



TOWN OF MEDWAY, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Medway, 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 Medway, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an



opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Medway, 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 Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, and certain Pension and OPEB schedules 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 evidence sufficient 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 18, 2021, on our consideration of the Town's 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 solely 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 effectiveness of the Town's 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
January 18, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Medway, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required/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 our finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer, water, ambulance service, and solid waste collection activities.

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer, water, ambulance, and solid waste operations.

Fiduciary Funds

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

Notes to 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.

Required/Other Supplementary Information (Other Than MD&A)

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$74,064,075, a change of \$7,035,820, and net position in business-type activities was \$28,757,297, a change of \$176,157.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$30,998,244, a change of \$8,103,418 in comparison to the prior year primarily due to the bond issuance of \$12,890,000 for the DPW facility project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,003,118, a change of \$2,570,316 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 36,746	\$ 28,433	\$ 5,836	\$ 5,187	\$ 42,582	\$ 33,620
Capital assets	<u>132,927</u>	<u>123,456</u>	<u>33,732</u>	<u>34,001</u>	<u>166,659</u>	<u>157,457</u>
Total assets	169,673	151,889	39,568	39,188	209,241	191,077
Deferred outflows of resources	2,363	6,380	56	192	2,419	6,572
Long-term liabilities outstanding	77,410	76,193	9,388	9,621	86,798	85,814
Other liabilities	<u>7,413</u>	<u>6,285</u>	<u>1,317</u>	<u>1,222</u>	<u>8,730</u>	<u>7,507</u>
Total liabilities	84,823	82,478	10,705	10,843	95,528	93,321
Deferred inflows of resources	13,148	8,529	161	189	13,309	8,718
Net investment in capital assets	102,178	98,077	24,772	25,080	126,950	123,157
Restricted	7,199	7,392	-	-	7,199	7,392
Unrestricted	<u>(35,312)</u>	<u>(38,207)</u>	<u>3,986</u>	<u>3,268</u>	<u>(31,326)</u>	<u>(34,939)</u>
Total net position	\$ <u><u>74,065</u></u>	\$ <u><u>67,262</u></u>	\$ <u><u>28,758</u></u>	\$ <u><u>28,348</u></u>	\$ <u><u>102,823</u></u>	\$ <u><u>95,610</u></u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$102,821,372, a change of \$7,211,977 in comparison to the prior year.

The largest portion of net position \$126,949,753 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in

capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$7,198,458 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(31,326,839) primarily resulting from bonds payable, unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,999	\$ 3,363	\$ 6,399	\$ 6,700	\$ 10,398	\$ 10,063
Operating grants and contributions	23,355	20,310	-	-	23,355	20,310
Capital grants and contributions	-	402	-	-	-	402
General revenues:						
Property taxes	41,784	39,836	-	-	41,784	39,836
Excises	2,185	2,131	-	-	2,185	2,131
Penalties and interest on taxes	412	332	-	-	412	332
Grants and contributions not restricted to specific programs	1,334	1,342	-	-	1,334	1,342
Investment income	480	404	20	2	500	406
Other	<u>984</u>	<u>823</u>	<u>37</u>	<u>114</u>	<u>1,021</u>	<u>937</u>
Total revenues	74,533	68,943	6,456	6,816	80,989	75,759

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Expenses:						
General government	6,281	9,644	-	-	6,281	9,644
Public safety	9,940	7,055	-	-	9,940	7,055
Education	42,629	40,776	-	-	42,629	40,776
Public works	4,029	4,672	-	-	4,029	4,672
Health and human services	932	997	-	-	932	997
Culture and recreation	1,939	2,001	-	-	1,939	2,001
Interest	1,176	819	-	-	1,176	819
Intergovernmental	790	812	-	-	790	812
Sewer	-	-	1,930	1,856	1,930	1,856
Water	-	-	2,853	2,175	2,853	2,175
Ambulance	-	-	-	628	-	628
Solid waste	-	-	1,267	1,175	1,267	1,175
Total expenses	<u>67,716</u>	<u>66,776</u>	<u>6,050</u>	<u>5,834</u>	<u>73,766</u>	<u>72,610</u>
Change in net position before transfers	6,817	2,167	406	982	7,223	3,149
Transfers in (out)	<u>220</u>	<u>619</u>	<u>(230)</u>	<u>(629)</u>	<u>(10)</u>	<u>(10)</u>
Change in net position	7,037	2,786	176	353	7,213	3,139
Net position - beginning of year, as restated	<u>67,028</u>	<u>64,476</u>	<u>28,582</u>	<u>27,995</u>	<u>95,610</u>	<u>92,471</u>
Net position - end of year	<u>\$ 74,065</u>	<u>\$ 67,262</u>	<u>\$ 28,758</u>	<u>\$ 28,348</u>	<u>\$ 102,823</u>	<u>\$ 95,610</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$7,035,820. Key elements of this change are as follows:

General fund operations	\$ 1,880,222
DPW Facility project - accrual basis	512,890
Capital assets financed with current year revenues	4,350,373
Depreciation expense in excess of principal debt service	(1,906,750)
Change in OPEB and related deferred outflows/inflows	3,044,381
Change in net pension liability and related deferred outflows/inflows	(692,417)
Other	<u>(152,879)</u>
Total	<u>\$ 7,035,820</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$176,157. Key elements of this change are as follows:

Sewer operations	\$ 43,232
Water operations	111,290
Ambulance operations	(193,919)
Solid waste operations	<u>215,554</u>
Total	<u>\$ 176,157</u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,003,118 while total fund balance was \$16,994,458. The unassigned fund balance increased by \$2,570,316 during fiscal year 2020 from positive budgetary results of \$4,261,401 (page 61) less \$1.9 million in free cash approved for use in fiscal year 2021 at our June annual town meeting. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 11,003,118	\$ 8,432,802	\$ 2,570,316	19.6%
Total fund balance	\$ 16,994,458	\$ 15,114,236	\$ 1,880,222	30.3%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$3,886,093.

The total fund balance of the general fund changed by \$1,880,222 during the current fiscal year. Key factors in this change are as follows:

Excess revenues over budget	\$ 1,613,931
Budgetary appropriation surplus	2,498,685
Other financing sources/uses	148,785
Change in stabilization	(630,199)
Use of free cash and overlay surplus	(2,853,173)
Other	<u>1,102,193</u>
Total	\$ <u><u>1,880,222</u></u>

Included in the total general fund balance are the Town's stabilization and fiscal stability accounts with the following balances:

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General trust stabilization	\$ 3,595,830	\$ 3,406,283	\$ 189,547
Stabilization capital improvements	351,577	348,577	3,000
Stabilization DPS facility	-	514,191	(514,191)
Stabilization athletic field	305,098	229,191	75,907
Stabilization debt	<u>872,131</u>	<u>1,256,593</u>	<u>(384,462)</u>
Total	\$ <u><u>5,124,636</u></u>	\$ <u><u>5,754,835</u></u>	\$ <u><u>(630,199)</u></u>

Major Governmental Funds

DPW Facility Project

The Town voted to construct a new DPW facility which is reported separately as a major governmental fund.

