



TOWN OF SHARON, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Sharon, 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 Sharon, 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

Merrimack, New Hampshire
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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 Sharon, 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 Community Preservation 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 15, 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.

Melanson

Andover, Massachusetts
January 15, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Sharon, 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 comprised three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of 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 water and cable 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. The proprietary fund category includes enterprise and internal service funds.

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 water and cable operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and cable 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 \$20,099,660, a change of \$(975,319), and net position in business-type activities was \$15,036,074, a change of \$967,085.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$104,359,837, a change of \$76,635,115 in comparison to the prior year primarily due to a \$74,937,300 bond issuance for the High School project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,765,584, a change of \$401,689 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	\$ 121,958	\$ 39,035	\$ 10,825	\$ 5,635	\$ 132,783	\$ 44,670
Capital assets	<u>184,187</u>	<u>167,812</u>	<u>14,183</u>	<u>13,634</u>	<u>198,370</u>	<u>181,446</u>
Total assets	306,145	206,847	25,008	19,269	331,153	226,116
Deferred outflows of resources	12,579	21,336	101	175	12,680	21,511
Current liabilities	22,309	13,709	885	325	23,194	14,034
Noncurrent liabilities	<u>269,814</u>	<u>183,057</u>	<u>9,136</u>	<u>4,965</u>	<u>278,950</u>	<u>188,022</u>
Total liabilities	292,123	196,766	10,021	5,290	302,144	202,056
Deferred inflows of resources	6,501	10,342	52	85	6,553	10,427
Net investment in capital assets	136,560	110,816	11,922	9,451	148,482	120,267
Restricted	6,409	12,189	-	-	6,409	12,189
Unrestricted	<u>(122,869)</u>	<u>(101,930)</u>	<u>3,114</u>	<u>4,618</u>	<u>(119,755)</u>	<u>(97,312)</u>
Total net position	\$ <u>20,100</u>	\$ <u>21,075</u>	\$ <u>15,036</u>	\$ <u>14,069</u>	\$ <u>35,136</u>	\$ <u>35,144</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 \$35,135,734, a change of \$(8,234) in comparison to the prior year.

The largest portion of net position \$148,482,052 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 \$6,409,240 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 \$(119,755,558) primarily resulting from bonds payable and unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,042	\$ 9,279	\$ 5,385	\$ 4,260	\$ 10,427	\$ 13,539
Operating grants and contributions	35,871	22,661	-	-	35,871	22,661
Capital grants and contributions	1,951	3,070	-	-	1,951	3,070
General revenues:						
Property taxes	69,093	67,927	-	-	69,093	67,927
Excises	2,973	3,105	-	-	2,973	3,105
Penalties and interest on taxes	429	561	-	-	429	561
Grants and contributions not restricted to specific programs	1,558	1,730	-	-	1,558	1,730
Investment income	983	724	-	-	983	724
Other	295	890	-	-	295	890
Total revenues	<u>118,195</u>	<u>109,947</u>	<u>5,385</u>	<u>4,260</u>	<u>123,580</u>	<u>114,207</u>
Expenses:						
General government	7,225	6,302	-	-	7,225	6,302
Public safety	20,143	20,054	-	-	20,143	20,054
Education	69,304	64,707	-	-	69,304	64,707
Public works	13,974	11,564	-	-	13,974	11,564
Human services	1,811	1,946	-	-	1,811	1,946
Culture and recreation	2,331	3,944	-	-	2,331	3,944
Interest on long-term debt	3,671	2,070	-	-	3,671	2,070
Intergovernmental	826	863	-	-	826	863
Miscellaneous	-	66	-	-	-	66
Water operations	-	-	4,068	3,685	4,068	3,685
Cable services	-	-	339	-	339	-
Total expenses	<u>119,285</u>	<u>111,516</u>	<u>4,407</u>	<u>3,685</u>	<u>123,692</u>	<u>115,201</u>
Change in net assets before transfers	(1,090)	(1,569)	978	575	(112)	(994)
Transfers in (out)	<u>115</u>	<u>22</u>	<u>(11)</u>	<u>(22)</u>	<u>104</u>	<u>-</u>
Change in net position	(975)	(1,547)	967	553	(8)	(994)
Net position - beginning of year	<u>21,075</u>	<u>22,622</u>	<u>14,069</u>	<u>13,516</u>	<u>35,144</u>	<u>36,138</u>
Net position - end of year	<u>\$ 20,100</u>	<u>\$ 21,075</u>	<u>\$ 15,036</u>	<u>\$ 14,069</u>	<u>\$ 35,136</u>	<u>\$ 35,144</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(975,319). Key elements of this change are as follows:

