Plant Project

The Town has authorized \$12.2 million of debt related to a new Tri Town Water Treatment Plant. This is a project between Holbrook, Randolph, and Braintree. This will replace two existing plants and will provide drinking water for all three towns. The total cost of the project is \$70 million. Holbrook will be responsible for 16% of the construction costs (\$11 million). Holbrook will also be responsible for 16% of the operating costs going forward. Design is underway and is about 40% complete. Construction will begin sometime late next year and completion is estimated to be in 2024.

NOTE 15 – 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 ended on December 30, 2020. On December 26, 2020, the December 30th deadline was extended by one year. 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 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2021, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

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

The following GASB pronouncements will be implemented in the future:

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

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

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for 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						
	Amounts	Current Year			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Carried Forward From Prior Year	Initial Budget	Original Budget	Final Budget			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 28,032,301	\$ 28,032,301	\$ 28,032,301	\$ 28,253,465	\$ -	\$ 221,164
Tax liens.....	-	-	-	-	257,695	-	257,695
Motor vehicle and other excise taxes.....	-	1,551,000	1,551,000	1,551,000	1,505,492	-	(45,508)
Charges for services.....	-	955,391	955,391	955,391	958,866	-	3,475
Penalties and interest on taxes.....	-	229,000	229,000	229,000	443,670	-	214,670
Fees and rentals.....	-	84,683	84,683	84,683	83,939	-	(744)
Payments in lieu of taxes.....	-	3,292	3,292	3,292	1,618	-	(1,674)
Licenses and permits.....	-	305,183	305,183	305,183	406,271	-	101,088
Fines and forfeitures.....	-	15,694	15,694	15,694	12,679	-	(3,015)
Intergovernmental.....	-	9,232,307	9,232,307	9,232,307	9,227,973	-	(4,334)
Departmental and other.....	-	-	-	-	97,536	-	97,536
Investment income.....	-	54,000	54,000	54,000	45,640	-	(8,360)
TOTAL REVENUES.....	-	40,462,851	40,462,851	40,462,851	41,294,844	-	831,993
EXPENDITURES:							
Current:							
General government.....	1,800	678,358	680,158	715,552	655,940	14,400	45,212
Financial services.....	35	1,068,215	1,068,250	934,081	731,044	8,046	194,991
Inspectional services.....	2,004	305,188	307,192	318,789	297,202	-	21,587
Public safety.....	7,054	6,723,311	6,730,365	6,806,378	6,622,071	730	183,577
Education.....	19,854	17,432,270	17,452,124	17,421,496	17,338,774	65,389	17,333
Public works.....	859	1,635,488	1,636,347	1,649,054	1,276,650	20,394	352,010
Public services.....	2	631,091	631,093	633,052	532,143	-	100,909
Insurance.....	-	820,564	820,564	820,581	698,000	-	122,581
Employee benefits.....	26,611	7,629,930	7,656,541	7,656,524	7,352,753	18,739	285,032
State and county charges.....	-	1,086,139	1,086,139	1,086,139	1,073,156	-	12,983
Debt service:							
Principal.....	-	1,769,166	1,769,166	1,762,117	1,762,117	-	-
Interest.....	-	1,762,501	1,762,501	1,490,900	1,346,254	-	144,646
TOTAL EXPENDITURES.....	58,219	41,542,221	41,600,440	41,294,663	39,686,104	127,698	1,480,861
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(58,219)	(1,079,370)	(1,137,589)	(831,812)	1,608,740	(127,698)	2,312,854
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	1,945,917	1,945,917	1,950,918	1,988,518	-	37,600
Transfers out.....	-	(1,291,547)	(1,291,547)	(2,887,325)	(2,887,325)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	654,370	654,370	(936,407)	(898,807)	-	37,600
NET CHANGE IN FUND BALANCE.....	(58,219)	(425,000)	(483,219)	(1,768,219)	709,933	(127,698)	2,350,454
BUDGETARY FUND BALANCE, Beginning of year.....	-	3,572,715	3,572,715	3,572,715	3,572,715	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (58,219)	\$ 3,147,715	\$ 3,089,496	\$ 1,804,496	\$ 4,282,648	\$ (127,698)	\$ 2,350,454

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

The Schedule of 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
NORFOLK COUNTY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	2.86%	\$ 16,782,049	\$ 8,898,997	188.58%	64.60%
December 31, 2018.....	2.96%	19,271,741	8,700,167	221.51%	58.30%
December 31, 2017.....	2.96%	16,355,657	8,405,958	194.57%	63.50%
December 31, 2016.....	3.02%	15,765,083	8,342,746	188.97%	61.60%
December 31, 2015.....	3.02%	16,405,143	8,057,288	203.61%	58.60%
December 31, 2014.....	3.16%	16,385,437	7,937,661	206.43%	60.10%

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
NORFOLK COUNTY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 2,140,930	\$ (2,140,930)	-	\$ 9,076,977	23.59%
June 30, 2019.....	2,071,187	(2,071,187)	-	8,874,170	23.34%
June 30, 2018.....	1,893,166	(1,893,166)	-	8,574,077	22.08%
June 30, 2017.....	1,831,085	(1,831,085)	-	8,509,601	21.52%
June 30, 2016.....	1,662,447	(1,662,447)	-	8,218,434	20.23%
June 30, 2015.....	1,528,629	(1,528,629)	-	8,096,414	18.88%

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

See notes to required supplementary information.