Non-Major Governmental Funds

The non-major fund balance changed by \$27,689 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,985,609, a change of \$717,838 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original and final budget are primarily due to the following:

- Special Education van purchase – \$30,000 funded by reserve fund transfers
- Unemployment – \$25,000 funded by reserve fund transfers
- COVID relief – \$105,000 funded by free cash

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$166,658,706 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- \$8,357,383 – DPW facility project
- \$1,377,135 – Conservation land purchase

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$48,058,520, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Medway, Massachusetts' 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:

Office of Finance Director
Town of Medway, Massachusetts
155 Village Street
Medway, Massachusetts 02053

TOWN OF MEDWAY, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 30,230,683	\$ 4,236,953	\$ 34,467,636
Investments	3,595,830	-	3,595,830
Receivables, net of allowance for uncollectibles:			
Property taxes	1,144,717	-	1,144,717
Excises	121,358	-	121,358
User fees	107,464	1,598,772	1,706,236
Departmental and other	121,917	-	121,917
Intergovernmental	<u>495,626</u>	<u>-</u>	<u>495,626</u>
Total Current Assets	35,817,595	5,835,725	41,653,320
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	928,289	-	928,289
Capital Assets:			
Land and construction in progress	40,617,904	5,152,012	45,769,916
Other capital assets, net of accumulated depreciation	<u>92,309,032</u>	<u>28,579,758</u>	<u>120,888,790</u>
Total Noncurrent Assets	<u>133,855,225</u>	<u>33,731,770</u>	<u>167,586,995</u>
Total Assets	169,672,820	39,567,495	209,240,315
Deferred Outflows of Resources			
Related to pensions	<u>2,362,727</u>	<u>56,365</u>	<u>2,419,092</u>
Total Deferred Outflows of Resources	2,362,727	56,365	2,419,092
Liabilities			
Current:			
Warrants payable	2,070,560	357,821	2,428,381
Accrued liabilities	1,190,593	105,823	1,296,416
Notes payable	450,000	-	450,000
Other current liabilities	108,348	-	108,348
Current portion of long-term liabilities:			
Bonds payable	3,543,502	851,471	4,394,973
Compensated absences	43,178	2,452	45,630
Capital leases	<u>6,836</u>	<u>-</u>	<u>6,836</u>
Total Current Liabilities	7,413,017	1,317,567	8,730,584
Noncurrent:			
Bonds payable, net of current portion	35,031,277	8,632,270	43,663,547
Net pension liability	20,120,639	479,995	20,600,634
Net OPEB liability	21,869,464	253,773	22,123,237
Compensated absences, net of current portion	<u>388,601</u>	<u>22,063</u>	<u>410,664</u>
Total Noncurrent Liabilities	<u>77,409,981</u>	<u>9,388,101</u>	<u>86,798,082</u>
Total Liabilities	84,822,998	10,705,668	95,528,666
Deferred Inflows of Resources			
Related to pensions	679,222	16,203	695,425
Related to OPEB	<u>12,469,252</u>	<u>144,692</u>	<u>12,613,944</u>
Total Deferred Inflows of Resources	13,148,474	160,895	13,309,369
Net Position			
Net investment in capital assets	102,178,065	24,771,688	126,949,753
Restricted for:			
Grants and other statutory restrictions	7,045,786	-	7,045,786
Permanent funds:			
Nonexpendable	110,869	-	110,869
Expendable	41,803	-	41,803
Unrestricted	<u>(35,312,448)</u>	<u>3,985,609</u>	<u>(31,326,839)</u>
Total Net Position	\$ <u>74,064,075</u>	\$ <u>28,757,297</u>	\$ <u>102,821,372</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 6,280,780	\$ 513,236	\$ 451,516	\$ -	\$ (5,316,028)	\$ -	\$ (5,316,028)
Public safety	9,940,466	1,408,063	605,208	-	(7,927,195)	-	(7,927,195)
Education	42,628,691	1,781,820	21,023,145	-	(19,823,726)	-	(19,823,726)
Public works	4,029,030	11,153	625,838	-	(3,392,039)	-	(3,392,039)
Health and human services	931,909	39,700	264,336	-	(627,873)	-	(627,873)
Culture and recreation	1,939,333	244,685	385,115	-	(1,309,533)	-	(1,309,533)
Interest	1,176,198	-	-	-	(1,176,198)	-	(1,176,198)
Intergovernmental	789,656	-	-	-	(789,656)	-	(789,656)
Total Governmental Activities	67,716,063	3,998,657	23,355,158	-	(40,362,248)	-	(40,362,248)
Business-Type Activities							
Sewer	1,930,300	1,952,765	-	-	-	22,465	22,465
Water services	2,852,587	2,953,209	-	-	-	100,622	100,622
Solid waste	1,266,532	1,493,094	-	-	-	226,562	226,562
Total Business-Type Activities	6,049,419	6,399,068	-	-	-	349,649	349,649
Total	\$ 73,765,482	\$ 10,397,725	\$ 23,355,158	\$ -	(40,362,248)	349,649	(40,012,599)
General Revenues and Transfers							
Property taxes					41,783,788	-	41,783,788
Excises					2,184,847	-	2,184,847
Penalties, interest and other taxes					411,504	-	411,504
Grants and contributions not restricted to specific programs					1,333,962	-	1,333,962
Investment income					479,674	20,066	499,740
Miscellaneous					983,504	36,731	1,020,235
Transfers, net					220,789	(230,289)	(9,500)
Total general revenues and transfers					47,398,068	(173,492)	47,224,576
Change in Net Position					7,035,820	176,157	7,211,977
Net Position							
Beginning of year, as restated					67,028,255	28,581,140	95,609,395
End of year					\$ 74,064,075	\$ 28,757,297	\$ 102,821,372

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	DPW Facility Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 14,987,490	\$ 7,469,498	\$ 7,773,695	\$ 30,230,683
Investments	3,595,830	-	-	3,595,830
Receivables:				
Property taxes	4,208,687	-	1,711	4,210,398
Excises	243,906	-	-	243,906
User fees	-	-	155,272	155,272
Departmental and other	3,630	-	118,287	121,917
Intergovernmental	35,000	-	460,626	495,626
Total Assets	\$ <u>23,074,543</u>	\$ <u>7,469,498</u>	\$ <u>8,509,591</u>	\$ <u>39,053,632</u>
Liabilities				
Warrants payable	\$ 849,580	\$ 893,882	\$ 327,098	\$ 2,070,560
Accrued liabilities	855,166	-	49,635	904,801
Notes payable	-	-	450,000	450,000
Tax refunds payable	47,999	-	-	47,999
Other liabilities	60,349	-	-	60,349
Total Liabilities	1,813,094	893,882	826,733	3,533,709
Deferred Inflows of Resources				
Unavailable revenues	4,266,991	-	254,688	4,521,679
Fund Balances				
Nonspendable	-	-	110,869	110,869
Restricted	601,127	6,575,616	7,590,837	14,767,580
Committed	3,434,499	-	-	3,434,499
Assigned	1,955,714	-	-	1,955,714
Unassigned	11,003,118	-	(273,536)	10,729,582
Total Fund Balances	<u>16,994,458</u>	<u>6,575,616</u>	<u>7,428,170</u>	<u>30,998,244</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>23,074,543</u>	\$ <u>7,469,498</u>	\$ <u>8,509,591</u>	\$ <u>39,053,632</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2020