General fund operations	\$	620,024
Major High School construction fund accrual basis		1,347,078
Major community preservation fund accrual basis		3,032,428
Change in net OPEB liability and related deferred outflows/inflows		(5,309,795)
Change in net pension liability and related deferred outflows/inflows		(374,284)
Other changes		<u>(290,770)</u>
Total	\$	<u><u>(975,319)</u></u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$967,085.

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 \$7,765,584, while total fund balance was \$8,923,309. 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	\$ 7,765,584	\$ 7,363,895	\$ 401,689	8.6%
Total fund balance	\$ 8,923,309	\$ 8,303,285	\$ 620,024	9.9%

* 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 \$6,062,294.

The total fund balance of the general fund changed by \$620,024 during the current fiscal year. Key factors in this change are as follows:

Revenues less than budget	\$ (154,016)
Expenditures less than budget	527,926
Use of overlay surplus as a funding source	(200,000)
Change in stabilization	53,144
Other	<u>392,970</u>
Total	<u>\$ 620,024</u>

Included in the total general fund balance are the Town’s stabilization accounts with the following balances:

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization	\$ 938,694	\$ 885,550	\$ 53,144

Other Major Funds

High School Construction project – The Town voted to construct a new High School, and all activity for the project is tracked within this fund.

State legislation allows Community Preservation Act fund property taxes and state matching funds to finance projects such as preservation of historical buildings. Funds are being accumulated to finance debt service costs on approved projects.

Non-Major Governmental Funds

The non-major fund balance changed by \$877,933 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 \$3,113,523, a change of \$(1,504,119) 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

Additional capital items in the amount of \$226,040 were funded from operating reserves.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$198,371,214 (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:

- \$10,013,590 – Rattlesnake Hill land purchase
- \$3,892,954 – Construction in progress for new High School project

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 \$159,433,614, 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 Sharon's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Finance Director
Town of Sharon, Massachusetts
90 Main Street
Sharon, Massachusetts 02067

TOWN OF SHARON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 93,874,828	\$ 9,137,973	\$ 103,012,801
Investments	24,459,625	-	24,459,625
Receivables, net of allowance for uncollectibles:			
Property taxes	1,966,045	-	1,966,045
Excises	223,118	-	223,118
User fees	282,256	1,686,818	1,969,074
Departmental and other	12,977	-	12,977
Intergovernmental	<u>706,784</u>	<u>-</u>	<u>706,784</u>
Total Current Assets	121,525,633	10,824,791	132,350,424
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	431,603	-	431,603
Capital assets:			
Land and construction in progress	37,724,342	1,957,982	39,682,324
Other capital assets, net of accumulated depreciation	<u>146,463,447</u>	<u>12,225,443</u>	<u>158,688,890</u>
Total Noncurrent Assets	<u>184,619,392</u>	<u>14,183,425</u>	<u>198,802,817</u>
Total Assets	306,145,025	25,008,216	331,153,241
Deferred Outflows of Resources			
Related to pensions	3,813,229	32,690	3,845,919
Related to OPEB	<u>8,765,848</u>	<u>68,252</u>	<u>8,834,100</u>
Total Deferred Outflows of Resources	12,579,077	100,942	12,680,019

(continued)