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

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 29,416,324	\$ 3,567,240	53.95%
2019.....	27,277,562	2,764,186	54.84%
2018.....	26,317,584	2,746,843	54.25%
2017.....	25,323,200	2,583,132	52.73%
2016.....	22,679,076	1,839,475	55.38%
2015.....	18,946,387	1,316,296	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 and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

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

The Schedule of Investment 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, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 1,145,467	\$ 1,075,692	\$ 1,591,699	\$ 1,691,718
Interest.....	1,714,365	1,905,468	2,278,290	2,340,183
Differences between expected and actual experience.....	-	-	(152,171)	(14,932)
Changes of assumptions.....	-	-	5,365,092	-
Benefit payments.....	<u>(1,658,616)</u>	<u>(1,646,135)</u>	<u>(2,071,599)</u>	<u>(2,120,417)</u>
Net change in total OPEB liability.....	1,201,216	1,335,025	7,011,311	1,896,552
Total OPEB liability - beginning.....	<u>44,873,031</u>	<u>46,074,247</u>	<u>47,409,272</u>	<u>54,420,583</u>
Total OPEB liability - ending (a).....	<u>\$ 46,074,247</u>	<u>\$ 47,409,272</u>	<u>\$ 54,420,583</u>	<u>\$ 56,317,135</u>
Plan fiduciary net position				
Employer contributions.....	\$ 153,582	\$ 415,017	\$ 185,000	\$ 305,000
Employer contributions for OPEB payments.....	1,658,616	1,646,135	2,071,599	2,120,417
Net investment income.....	12,906	4,810	41,812	20,810
Benefit payments.....	<u>(1,658,616)</u>	<u>(1,646,135)</u>	<u>(2,071,599)</u>	<u>(2,120,417)</u>
Net change in plan fiduciary net position.....	166,488	419,827	226,812	325,810
Plan fiduciary net position - beginning of year.....	<u>82,702</u>	<u>249,190</u>	<u>669,017</u>	<u>895,829</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 249,190</u>	<u>\$ 669,017</u>	<u>\$ 895,829</u>	<u>\$ 1,221,639</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 45,825,057</u>	<u>\$ 46,740,255</u>	<u>\$ 53,524,754</u>	<u>\$ 55,095,496</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.54%	1.41%	1.65%	2.17%
Covered-employee payroll.....	\$ 19,220,954	\$ 18,661,120	\$ 26,626,735	\$ 27,425,537
Net OPEB liability as a percentage of covered-employee payroll.....	238.41%	250.47%	201.02%	200.89%

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**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2020.....	\$ 4,841,449	\$ (2,425,417)	\$ 2,416,032	\$ 27,425,537	8.84%
June 30, 2019.....	4,651,633	(2,256,599)	2,395,034	26,626,735	8.47%
June 30, 2018.....	3,543,519	(2,061,152)	1,482,367	18,661,120	11.05%
June 30, 2017.....	3,455,639	(1,812,198)	1,643,441	19,220,954	9.43%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	1.94%
June 30, 2019.....	5.58%
June 30, 2018.....	1.18%
June 30, 2017.....	10.79%

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

A. 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 \$42.8 million in appropriations and other amounts to be raised and \$58,000 in encumbrances and appropriations carried over from previous years. During 2020, Town Meeting approved supplemental appropriations totaling \$1.3 million, for transfers to the stabilization funds, and for transfers to the OPEB trust fund.

The Town Accountant 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.

B. 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.....	\$	709,933
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		134,054
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		204,984
Net change in recording 60 day receipts.....		152,608
Recognition of revenue for on-behalf payments.....		3,567,240
Recognition of expenditures for on-behalf payments.....		<u>(3,567,240)</u>
Net change in fund balance - GAAP basis.....	\$	<u>1,201,579</u>

C. Appropriation Deficits

There were no appropriation deficits in fiscal year 2020.

NOTE B – PENSION PLAN***Pension Plan Schedules***A. 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.

B. 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.

C. 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.

D. Changes in Assumptions

The January 1, 2020 actuarial valuation included a 7.75% assumed rate of return on plan investments; this is the same percentage assumed rate included in the prior valuation. Additionally, the cost of living increase assumption was changed to 3.0% of the first \$18,000 of retirement income; the base in the prior valuation was \$17,000.

E. Changes in Plan Provisions

There were no changes in plan provisions as part of the updated actuarial valuation through the measurement date of December 31, 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

A. 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.

B. 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 contributions 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. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	Actuarially Determined Contribution was calculated as of July 1, 2018.
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Market value of assets as of the measurement date, June 30, 2020.
Investment rate of return.....	7.00%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index-SAPIHG).
Single equivalent discount rate.....	4.25%, net of OPEB plan investment expense, including inflation.
Inflation.....	2.50% as of June 30, 2020 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2019, and for future periods.
Healthcare cost trend rate.....	4.50%

Pre-Retirement mortality.....	RP-2014 Employees Mortality Table projected generationally with scale MP-2016 for males and females.
Post-Retirement mortality.....	RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

C. Schedule of Investment Return

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

D. Changes of Assumptions

None.

E. Changes in Plan Provisions

None.