Total governmental fund balances	\$ 30,998,244
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	132,926,936
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,213,931
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due in the current period and, therefore, are not reported in the governmental funds.	(91,789,244)
<ul style="list-style-type: none">• Other	<u>(285,792)</u>
Net position of governmental activities	\$ <u><u>74,064,075</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	DPW Facility Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 40,883,723	\$ -	\$ 925,539	\$ 41,809,262
Excises	2,152,924	-	-	2,152,924
User fees	-	-	751,765	751,765
Penalties, interest and other taxes	410,217	-	1,287	411,504
Charges for services	-	-	2,339,018	2,339,018
Intergovernmental	15,968,507	-	4,337,885	20,306,392
Licenses and permits	923,499	-	-	923,499
Fines and forfeitures	20,694	-	-	20,694
Investment income	442,826	-	36,848	479,674
Miscellaneous	<u>772,653</u>	<u>-</u>	<u>246,724</u>	<u>1,019,377</u>
Total Revenues	61,575,043	-	8,639,066	70,214,109
Expenditures				
Current:				
General government	3,730,404	-	979,823	4,710,227
Public safety	5,529,482	-	570,915	6,100,397
Education	32,482,026	-	4,124,166	36,606,192
Public works	3,991,177	8,357,383	939,641	13,288,201
Health and human services	502,502	-	141,872	644,374
Culture and recreation	494,130	-	2,213,693	2,707,823
Employee benefits	9,085,087	-	-	9,085,087
Debt service:				
Principal	2,400,225	-	358,487	2,758,712
Interest	929,177	-	104,215	1,033,392
Intergovernmental	<u>789,656</u>	<u>-</u>	<u>-</u>	<u>789,656</u>
Total Expenditures	<u>59,933,866</u>	<u>8,357,383</u>	<u>9,432,812</u>	<u>77,724,061</u>
Excess (deficiency) of revenues over expenditures	1,641,177	(8,357,383)	(793,746)	(7,509,952)
Other Financing Sources (Uses)				
Issuance of bonds	-	12,890,000	1,170,000	14,060,000
Bond premiums	2,581	1,150,000	180,000	1,332,581
Transfers in	799,542	512,890	357,723	1,670,155
Transfers out	<u>(563,078)</u>	<u>-</u>	<u>(886,288)</u>	<u>(1,449,366)</u>
Total Other Financing Sources (Uses)	<u>239,045</u>	<u>14,552,890</u>	<u>821,435</u>	<u>15,613,370</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,880,222	6,195,507	27,689	8,103,418
Fund Balance, at Beginning of Year, as restated	<u>15,114,236</u>	<u>380,109</u>	<u>7,400,481</u>	<u>22,894,826</u>
Fund Balance, at End of Year	\$ <u><u>16,994,458</u></u>	\$ <u><u>6,575,616</u></u>	\$ <u><u>7,428,170</u></u>	\$ <u><u>30,998,244</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds To the Statement of Activities For the Year Ended June 30, 2020

Net changes in fund balances - total governmental funds	\$ 8,103,418																				
<ul style="list-style-type: none"> 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: <table> <tr> <td>Capital outlay</td><td style="text-align: right;">14,030,067</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(4,645,237)</td></tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of new debt</td><td style="text-align: right;">(14,060,000)</td></tr> <tr> <td>Bond premium</td><td style="text-align: right;">(1,330,000)</td></tr> <tr> <td>Repayments of debt</td><td style="text-align: right;">2,738,487</td></tr> <tr> <td>Other</td><td style="text-align: right;">6,568</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. <table> <tr> <td></td><td style="text-align: right;">(29,868)</td></tr> </table> 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: <table> <tr> <td>Change in pension expense from GASB 68</td><td style="text-align: right;">(692,417)</td></tr> <tr> <td>Change in OPEB expense from GASB 75</td><td style="text-align: right;">3,044,381</td></tr> </table> Other differences <table> <tr> <td></td><td style="text-align: right;"><u>(129,579)</u></td></tr> </table> 	Capital outlay	14,030,067	Depreciation	(4,645,237)	Issuance of new debt	(14,060,000)	Bond premium	(1,330,000)	Repayments of debt	2,738,487	Other	6,568		(29,868)	Change in pension expense from GASB 68	(692,417)	Change in OPEB expense from GASB 75	3,044,381		<u>(129,579)</u>	
Capital outlay	14,030,067																				
Depreciation	(4,645,237)																				
Issuance of new debt	(14,060,000)																				
Bond premium	(1,330,000)																				
Repayments of debt	2,738,487																				
Other	6,568																				
	(29,868)																				
Change in pension expense from GASB 68	(692,417)																				
Change in OPEB expense from GASB 75	3,044,381																				
	<u>(129,579)</u>																				
Change in net position of governmental activities	\$ <u><u>7,035,820</u></u>																				

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

	Business-Type Activities Enterprise Funds				
	Sewer Fund	Water Fund	Nonmajor Fund		Total
			Ambulance Fund	Solid Waste Fund	
Assets					
Current:					
Cash and short-term investments	\$ 1,441,897	\$ 1,267,323	\$ -	\$ 1,527,733	\$ 4,236,953
User fees, net of allowance for uncollectibles	<u>731,508</u>	<u>654,025</u>	<u>-</u>	<u>213,239</u>	<u>1,598,772</u>
Total Current Assets	2,173,405	1,921,348	-	1,740,972	5,835,725
Noncurrent:					
Capital assets					
Land and construction in progress	370,856	4,781,156	-	-	5,152,012
Other capital assets, net of accumulated depreciation	<u>10,620,823</u>	<u>17,958,935</u>	<u>-</u>	<u>-</u>	<u>28,579,758</u>
Total Noncurrent Assets	<u>10,991,679</u>	<u>22,740,091</u>	<u>-</u>	<u>-</u>	<u>33,731,770</u>
Total Assets	13,165,084	24,661,439		1,740,972	39,567,495
Deferred Outflows of Resources					
Related to pensions	<u>12,095</u>	<u>25,159</u>	<u>-</u>	<u>19,111</u>	<u>56,365</u>
Total Deferred Outflows of Resources	12,095	25,159	-	19,111	56,365
Liabilities					
Current:					
Warrants payable	95,675	75,458	-	186,688	357,821
Accrued liabilities	21,931	83,345	-	547	105,823
Current portion of long-term liabilities:					
Bonds payable	205,000	646,471	-	-	851,471
Compensated absences	<u>-</u>	<u>2,452</u>	<u>-</u>	<u>-</u>	<u>2,452</u>
Total Current Liabilities	322,606	807,276	-	187,235	1,317,567
Noncurrent:					
Bonds payable, net of current portion	1,325,000	7,307,270	-	-	8,632,270
Net pension liability	103,003	214,247	-	162,745	479,995
Net OPEB liability	4,375	185,388	-	64,010	253,773
Compensated absences, net of current portion	<u>-</u>	<u>22,063</u>	<u>-</u>	<u>-</u>	<u>22,063</u>
Total Noncurrent Liabilities	<u>1,432,378</u>	<u>7,728,968</u>	<u>-</u>	<u>226,755</u>	<u>9,388,101</u>
Total Liabilities	1,754,984	8,536,694		413,990	10,705,668
Deferred Inflows of Resources					
Related to pensions	3,477	7,232	-	5,494	16,203
Related to OPEB	<u>2,494</u>	<u>105,702</u>	<u>-</u>	<u>36,496</u>	<u>144,692</u>
Total Deferred Inflows of Resources	5,971	112,934	-	41,990	160,895
Net Position					
Net investment in capital assets	9,593,865	15,177,823	-	-	24,771,688
Unrestricted	<u>1,822,359</u>	<u>859,147</u>	<u>-</u>	<u>1,304,103</u>	<u>3,985,609</u>
Total Net Position	<u>\$ 11,416,224</u>	<u>\$ 16,036,970</u>	<u>\$ -</u>	<u>\$ 1,304,103</u>	<u>\$ 28,757,297</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds				
	Nonmajor Fund				
	Sewer Fund	Water Fund	Ambulance Fund	Solid Waste Fund	Total
Operating Revenues					
Charges for services	\$ 1,952,765	\$ 2,953,209	\$ -	\$ 1,493,094	\$ 6,399,068
Other	-	36,731	-	-	36,731
Total Operating Revenues	1,952,765	2,989,940	-	1,493,094	6,435,799
Operating Expenses					
Salaries and benefits	271,442	698,280	-	57,251	1,026,973
Other operating expenses	1,202,267	1,205,956	-	1,209,281	3,617,504
Depreciation	401,059	758,861	-	-	1,159,920
Total Operating Expenses	1,874,768	2,663,097	-	1,266,532	5,804,397
Operating Income	77,997	326,843	-	226,562	631,402
Nonoperating Revenues (Expenses)					
Bond premium	-	-	-	-	-
Investment income	2,096	17,970	-	-	20,066
Interest expense	(55,532)	(189,490)	-	-	(245,022)
Total Nonoperating Revenues (Expenses), Net	(53,436)	(171,520)	-	-	(224,956)
Income Before Transfers	24,561	155,323	-	226,562	406,446
Transfers in	18,671	-	-	-	18,671
Transfers out	-	(44,033)	(193,919)	(11,008)	(248,960)
Change in Net Position	43,232	111,290	(193,919)	215,554	176,157
Net Position at Beginning of Year, as restated	11,372,992	15,925,680	193,919	1,088,549	28,581,140
Net Position at End of Year	\$ 11,416,224	\$ 16,036,970	\$ -	\$ 1,304,103	\$ 28,757,297