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

TOWN OF SHARON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	1,724,059	335,219	2,059,278
Accrued liabilities	7,595,218	-	7,595,218
Notes payable	5,000,000	-	5,000,000
Other current liabilities	535,522	-	535,522
Current portion of long-term liabilities:			
Bonds payable	7,226,977	545,200	7,772,177
Compensated absences	160,503	4,899	165,402
Capital lease	41,922	-	41,922
Landfill liability	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Current Liabilities	22,309,201	885,318	23,194,519
Noncurrent:			
Bonds payable, net of current portion	143,601,637	8,059,800	151,661,437
Net pension liability	34,464,005	295,455	34,759,460
Net OPEB liability	88,311,258	687,602	88,998,860
Compensated absences, net of current portion	3,049,561	93,085	3,142,646
Capital lease, net of current portion	112,035	-	112,035
Landfill liability, net of current portion	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Total Noncurrent Liabilities	<u>269,813,496</u>	<u>9,135,942</u>	<u>278,949,438</u>
Total Liabilities	292,122,697	10,021,260	302,143,957
Deferred Inflows of Resources			
Related to pensions	1,525,635	13,079	1,538,714
Related to OPEB	<u>4,976,110</u>	<u>38,745</u>	<u>5,014,855</u>
Total Deferred Inflows of Resources	6,501,745	51,824	6,553,569
Net Position			
Net investment in capital assets	136,559,501	11,922,551	148,482,052
Restricted for:			
Grants and other statutory restrictions	5,916,955	-	5,916,955
Permanent funds:			
Nonexpendable	43,070	-	43,070
Expendable	449,215	-	449,215
Unrestricted	<u>(122,869,081)</u>	<u>3,113,523</u>	<u>(119,755,558)</u>
Total Net Position	<u>\$ 20,099,660</u>	<u>\$ 15,036,074</u>	<u>\$ 35,135,734</u>

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

TOWN OF SHARON, 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	\$ 7,225,117	\$ 845,771	\$ 2,842,828	\$ -	\$ (3,536,518)	\$ -	\$ (3,536,518)
Public safety	20,143,146	982,072	91,482	-	(19,069,592)	-	(19,069,592)
Education	69,304,413	106,605	30,931,358	1,950,622	(36,315,828)	-	(36,315,828)
Public works	13,974,202	2,778,782	1,037,674	-	(10,157,746)	-	(10,157,746)
Health and human services	1,811,442	72,227	50,440	-	(1,688,775)	-	(1,688,775)
Culture and recreation	2,331,301	256,788	30,386	-	(2,044,127)	-	(2,044,127)
Interest on long-term debt	3,670,509	-	-	-	(3,670,509)	-	(3,670,509)
Intergovernmental	825,764	-	-	-	(825,764)	-	(825,764)
Miscellaneous	-	-	887,560	-	887,560	-	887,560
Total Governmental Activities	<u>119,285,894</u>	<u>5,042,245</u>	<u>35,871,728</u>	<u>1,950,622</u>	<u>(76,421,299)</u>	<u>-</u>	<u>(76,421,299)</u>
Business-Type Activities							
Water services	4,067,681	5,065,595	-	-	-	997,914	997,914
Cable services	<u>339,039</u>	<u>319,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Total Business-Type Activities	<u>4,406,720</u>	<u>5,384,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>977,914</u>	<u>977,914</u>
Total	<u>\$ 123,692,614</u>	<u>\$ 10,426,879</u>	<u>\$ 35,871,728</u>	<u>\$ 1,950,622</u>	<u>(76,421,299)</u>	<u>977,914</u>	<u>(75,443,385)</u>
General Revenues and Transfers							
Property taxes					69,093,491	-	69,093,491
Excises					2,972,769	-	2,972,769
Penalties, interest, and other taxes					428,689	-	428,689
Grants and contributions not restricted to specific programs					1,557,925	-	1,557,925
Investment income					983,300	-	983,300
Miscellaneous					295,024	-	295,024
Transfers, net					<u>114,782</u>	<u>(10,829)</u>	<u>103,953</u>
Total general revenues					<u>75,445,980</u>	<u>(10,829)</u>	<u>75,435,151</u>
Change in Net Position					(975,319)	967,085	(8,234)
Net Position							
Beginning of year					<u>21,074,979</u>	<u>14,068,989</u>	<u>35,143,968</u>
End of year					<u>\$ 20,099,660</u>	<u>\$ 15,036,074</u>	<u>\$ 35,135,734</u>