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds				
	Nonmajor Funds				
	Sewer Fund	Water Fund	Ambulance Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 1,984,230	\$ 2,923,795	\$ -	\$ 1,503,416	\$ 6,411,441
Payments to employees	(284,492)	(813,333)	-	(127,009)	(1,224,834)
Payments to vendors	<u>(1,132,621)</u>	<u>(1,111,090)</u>	<u>-</u>	<u>(1,122,085)</u>	<u>(3,365,796)</u>
Net Cash Provided By Operating Activities	567,117	999,372	-	254,322	1,820,811
Cash Flows From Noncapital Financing Activities					
Transfers in	18,671	-	-	-	18,671
Transfers out	<u>-</u>	<u>(44,033)</u>	<u>(193,919)</u>	<u>(11,008)</u>	<u>(248,960)</u>
Net Cash (Used For) Noncapital Financing Activities	18,671	(44,033)	(193,919)	(11,008)	(230,289)
Cash Flows From Capital and Related Financing Activities					
Proceeds of bonds	-	1,224,000	-	-	1,224,000
Acquisition and construction of capital assets	-	(890,406)	-	-	(890,406)
Principal payments on bonds	(210,000)	(683,254)	-	-	(893,254)
Interest expense	<u>(55,532)</u>	<u>(189,490)</u>	<u>-</u>	<u>-</u>	<u>(245,022)</u>
Net Cash (Used For) Capital and Related Financing Activities	(265,532)	(539,150)	-	-	(804,682)
Cash Flows From Investing Activities					
Investment income	<u>2,096</u>	<u>17,970</u>	<u>-</u>	<u>-</u>	<u>20,066</u>
Net Cash Provided By Investing Activities	<u>2,096</u>	<u>17,970</u>	<u>-</u>	<u>-</u>	<u>20,066</u>
Net Change in Cash and Short-Term Investments	322,352	434,159	(193,919)	243,314	805,906
Cash and Short-Term Investments, Beginning of Year	<u>1,119,545</u>	<u>833,164</u>	<u>193,919</u>	<u>1,284,419</u>	<u>3,431,047</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,441,897</u>	<u>\$ 1,267,323</u>	<u>\$ -</u>	<u>\$ 1,527,733</u>	<u>\$ 4,236,953</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities					
Operating income (loss)	\$ 77,997	\$ 326,843	\$ -	\$ 226,562	\$ 631,402
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	401,059	758,861	-	-	1,159,920
Changes in assets, liabilities, and outflows/inflows:					
Receivables	31,465	(66,145)	-	10,322	(24,358)
Deferred outflows - related to pensions	14,046	29,215	-	22,192	65,453
Deferred outflows - related to OPEB	3	52	-	23	78
Warrants and accounts payable	66,465	33,543	-	74,325	174,333
Other liabilities	-	(2,233)	-	-	(2,233)
Accrued liabilities	946	16,070	-	(22)	16,994
Net pension liability	(11,097)	(23,081)	-	(17,533)	(51,711)
Net OPEB liability	(13,050)	(115,053)	-	(69,758)	(197,861)
Deferred inflows - related to pensions	596	1,239	-	941	2,776
Deferred inflows - related to OPEB	<u>(1,313)</u>	<u>40,061</u>	<u>-</u>	<u>7,270</u>	<u>46,018</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 567,117</u>	<u>\$ 999,372</u>	<u>\$ -</u>	<u>\$ 254,322</u>	<u>\$ 1,820,811</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Other Post-Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency Funds <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 947,618	\$ 671,222
Investments:			
Corporate bonds	54,542	-	-
Corporate equities	1,068,220	-	-
Mutual funds	123,023	-	-
U.S. Treasury notes	<u>53,402</u>	<u>-</u>	<u>-</u>
Total Investments	1,299,187	-	-
Receivable	-	-	52,866
Other assets	<u>-</u>	<u>-</u>	<u>50,000</u>
Total Assets	1,299,187	947,618	774,088
 Liabilities			
Accounts payable	-	-	12,009
Escrow deposits	-	-	749,762
Other liabilities	<u>-</u>	<u>-</u>	<u>12,317</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 774,088</u>
 Net Position			
Restricted for OPEB purposes	1,299,187	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>947,618</u>	
	<u>\$ 1,299,187</u>	<u>\$ 947,618</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Other Post-Employment Benefits Trust <u>Fund</u>	Private Purpose <u>Trust Funds</u>
Additions		
Employer contributions	\$ 1,464,729	\$ -
Investment income	49,866	17,398
Miscellaneous	<u>-</u>	<u>25,081</u>
Total additions	1,514,595	42,479
Deductions:		
Benefit payments to plan members, beneficiaries and other systems	1,164,729	-
Education	<u>-</u>	<u>49,758</u>
Total deductions	<u>1,164,729</u>	<u>49,758</u>
Net increase (decrease)	349,866	(7,279)
Net position restricted for pensions and other purposes		
Beginning of year	<u>949,321</u>	<u>954,897</u>
End of year	\$ <u><u>1,299,187</u></u>	\$ <u><u>947,618</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Medway, Massachusetts (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

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

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Stabilization funds are also represented here, which account for reserves established for the Town and other specific purposes.
- The *DPW facility project fund* accounts for funds used for the construction of the new DPW facility.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

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

The Town reports the following major proprietary funds:

- Sewer operations
- Water operations

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

The Town reports the following fiduciary funds:

- The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Investments, generally, are presented at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of

net assets attributable to each share of capital stock outstanding at the close of the period investments measured at the NAV for fair value are not subject to level classification.

The Town's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments are carried at fair value, except certificates of deposit, which are reported at cost.

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$1,471,657. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Roads and improvements	20
Infrastructure	30-75
Vehicles	5
Office equipment	5
Computer equipment	5

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of

accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2020.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

Town (Excluding the OPEB Trust Fund)

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, *Certain External Investment Pools and Pool Participants*, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, none of the Town's bank balance of \$35,358,731 was exposed to custodial credit risk as uninsured and uncollateralized.

Investment Summary

The following is a summary of the Town's investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ <u>3,595,830</u>
Total investments	\$ <u><u>3,595,830</u></u>

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2020, all of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
Certificates of deposits	\$ <u>3,595,830</u>	\$ <u>3,595,830</u>
Total	\$ <u><u>3,595,830</u></u>	\$ <u><u>3,595,830</u></u>

Concentration of Credit Risk - Investments

As of June 30, 2020, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	Investment Maturities (in Years)	
		Less	
		<u>Than 1</u>	<u>1-5</u>
Certificates of deposits	\$ <u>3,595,830</u>	\$ <u>1,513,774</u>	\$ <u>2,082,056</u>
Total	\$ <u><u>3,595,830</u></u>	\$ <u><u>1,513,774</u></u>	\$ <u><u>2,082,056</u></u>

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

4. Investments – OPEB Trust Fund

Generally, the Town's OPEB investment policies mirror that of the Town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 54,542
Corporate equities	1,068,220
Equity mutual funds	123,023
U.S. Treasury and agencies	<u>53,402</u>
Total investments	<u>\$ 1,299,187</u>

Custodial Credit Risk

As of June 30, 2020, all of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the OPEB Trust Fund's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
Corporate bonds	\$ 54,542	\$ 54,542
Corporate equities	1,068,220	1,068,220
Equity mutual funds	<u>123,023</u>	<u>123,023</u>
Total	<u>\$ 1,245,785</u>	<u>\$ 1,245,785</u>

Credit Risk – Investments of Debt Securities

Presented below is the actual rating as of year-end for debt-related investments of the OPEB Trust Fund. (All U.S. Treasury and agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>	
		<u>AAA</u>	<u>AA</u>
Corporate bonds	\$ 54,542	-	\$ 54,542
U.S. Treasury and agencies	<u>53,402</u>	<u>53,402</u>	<u>-</u>
Total	<u>\$ 107,944</u>	<u>\$ 53,402</u>	<u>\$ 54,542</u>

Concentration of Credit Risk

As of June 30, 2020, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk

Information about the sensitivity of the fair values of the OPEB Trust Fund's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>	
		<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ <u>54,542</u>	\$ <u>26,532</u>	\$ <u>28,010</u>
Total	\$ <u>54,542</u>	\$ <u>26,532</u>	\$ <u>28,010</u>

Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2020:

		Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets	Significant observable inputs
<u>Investment Type</u>	<u>Amount</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Investments by fair value level:			
Corporate bonds	\$ 54,542	\$ -	\$ 54,542
Corporate equities	1,068,220	1,068,220	-
Equity mutual funds	123,023	123,023	-
U.S. Treasury and agencies	<u>53,402</u>	53,402	-
Total	<u>\$ 1,299,187</u>		

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have

been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements accordingly.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 1/2 % of the prior year’s levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2020 consist of the following:

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 711,263	\$ (141,121)	\$ 570,142	\$ -
Personal property taxes	2,368,671	(1,883,396)	485,275	-
Community preservation act	1,711	-	1,711	-
Tax liens	1,031,432	(103,143)	-	928,289
Deferred taxes	<u>97,321</u>	<u>(9,732)</u>	<u>87,589</u>	<u>-</u>
Total property taxes	<u>\$ 4,210,398</u>	<u>\$ (2,137,392)</u>	<u>\$ 1,144,717</u>	<u>\$ 928,289</u>
Motor vehicle excise	<u>\$ 243,906</u>	<u>\$ (122,548)</u>	<u>\$ 121,358</u>	
Total excises	<u>\$ 243,906</u>	<u>\$ (122,548)</u>	<u>\$ 121,358</u>	

6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2020 consist of the following:

<u>Governmental Funds</u>			
	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Ambulance	\$ 155,272	\$ (47,808)	\$ 107,464
Total	<u>\$ 155,272</u>	<u>\$ (47,808)</u>	<u>\$ 107,464</u>
<u>Business-Type Funds</u>			
	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Sewer	\$ 901,227	\$ (169,719)	\$ 731,508
Water	713,066	(59,041)	654,025
Solid Waste	<u>235,806</u>	<u>(22,567)</u>	<u>213,239</u>
Total	<u>\$ 1,850,099</u>	<u>\$ (251,327)</u>	<u>\$ 1,598,772</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

8. Interfund Fund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 799,542	\$ 563,078
DPW Facility Project Fund	512,890	-
Nonmajor Funds:		
Special Revenue Funds	193,919	847,751
Capital Project Funds	-	38,537
Trust Funds	<u>163,804</u>	<u>-</u>
Subtotal Nonmajor Funds	357,723	886,288
<u>Business-Type Funds</u>		
Sewer Fund	18,671	-
Water Fund	-	44,033
Nonmajor Funds:		
Ambulance Fund	-	193,919
Solid Waste Fund	<u>-</u>	<u>11,008</u>
Subtotal Business-Type Funds	18,671	248,960
<u>Fiduciary Funds:</u>		
Agency Fund	<u>9,500</u>	<u>-</u>
Subtotal Fiduciary Funds	<u>9,500</u>	<u>-</u>
Total	\$ <u><u>1,698,326</u></u>	\$ <u><u>1,698,326</u></u>

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

9. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 116,031	\$ 110	\$ -	\$ 116,141
Machinery, equipment, and furnishings	18,251	1,310	(17)	19,544
Infrastructure	<u>37,132</u>	<u>1,343</u>	<u>-</u>	<u>38,475</u>
Total capital assets, being depreciated	171,414	2,763	(17)	174,160
Less accumulated depreciation for:				
Buildings and improvements	(40,646)	(2,736)	-	(43,382)
Machinery, equipment, and furnishings	(11,322)	(1,159)	17	(12,464)
Infrastructure	<u>(25,253)</u>	<u>(752)</u>	<u>-</u>	<u>(26,005)</u>
Total accumulated depreciation	<u>(77,221)</u>	<u>(4,647)</u>	<u>17</u>	<u>(81,851)</u>
Total capital assets, being depreciated, net	94,193	(1,884)	-	92,309
Capital assets, not being depreciated:				
Land	22,878	2,046	-	24,924
Construction in progress	<u>6,472</u>	<u>9,222</u>	<u>-</u>	<u>15,694</u>
Total capital assets, not being depreciated	<u>29,350</u>	<u>11,268</u>	<u>-</u>	<u>40,618</u>
Governmental activities capital assets, net	<u>\$ 123,543</u>	<u>\$ 9,384</u>	<u>\$ -</u>	<u>\$ 132,927</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 14	\$ -	\$ -	\$ 14
Machinery, equipment, and furnishings	2,282	25	-	2,307
Infrastructure	<u>54,645</u>	<u>866</u>	<u>-</u>	<u>55,511</u>
Total capital assets, being depreciated	56,941	891	-	57,832
Less accumulated depreciation for:				
Buildings and improvements	(14)	-	-	(14)
Machinery, equipment, and furnishings	(1,209)	(184)	-	(1,393)
Infrastructure	<u>(26,869)</u>	<u>(976)</u>	<u>-</u>	<u>(27,845)</u>
Total accumulated depreciation	<u>(28,092)</u>	<u>(1,160)</u>	<u>-</u>	<u>(29,252)</u>
Total capital assets, being depreciated, net	28,849	(269)	-	28,580
Capital assets, not being depreciated:				
Land	615	-	-	615
Construction in progress	<u>4,537</u>	<u>-</u>	<u>-</u>	<u>4,537</u>
Total capital assets, not being depreciated	<u>5,152</u>	<u>-</u>	<u>-</u>	<u>5,152</u>
Business-type activities capital assets, net	<u>\$ 34,001</u>	<u>\$ (269)</u>	<u>\$ -</u>	<u>\$ 33,732</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 255
Public safety	544
Education	2,457
Public works	1,051
Health and human services	6
Culture and recreation	<u>334</u>
Total governmental activities	\$ <u>4,647</u>
Business-Type Activities	
Sewer	\$ 401
Water	<u>759</u>
Total business-type activities	\$ <u>1,160</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Warrants Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020.

12. Accrued Liabilities

Accrued liabilities represent 2020 expenditures paid in 2021.

13. Notes Payable

The Town had the following notes outstanding at June 30, 2020:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
MCWT 16-06	2.00%	10/01/16	10/01/20	\$ 200,000
Urban Renewal	1.20%	05/20/20	09/24/20	<u>250,000</u>
Total				\$ <u>450,000</u>

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	Balance Beginning of Year	New Issues	<u>Maturities</u>	Balance End of Year
DPW facility plans	\$ 733,000	\$ -	\$ (733,000)	\$ -
MCWT 16-06	200,000	-	-	200,000
Urban Renewal	600,000	-	(600,000)	-
Urban Renewal	-	250,000	-	250,000
Total	\$ <u>1,533,000</u>	\$ <u>250,000</u>	\$ <u>(1,333,000)</u>	\$ <u>450,000</u>

14. Capital Lease Obligations

The Town is the lessee of certain equipment under a capital lease expiring in 2021. Future minimum lease payments under the capital lease consisted of the following as of June 30, 2020:

	Fiscal <u>Year</u>	Capital <u>Leases</u>
	2021	\$ <u>6,836</u>
Present Value of Minimum Lease Payments		\$ <u><u>6,836</u></u>