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

TOWN OF SHARON, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	High School Construction Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 3,330,869	\$ 73,007,372	\$ -	\$ 15,700,806	\$ 92,039,047
Investments	10,614,253	10,065,620	1,989,982	276,986	22,946,841
Receivables:					
Property taxes	2,667,170	-	-	-	2,667,170
Excises	267,585	-	-	-	267,585
User fees	-	-	-	342,562	342,562
Departmental	850	-	11,467	660	12,977
Intergovernmental	-	-	-	706,784	706,784
	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,784</u>	<u>706,784</u>
Total Assets	<u>\$ 16,880,727</u>	<u>\$ 83,072,992</u>	<u>\$ 2,001,449</u>	<u>\$ 17,027,798</u>	<u>\$ 118,982,966</u>
Liabilities					
Accounts payable	\$ 533,398	\$ 618,868	\$ 141,832	\$ 429,602	\$ 1,723,700
Accrued liabilities	4,692,592	-	-	120,719	4,813,311
Notes payable	-	-	5,000,000	-	5,000,000
Other liabilities	534,862	-	-	660	535,522
	<u>5,760,852</u>	<u>618,868</u>	<u>5,141,832</u>	<u>550,981</u>	<u>12,072,533</u>
Total Liabilities	5,760,852	618,868	5,141,832	550,981	12,072,533
Deferred Inflows of Resources					
Unavailable revenues	2,196,566	-	11,468	342,562	2,550,596
Fund Balances					
Nonspendable	-	-	-	43,070	43,070
Restricted	370,954	82,454,124	-	16,173,807	98,998,885
Assigned	786,771	-	-	-	786,771
Unassigned	7,765,584	-	(3,151,851)	(82,622)	4,531,111
	<u>8,923,309</u>	<u>82,454,124</u>	<u>(3,151,851)</u>	<u>16,134,255</u>	<u>104,359,837</u>
Total Fund Balances	8,923,309	82,454,124	(3,151,851)	16,134,255	104,359,837
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,880,727</u>	<u>\$ 83,072,992</u>	<u>\$ 2,001,449</u>	<u>\$ 17,027,798</u>	<u>\$ 118,982,966</u>

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

TOWN OF SHARON, 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	\$	104,359,837
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		184,187,789
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.		2,176,302
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		2,651,722
• Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(271,190,567)
• Other		<u>(2,085,423)</u>
Net position of governmental activities	\$	<u>20,099,660</u>

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

TOWN OF SHARON, MASSACHUSETTS

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

	General Fund	High School Construction Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 68,917,754	\$ -	\$ 557,210	\$ -	\$ 69,474,964
Excises	2,863,149	-	-	-	2,863,149
Penalties, interest, and other taxes	426,858	-	-	1,831	428,689
Charges for services	182,396	-	-	3,512,727	3,695,123
Intergovernmental	17,029,213	1,347,078	2,629,775	10,638,161	31,644,227
Licenses and permits	683,029	-	-	-	683,029
Fines and forfeitures	69,425	-	-	-	69,425
Investment income	957,019	-	38,878	26,281	1,022,178
Miscellaneous	167,696	-	41,200	86,128	295,024
Contributions	-	-	-	71,432	71,432
	<u>91,296,539</u>	<u>1,347,078</u>	<u>3,267,063</u>	<u>14,336,560</u>	<u>110,247,240</u>
Total Revenues					
Expenditures					
Current:					
General government	2,231,921	-	10,584,029	6,361,473	19,177,423
Public safety	7,373,704	-	-	949,461	8,323,165
Education	50,895,003	3,892,954	-	9,074,163	63,862,120
Public works	3,994,081	-	-	4,194,022	8,188,103
Health and human services	671,770	-	-	129,677	801,447
Culture and recreation	1,325,931	-	-	562,626	1,888,557
Employee benefits	14,607,886	-	-	-	14,607,886
Debt service:					
Principal	6,533,129	-	-	-	6,533,129
Interest	2,096,067	-	-	-	2,096,067
Intergovernmental	825,764	-	-	-	825,764
	<u>90,555,256</u>	<u>3,892,954</u>	<u>10,584,029</u>	<u>21,271,422</u>	<u>126,303,661</u>
Total Expenditures					
Excess (deficiency) of revenues over expenditures	741,283	(2,545,876)	(7,316,966)	(6,934,862)	(16,056,421)
Other Financing Sources (Uses)					
Issuance of bonds	-	74,937,300	-	7,256,700	82,194,000
Bond premiums	-	10,062,700	-	875,865	10,938,565
Transfers in	740,044	-	-	1,141,621	1,881,665
Transfers out	(861,303)	-	-	(1,461,391)	(2,322,694)
	<u>(121,259)</u>	<u>85,000,000</u>	<u>-</u>	<u>7,812,795</u>	<u>92,691,536</u>
Total Other Financing Sources (Uses)					
Change in fund balance	620,024	82,454,124	(7,316,966)	877,933	76,635,115
Fund Balance, at Beginning of Year, as reclassified	<u>8,303,285</u>	<u>-</u>	<u>4,165,115</u>	<u>15,256,322</u>	<u>27,724,722</u>
Fund Balance, at End of Year	<u>\$ 8,923,309</u>	<u>\$ 82,454,124</u>	<u>\$ (3,151,851)</u>	<u>\$ 16,134,255</u>	<u>\$ 104,359,837</u>