15. Long-Term Debt

Long-Term Debt Supporting Activities

The Town issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>				Amount Outstanding as of <u>6/30/20</u>
<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
Town hall remodeling	\$ 150,000	08/15/20	2.28%	\$ 15,000
Multipurpose	4,294,000	04/15/22	3.73%	325,000
Surface refunding	130,000	08/01/23	2.54%	40,000
Multipurpose	11,446,000	08/15/23	4.00%	3,570,000
Municipal purpose loan of 2016	2,920,138	11/15/25	1.20%	1,185,000
Municipal purpose loan of 2016	140,000	09/15/26	1.20%	50,000
General obligation	4,497,550	09/15/26	3.00%	2,685,000
Energy conservation	3,780,050	03/15/29	3.00%	1,980,000
Multipurpose	2,089,810	08/15/29	2.92%	140,000
General obligation	5,238,000	10/15/29	2.02%	3,000,000
General obligation	5,100,000	02/15/32	1.98%	2,870,000
Multipurpose	3,355,000	09/15/32	2.67%	3,095,000
Multipurpose	6,250,000	09/15/32	2.22%	4,045,000
Multipurpose	15,185,000	09/01/39	3.00%	<u>14,060,000</u>
Total public offerings				<u>37,060,000</u>
Total general obligation bonds				37,060,000
<u>Loans - Direct Borrowings</u>				
MWPAT (Title V Septic Mgmt.)	\$ 71,339	08/01/23	0.00%	14,396
MCWT 97-1086C	200,000	01/15/37	0.00%	<u>170,383</u>
Total loans - direct borrowings				<u>184,779</u>
Total governmental activities				<u>\$ 37,244,779</u>

Business-Type Activities

			Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/20
<u>General Obligation Bonds</u>					
Public offerings:					
Municipal purpose loan of 2016	\$	2,920,138	09/15/26	1.20%	\$ 560,000
Municipal purpose loan of 2016		2,920,138	09/15/26	1.20%	15,000
General obligation		301,400	03/15/29	3.00%	140,000
Sewer projects		315,000	03/15/29	3.00%	140,000
Water storage tank		750,000	08/15/29	2.99%	390,000
Well		550,000	08/15/29	2.97%	280,000
Sewer projects		950,000	08/15/29	3.01%	500,000
Water well		1,744,884	10/15/29	3.18%	850,000
Water well		555,116	10/15/29	3.15%	255,000
Sewer projects		1,668,800	10/15/29	3.17%	815,000
Water		2,870,000	02/15/32	2.02%	1,590,000
General obligation		5,100,000	09/15/32	1.98%	60,000
Stormwater infrastructure		15,185,000	09/01/39	3.00%	1,125,000
Total public offerings					6,720,000
Total general obligation bonds					6,720,000
<u>Loans - Direct Borrowings</u>					
MWPAT DW13-13	\$	1,501,102	07/15/35	2.00%	1,184,010
MWPAT DW13-13A		1,103,563	07/15/35	2.00%	1,000,956
MCWT CW-11-20		500,000	01/15/39	0.00%	479,775
Total loans - direct borrowings					2,664,741
Total business-type activities					\$ 9,384,741

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 3,460,000	\$ 1,374,533	\$ 13,502	\$ -
2022	3,380,000	1,255,180	13,517	-
2023	3,190,000	1,138,003	13,532	-
2024	3,075,000	1,032,123	13,546	-
2025	3,035,000	935,218	9,962	-
2026 - 2030	11,850,000	3,282,569	50,035	-
2031 - 2035	5,855,000	1,214,550	50,414	-
2036 - 2040	3,215,000	274,516	20,271	-
Total	<u>\$ 37,060,000</u>	<u>\$ 10,506,692</u>	<u>\$ 184,779</u>	<u>\$ -</u>

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 705,000	\$ 216,327	\$ 141,260	\$ 43,699
2022	685,000	194,634	144,330	41,287
2023	665,000	172,332	147,466	38,823
2024	630,000	149,722	150,672	36,306
2025	620,000	128,850	153,946	33,732
2026 - 2030	2,605,000	359,129	821,401	128,074
2031 - 2035	535,000	77,530	914,624	54,835
2036 - 2040	275,000	21,282	191,042	1,463
Total	<u>\$ 6,720,000</u>	<u>\$ 1,319,806</u>	<u>\$ 2,664,741</u>	<u>\$ 378,219</u>

Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 25,725	\$ 14,060	\$ (2,725)	\$ 37,060	\$ (3,460)	\$ 33,600
Loans payable (direct borrowings)	198	-	(13)	185	(14)	171
Unamortized premium	-	1,330	-	1,330	(70)	1,260
Subtotal	25,923	15,390	(2,738)	38,575	(3,544)	35,031
Net pension liability	22,288	-	(2,167)	20,121	-	20,121
Net OPEB liability	30,526	-	(8,657)	21,869	-	21,869
Compensated absences	425	7	-	432	(43)	389
Capital leases	13	-	(6)	7	(7)	-
Total	<u>\$ 79,175</u>	<u>\$ 15,397</u>	<u>\$ (13,568)</u>	<u>\$ 81,004</u>	<u>\$ (3,594)</u>	<u>\$ 77,410</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 6,350	\$ 1,125	\$ (755)	\$ 6,720	\$ (705)	\$ 6,015
Loans payable (direct borrowings)	2,803	-	(139)	2,664	(141)	2,523
Unamortized premium	-	99	-	99	(5)	94
Subtotal	9,153	1,224	(894)	9,483	(851)	8,632
Net pension liability	532	-	(52)	480	-	480
Net OPEB liability	452	-	(198)	254	-	254
Compensated absences	27	-	(3)	24	(2)	22
Total	<u>\$ 10,164</u>	<u>\$ 1,224</u>	<u>\$ (1,147)</u>	<u>\$ 10,241</u>	<u>\$ (853)</u>	<u>\$ 9,388</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

17. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2020:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes special article appropriations approved at Town Meeting and various special revenue funds.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned

Represents amounts that are available to be spent in future periods, general stabilization fund, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2020:

	General Fund	DPW Facility Project	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 110,869	\$ 110,869
Total Nonspendable	-	-	110,869	110,869
Restricted				
Debt service	601,127	-	-	601,127
Bonded capital projects	-	6,575,616	163,942	6,739,558
Special revenue funds	-	-	7,075,672	7,075,672
Expendable permanent funds	-	-	351,223	351,223
Total Restricted	601,127	6,575,616	7,590,837	14,767,580
Committed				
For continuing appropriations:				
General government	498,711	-	-	498,711
Public safety	146,321	-	-	146,321
Education	230,000	-	-	230,000
Public works	959,918	-	-	959,918
Culture and recreation	70,743	-	-	70,743
Stabilization capital improvements*	351,577	-	-	351,577
Stabilization athletic field*	305,098	-	-	305,098
Stabilization debt*	872,131	-	-	872,131
Total Committed	3,434,499	-	-	3,434,499
Assigned				
Encumbrances:				
General government	9,395	-	-	9,395
Public safety	27,220	-	-	27,220
Education	52,957	-	-	52,957
Public works	881	-	-	881
Culture and recreation	2,140	-	-	2,140
Next year's expenditures	1,863,121	-	-	1,863,121
Total Assigned	1,955,714	-	-	1,955,714
Unassigned				
General fund	7,407,288	-	-	7,407,288
General stabilization fund	3,595,830	-	-	3,595,830
Special revenue	-	-	(29,886)	(29,886)
Capital projects	-	-	(243,650)	(243,650)
Total Unassigned	11,003,118	-	(273,536)	10,729,582
Total Fund Balance	\$ 16,994,458	\$ 6,575,616	\$ 7,428,170	\$ 30,998,244

* Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires 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.

18. Norfolk County Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

Plan Description

Substantially all employees of the Town (with the exception of school department employees who serve in a teaching capacity) are members of the Norfolk County Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 480 Neponset Street, Building 15, Canton, Massachusetts 02021 or from the System's website at www.norfolkcountyretirement.org.

Participants' Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those

first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his

or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2020 was \$2,628,086, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$20,600,634 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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 employers, actuarially determined. At June 30, 2020, the Town's proportion was 3.5088%, which was an increase of .0031 from its proportion measured as of December 31, 2018.)

For the year ended June 30, 2020, the Town recognized pension expense of \$3,468,972. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 1,765,098	\$ -
Changes of assumptions	377,859	-
Net difference between projected and actual earnings on pension plan investments	-	(580,221)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>276,135</u>	<u>(115,204)</u>
Total	<u>\$ 2,419,092</u>	<u>\$ (695,425)</u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 1,155,865
2022	443,000
2023	655,555
2024	<u>(530,753)</u>
Total	<u>\$ 1,723,667</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:

COLA	3% of the first \$17,000 of retirement income
Salary increases	3.5% - 5.5%
Investment rate of return	7.75%
Remaining amortization period	2040

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.

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Inactive employees or beneficiaries	
currently receiving benefit payments	314
Active employees	<u>312</u>
Total	<u><u>626</u></u>

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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 Proportionate Share of the Net Pension Liability to Change in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net

pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
\$ 26,756,191	\$ 20,600,634	\$ 15,370,265

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

19. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all 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 does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).

- Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB with a base year of 2014 (gender distinct).
- Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability

assuming it was calculated using a single discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease to <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase to <u>8.25%</u>
\$31,232,100	\$25,214,020	\$20,062,500

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$67,869,604 based on a proportionate share of 0.26917%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$3,886,093 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$8,230,367 as both a revenue and expense in the governmental activities.

20. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2012, the Town established a single employer defined benefits OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2020.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Tufts Health Plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

Plan Membership

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	314
Active employees	<u>312</u>
Total	<u>626</u>

Investments

The OPEB trust fund assets consist of corporate bonds, equities and mutual funds.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 4.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3% annually as of June 30, 2020 and for future periods
Investment rate of return	6.84%, net of OPEB plan investment expense, including inflation
Municipal bond rate	2.66%
Discount rate	6.50%
Healthcare cost trend rates	4.5% for 2020
Participation rate	80% of employees eligible to receive retirement benefits

Mortality rates were based on RP-2014 Employees Mortality Table projected generationally with scale MP-2016 for males and females.

The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	53.75%	4.80%
Domestic Equity - Small/Mid Cap	6.50%	5.29%
International Equity - Developed Market	8.00%	5.45%
International Equity - Emerging Market	3.00%	6.42%
Domestic Fixed Income	16.25%	2.05%
International Fixed Income	0.00%	3.00%
Alternatives	5.25%	6.50%
Real Estate	5.75%	6.25%
Cash and Cash Equivalents	<u>1.50%</u>	0.00%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the Town's policy is to contribute the amounts provided annually by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.84% and municipal bond rate of 2.66% thereafter (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2020).

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 23,422,424
Plan fiduciary net position	<u>1,299,187</u>
Net OPEB liability	\$ <u><u>22,123,237</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.55%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 32,085,294	\$ 949,321	\$ 31,135,973
Changes for the year:			
Service cost	451,964	-	451,964
Interest	1,518,178	-	1,518,178
Contributions - employer	-	1,464,729	(1,464,729)
Net investment income	-	49,866	(49,866)
Differences between expected and actual experience	(8,229,244)	-	(8,229,244)
Changes in assumptions	(1,239,039)	-	(1,239,039)
Benefit payments	<u>(1,164,729)</u>	<u>(1,164,729)</u>	<u>-</u>
Net Changes	<u>(8,662,870)</u>	<u>349,866</u>	<u>(9,012,736)</u>
Balances, end of year	\$ <u>23,422,424</u>	\$ <u>1,299,187</u>	\$ <u>22,123,237</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.75% in 2019 to 6.5% in 2020.

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

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

1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$24,938,134	\$22,123,237	\$19,583,136

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	Current Healthcare Cost Trend Rates	
1% Decrease <u>(3.5%)</u>		1% Increase <u>(5.5%)</u>
\$19,539,694	\$22,123,237	\$25,237,308

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 an OPEB expense of \$1,731,416. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (7,634,135)
Changes in assumptions	-	(4,973,856)
Net difference between projected and actual earnings on OPEB investment	<u>-</u>	<u>(5,953)</u>
Total	\$ <u>-</u>	\$ <u>(12,613,944)</u>

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

Year Ended June 30:

2021	\$ (3,626,534)
2022	(3,626,535)
2023	(3,139,135)
2024	(1,805,348)
2025	<u>(416,392)</u>
Total	\$ <u>(12,613,944)</u>

21. Subsequent Events

Management has evaluated subsequent events through January 18, 2021, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2020, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Urban renewal, land acquisition and water project bond	\$ 8,510,000	4.00%	09/23/20	09/15/40

22. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Encumbrances

At year-end, the Town's general fund has \$92,593 in encumbrances that will be honored in the next fiscal year.

23. Beginning Fund Balance/Net Position Restatement

The beginning (July 1, 2019) fund balance/net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities Enterprise Funds
As previously reported	\$ 67,262,011	\$ 28,347,384
Ambulance enterprise rescinded	(158,598)	158,598
Reclassification of capital projects	(75,158)	75,158
As restated	<u>\$ 67,028,255</u>	<u>\$ 28,581,140</u>

Fund Basis Financial Statements:

	Governmental Funds			Business-Type	
	Community Preservation	DPW Facility Project	Nonmajor Funds	Water Fund	Ambulance Fund
As previously reported	\$ 3,896,201	\$ -	\$ 3,959,547	\$ 15,850,522	\$ 35,321
Change in major fund	(3,896,201)	380,109	3,516,092	-	-
Reclassification of capital projects	-	-	(75,158)	75,158	-
Ambulance enterprise rescinded	-	-	-	-	158,598
As restated	<u>\$ -</u>	<u>\$ 380,109</u>	<u>\$ 7,400,481</u>	<u>\$ 15,925,680</u>	<u>\$ 193,919</u>

24. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF MEDWAY, MASSACHUSETTS

Required Supplemental Information

General Fund

Schedule of Revenues and Other Sources, and Expenditures and Other Uses –

Budget and Actual

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 41,018,682	\$ 41,018,682	\$ 40,883,723	\$ (134,959)
Excises	1,762,565	1,762,565	2,152,924	390,359
Penalties, interest and other taxes	229,000	229,000	410,217	181,217
Intergovernmental	12,013,826	12,013,826	12,082,414	68,588
Licenses and permits	405,000	405,000	923,499	518,499
Fines and forfeitures	20,000	20,000	20,694	694
Investment income	50,000	50,000	341,834	291,834
Miscellaneous	<u>477,535</u>	<u>477,535</u>	<u>775,234</u>	<u>297,699</u>
Total Revenues	55,976,608	55,976,608	57,590,539	1,613,931
Expenditures				
General government	4,629,861	4,574,861	4,238,510	336,351
Public safety	6,213,192	6,213,192	5,703,023	510,169
Education	28,750,151	28,885,151	28,878,890	6,261
Public works	5,644,713	5,644,713	5,469,679	175,034
Health and human services	571,142	571,142	502,502	68,640
Culture and recreation	618,327	618,327	567,014	51,313
Employee benefits	9,193,045	9,218,045	8,785,087	432,958
Debt service	4,076,264	4,076,264	3,293,032	783,232
Intergovernmental	<u>924,383</u>	<u>924,383</u>	<u>789,656</u>	<u>134,727</u>
Total Expenditures	<u>60,621,078</u>	<u>60,726,078</u>	<u>58,227,393</u>	<u>2,498,685</u>
Excess (Deficiency) of Revenues over Expenditures	(4,644,470)	(4,749,470)	(636,854)	4,112,616
Other Financing Sources/Uses				
Transfers in	1,409,703	1,409,703	1,558,488	148,785
Transfers out	(409,500)	(409,500)	(409,500)	-
Use of free cash:				
Operating budget	25,000	130,000	130,000	-
Capital budget	2,723,173	2,723,173	2,723,173	-
Other source	<u>896,094</u>	<u>896,094</u>	<u>896,094</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>4,644,470</u>	<u>4,749,470</u>	<u>4,898,255</u>	<u>148,785</u>
Overall Budgetary Excess (Deficiency)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>4,261,401</u></u>	\$ <u><u>4,261,401</u></u>

See Independent Auditors' Report.