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

TOWN OF SHARON, 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	\$	76,635,115																																	
<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 style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">22,678,977</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(6,303,573)</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 style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Issuance of debt</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(82,194,000)</td> </tr> <tr> <td>Bond premium</td> <td></td> <td style="text-align: right;">(10,938,565)</td> </tr> <tr> <td>Repayments of debt</td> <td></td> <td style="text-align: right;">6,533,129</td> </tr> <tr> <td>Repayment of capital lease</td> <td></td> <td style="text-align: right;">40,361</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 style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">283,936</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 style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Change in pension expense from GASB 68</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(374,284)</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td></td> <td style="text-align: right;">(5,309,795)</td> </tr> <tr> <td>Other</td> <td></td> <td style="text-align: right;">(1,709,276)</td> </tr> </table> • Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(317,344)</td> </tr> </table> 			Capital outlay		22,678,977	Depreciation		(6,303,573)	Issuance of debt		(82,194,000)	Bond premium		(10,938,565)	Repayments of debt		6,533,129	Repayment of capital lease		40,361			283,936	Change in pension expense from GASB 68		(374,284)	Change in OPEB expense from GASB 75		(5,309,795)	Other		(1,709,276)			(317,344)
Capital outlay		22,678,977																																	
Depreciation		(6,303,573)																																	
Issuance of debt		(82,194,000)																																	
Bond premium		(10,938,565)																																	
Repayments of debt		6,533,129																																	
Repayment of capital lease		40,361																																	
		283,936																																	
Change in pension expense from GASB 68		(374,284)																																	
Change in OPEB expense from GASB 75		(5,309,795)																																	
Other		(1,709,276)																																	
		(317,344)																																	
Change in net position of governmental activities	\$	<u><u>(975,319)</u></u>																																	

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

TOWN OF SHARON, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water Fund	Nonmajor Cable Fund	Total	Internal Service Funds
Assets				
Current:				
Cash and short-term investments	\$ 9,137,973	\$ -	\$ 9,137,973	\$ 1,835,781
Investments	-	-	-	1,512,784
User fees, net of allowance for uncollectibles	<u>1,686,818</u>	<u>-</u>	<u>1,686,818</u>	<u>-</u>
Total current assets	10,824,791	-	10,824,791	3,348,565
Noncurrent:				
Capital assets:				
Land and construction in progress	1,957,982	-	1,957,982	-
Other capital assets, net of accumulated depreciation	<u>12,225,443</u>	<u>-</u>	<u>12,225,443</u>	<u>-</u>
Total noncurrent assets	<u>14,183,425</u>	<u>-</u>	<u>14,183,425</u>	<u>-</u>
Total Assets	25,008,216	-	25,008,216	3,348,565
Deferred Outflows of Resources				
Related to pensions	32,690	-	32,690	-
Related to OPEB	<u>68,252</u>	<u>-</u>	<u>68,252</u>	<u>-</u>
Total Deferred Outflows of Resources	100,942	-	100,942	-
Liabilities				
Current:				
Accounts payable	335,219	-	335,219	359
Accrued liabilities	-	-	-	696,484
Current portion of long-term liabilities:				
Bonds payable	545,200	-	545,200	-
Compensated absences	<u>4,899</u>	<u>-</u>	<u>4,899</u>	<u>-</u>
Total current liabilities	885,318	-	885,318	696,843
Noncurrent:				
Bonds payable, net of current portion	8,059,800	-	8,059,800	-
Net pension liability	295,455	-	295,455	-
Net OPEB liability	687,602	-	687,602	-
Compensated absences, net of current portion	<u>93,085</u>	<u>-</u>	<u>93,085</u>	<u>-</u>
Total noncurrent liabilities	<u>9,135,942</u>	<u>-</u>	<u>9,135,942</u>	<u>-</u>
Total Liabilities	10,021,260	-	10,021,260	696,843
Deferred Inflows of Resources				
Related to pensions	13,079	-	13,079	-
Related to OPEB	<u>38,745</u>	<u>-</u>	<u>38,745</u>	<u>-</u>
Total Deferred Inflows of Resources	51,824	-	51,824	-
Net Position				
Net investment in capital assets	11,922,551	-	11,922,551	-
Unrestricted	<u>3,113,523</u>	<u>-</u>	<u>3,113,523</u>	<u>2,651,722</u>
Total Net Position	<u>\$ 15,036,074</u>	<u>\$ -</u>	<u>\$ 15,036,074</u>	<u>\$ 2,651,722</u>

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

TOWN OF SHARON, 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			Governmental Activities
	Water Fund	Nonmajor Cable Fund	Total	Internal Service Fund
Operating Revenues				
Charges for services	\$ 5,029,992	\$ 319,039	\$ 5,349,031	\$ -
Employee and employer contributions	-	-	-	11,979,511
Miscellaneous	<u>35,603</u>	<u>-</u>	<u>35,603</u>	<u>-</u>
Total Operating Revenues	5,065,595	319,039	5,384,634	11,979,511
Operating Expenses				
Salaries and benefits	2,102,958	-	2,102,958	-
Other operating expenses	1,015,441	339,039	1,354,480	12,852,666
Depreciation	<u>800,890</u>	<u>-</u>	<u>800,890</u>	<u>-</u>
Total Operating Expenses	<u>3,919,289</u>	<u>339,039</u>	<u>4,258,328</u>	<u>12,852,666</u>
Operating Income (Loss)	1,146,306	(20,000)	1,126,306	(873,155)
Nonoperating Revenues (Expenses)				
Interest expense	<u>(148,392)</u>	<u>-</u>	<u>(148,392)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(148,392)</u>	<u>-</u>	<u>(148,392)</u>	<u>-</u>
Income (Loss) Before Transfers	997,914	(20,000)	977,914	(873,155)
Transfer in	-	-	-	555,811
Transfer out	<u>(10,829)</u>	<u>-</u>	<u>(10,829)</u>	<u>-</u>
Change in Net Position	987,085	(20,000)	967,085	(317,344)
Net Position at Beginning of Year	<u>14,048,989</u>	<u>20,000</u>	<u>14,068,989</u>	<u>2,969,066</u>
Net Position at End of Year	<u>\$ 15,036,074</u>	<u>\$ -</u>	<u>\$ 15,036,074</u>	<u>\$ 2,651,722</u>

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

TOWN OF SHARON, MASSACHUSETTS

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

	Business-Type Activities Enterprise Funds		Governmental
	Water	Nonmajor	Internal
	Fund	Cable Fund	Service Fund
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 4,694,291	\$ 319,039	\$ 11,979,511
Payments to employees	(2,080,204)	-	(12,739,758)
Payments to vendors	<u>(943,550)</u>	<u>(339,039)</u>	<u>(30,762)</u>
Net Cash Provided By (Used For) Operating Activities	1,670,537	(20,000)	(791,009)
Cash Flows From Capital and Related Financing Activities			
Proceeds of bonds	4,246,000	-	-
Proceeds of bond premiums	484,000	-	-
Principal payments on bonds	(307,700)	-	-
Interest expense	(148,392)	-	-
Acquisition and construction of capital assets	<u>(1,094,350)</u>	<u>-</u>	<u>-</u>
Net Cash Provided By Capital and Related Financing Activities	3,179,558	-	-
Cash Flows From Non-Capital Financing Activities			
Transfer in	-	-	555,811
Transfer out	<u>(10,829)</u>	<u>-</u>	<u>-</u>
Net Cash Provided By (Used For) Non-capital Activities	(10,829)	-	555,811
Cash Flows From Investing Activities			
Investment income	<u>-</u>	<u>-</u>	<u>2,070,979</u>
Net Cash Provided By Investing Activities	<u>-</u>	<u>-</u>	<u>2,070,979</u>
Net Change in Cash and Short-Term Investments	4,839,266	(20,000)	1,835,781
Cash and Short-Term Investments, Beginning of Year	<u>4,298,707</u>	<u>20,000</u>	<u>-</u>
Cash and Short-Term Investments, End of Year	<u>\$ 9,137,973</u>	<u>\$ -</u>	<u>\$ 1,835,781</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities			
Operating income	\$ 1,146,306	\$ (20,000)	\$ (873,155)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	800,890	-	-
Changes in assets, liabilities, and deferred outflow/inflows:			
User fees	(371,304)	-	-
Deferred outflows - related to pensions	53,522	-	-
Deferred outflows - related to OPEB	20,923	-	-
Warrants and accounts payable	66,650	-	(3,324)
Accrued liabilities	(7,102)	-	85,470
Net pension liability	(29,531)	-	-
Net OPEB liability	22,754	-	-
Deferred inflows - related to pensions	(20,783)	-	-
Deferred inflows - related to OPEB	<u>(11,788)</u>	<u>-</u>	<u>-</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,670,537</u>	<u>\$ (20,000)</u>	<u>\$ (791,009)</u>