Notes to the Required Supplemental Information for General Fund Budget

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP basis	\$ 61,575,043	\$ 59,933,866	\$ 239,045
Remove effect of combining stabilization and general fund	(100,992)	-	731,191
Add end-of-year appropriation carryforwards from expenditures	-	1,998,287	-
To record use of free cash	-	-	2,853,173
To reverse the effect of non-budgeted state contributions for teachers retirement	(3,886,093)	(3,886,093)	-
Transfer reclassification	-	217,703	817,703
Other	<u>2,581</u>	<u>(36,370)</u>	<u>257,143</u>
Budgetary basis	\$ <u><u>57,590,539</u></u>	\$ <u><u>58,227,393</u></u>	\$ <u><u>4,898,255</u></u>

See Independent Auditors' Report.

TOWN OF MEDWAY, MASSACHUSETTS
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	3.50880%	\$20,600,634	\$ 12,385,085	166.33%	58.30%
June 30, 2019	December 31, 2018	3.50570%	\$22,820,017	\$ 10,910,178	209.16%	58.30%
June 30, 2018	December 31, 2017	3.49840%	\$19,346,303	\$ 10,541,235	183.53%	63.50%
June 30, 2017	December 31, 2016	3.57230%	\$18,648,214	\$ 10,645,915	175.17%	61.60%
June 30, 2016	December 31, 2015	3.57226%	\$20,600,634	\$ 9,768,080	210.90%	58.60%
June 30, 2015	December 31, 2014	3.31514%	\$17,193,151	\$ 9,196,377	187.00%	60.10%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.26917%	\$ -	\$ 67,869,604	\$ 67,869,604	\$ 19,588,190	-	53.95%
June 30, 2019	June 30, 2018	0.24439%	\$ -	\$ 57,947,940	\$ 57,947,940	\$ 17,163,182	-	54.84%
June 30, 2018	June 30, 2017	0.24731%	\$ -	\$ 56,598,536	\$ 56,598,536	\$ 16,793,710	-	54.25%
June 30, 2017	June 30, 2016	0.27236%	\$ -	\$ 60,892,954	\$ 60,892,954	\$ 17,914,572	-	52.73%
June 30, 2016	June 30, 2015	0.26177%	\$ -	\$ 53,635,439	\$ 53,635,439	\$ 16,593,307	-	55.38%
June 30, 2015	June 30, 2014	0.26546%	\$ -	\$ 42,198,485	\$ 42,198,485	\$ 16,276,664	-	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF MEDWAY, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2020	December 31, 2019	\$ 2,628,086	\$ 2,628,086	\$ -	\$ 12,385,085	21.22%
June 30, 2019	December 31, 2018	\$ 2,452,486	\$ 2,452,486	\$ -	\$ 10,910,178	22.48%
June 30, 2018	December 31, 2017	\$ 2,239,347	\$ 2,239,347	\$ -	\$ 10,541,235	21.24%
June 30, 2017	December 31, 2016	\$ 2,098,530	\$ 2,098,530	\$ -	\$ 10,645,915	19.71%
June 30, 2016	December 31, 2015	\$ 1,902,885	\$ 1,902,885	\$ -	\$ 9,768,080	19.48%
June 30, 2015	December 31, 2014	\$ 1,565,052	\$ 1,565,052	\$ -	\$ 9,196,377	17.00%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Contractually Required Contribution Provided by Commonwealth	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2020	June 30, 2019	\$ 3,886,093	\$ 3,886,093	\$ -	\$ 19,588,190	19.84%
June 30, 2019	June 30, 2018	\$ 3,213,194	\$ 3,213,194	\$ -	\$ 17,163,182	18.72%
June 30, 2018	June 30, 2017	\$ 3,055,589	\$ 3,055,589	\$ -	\$ 16,793,710	18.19%
June 30, 2017	June 30, 2016	\$ 3,062,859	\$ 3,062,859	\$ -	\$ 17,914,572	17.10%
June 30, 2016	June 30, 2015	\$ 2,675,091	\$ 2,675,091	\$ -	\$ 16,593,307	16.12%
June 30, 2015	June 30, 2014	\$ 2,488,368	\$ 2,488,368	\$ -	\$ 16,276,664	15.29%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF MEDWAY, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 451,964	\$ 859,147	\$ 1,131,121	\$ 1,736,589
Interest	1,518,178	1,780,917	1,275,640	1,288,949
Differences between expected and actual experience	(8,229,244)	-	(4,578,261)	-
Changes of assumptions	(1,239,039)	(6,619,542)	-	-
Benefit payments, including refunds of member contributions	<u>(1,164,729)</u>	<u>(1,125,076)</u>	<u>(1,056,137)</u>	<u>(1,054,410)</u>
Net change in total OPEB liability	(8,662,870)	(5,104,554)	(3,227,637)	1,971,128
Total OPEB liability - beginning	<u>32,085,294</u>	<u>37,189,848</u>	<u>40,417,485</u>	<u>38,446,357</u>
Total OPEB liability - ending (a)	23,422,424	32,085,294	37,189,848	40,417,485
Plan Fiduciary Net Position				
Contributions - employer	1,464,729	1,425,076	1,156,137	1,154,410
Net investment income	49,866	94,569	2,748	740
Benefit payments, including refunds of member contributions	<u>(1,164,729)</u>	<u>(1,125,076)</u>	<u>(1,056,137)</u>	<u>(1,054,410)</u>
Net change in plan fiduciary net position	349,866	394,569	102,748	100,740
Plan fiduciary net position - beginning	<u>949,321</u>	<u>554,752</u>	<u>452,004</u>	<u>351,264</u>
Plan fiduciary net position - ending (b)	<u>1,299,187</u>	<u>949,321</u>	<u>554,752</u>	<u>452,004</u>
Net OPEB liability (asset) - ending (a-b)	\$ <u>22,123,237</u>	\$ <u>31,135,973</u>	\$ <u>36,635,096</u>	\$ <u>39,965,481</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF MEDWAY, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 23,422,424	\$ 32,085,294	\$ 37,189,848	\$ 40,417,485
Plan fiduciary net position	<u>1,299,187</u>	<u>949,321</u>	<u>554,752</u>	<u>452,004</u>
Net OPEB liability (asset)	<u>\$ 22,123,237</u>	<u>\$ 31,135,973</u>	<u>\$ 36,635,096</u>	<u>\$ 39,965,481</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.55%	2.96%	1.49%	1.12%
Covered employee payroll	unavailable	21,905,476	21,267,452	19,593,907
Net OPEB liability as a percentage of covered employee payroll	N/A	142.14%	172.26%	203.97%
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 2,737,990	\$ 2,737,990	\$ 3,230,615	\$ 3,685,435
Contributions in relation to the actuarially determined contribution	<u>1,425,076</u>	<u>1,425,076</u>	<u>1,156,137</u>	<u>1,254,410</u>
Contribution deficiency (excess)	<u>\$ 1,312,914</u>	<u>\$ 1,312,914</u>	<u>\$ 2,074,478</u>	<u>\$ 2,431,025</u>
Covered employee payroll	unavailable	21,905,476	21,267,452	19,593,907
Contributions as a percentage of covered employee payroll	N/A	5.99%	9.75%	12.41%
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	4.07%	11.41%	0.55%	0.00%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.