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

TOWN OF SHARON, 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 <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 26,952	\$ -
Investments:			
Certificates of deposit	-	88,450	332,593
Federal agency securities	-	-	76,321
Corporate bonds	-	-	14,011
Corporate equities	-	-	19,777
Mutual funds	<u>1,296,442</u>	<u>-</u>	<u>87,251</u>
Total Investments	1,296,442	88,450	529,953
Accounts receivable	<u>-</u>	<u>-</u>	<u>55,682</u>
Total Assets	1,296,442	115,402	585,635
Liabilities			
Other liabilities	<u>-</u>	<u>-</u>	<u>585,635</u>
Total Liabilities	<u>-</u>	<u>-</u>	\$ <u><u>585,635</u></u>
Net Position			
Restricted for OPEB purposes	1,296,442	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>115,402</u>	
	\$ <u><u>1,296,442</u></u>	\$ <u><u>115,402</u></u>	

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

TOWN OF SHARON, 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	\$ 2,149,641	\$ -
Investment income	<u>27,425</u>	<u>1,724</u>
Total additions	2,177,066	1,724
Deductions		
Benefit payments to plan members, beneficiaries and other systems	1,799,641	-
Miscellaneous expenditures	<u>-</u>	<u>4,100</u>
Total deductions	<u>1,799,641</u>	<u>4,100</u>
Net increase (decrease)	377,425	(2,376)
Net position restricted for pensions and other purposes		
Beginning of year	<u>919,017</u>	<u>117,778</u>
End of year	\$ <u><u>1,296,442</u></u>	\$ <u><u>115,402</u></u>

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

TOWN OF SHARON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Sharon, 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.
- The *high school construction fund* accounts for funds used in the construction of the new high school.
- The *community preservation fund* accounts for funds used to account for revenues and expenditures related to the levy of a 1% property tax surcharge that is authorized by the Community Preservation Act. This fund was established by the Town for the purpose of acquiring open land for conservation, developing affordable housing, and preserving historical property.

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 fund:

- Water operations

The *self-insured employee health program* is reported as an internal service fund in the accompanying financial statements.

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.

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 \$2,024,952. 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 \$20,000 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.

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
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 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 a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2020, \$10,645,339 of the Town's bank balances of \$104,399,398 was exposed to custodial credit risk as uninsured or uncollateralized. \$10,331,894 of the Town's uninsured and/or uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, Section 38A.

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	\$ 15,770,674
Corporate bonds	660,737
Corporate equities	932,684
Equity mutual funds	4,114,678
U.S. Treasury and agencies	<u>3,599,255</u>
Total investments	<u>\$ 25,078,028</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.

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/or held by the Town’s brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>
Certificates of deposit	\$ 15,770,674	\$ 15,770,674
Corporate bonds	660,737	660,737
Corporate equities	932,684	932,684
Equity mutual funds	4,114,678	4,114,678
U.S. Treasury and agencies	3,599,255	3,599,255
Total	<u>\$ 25,078,028</u>	<u>\$ 25,078,028</u>

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. The Town does not have formal investment policies related to credit risk.

As of June 30, 2020, the credit quality ratings, as rated by Moody’s Investors Service, Inc./S&P Global Ratings/Fitch Ratings, Inc., of the Town’s debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>		
		<u>AAA</u>	<u>AA+</u>	<u>Unrated</u>
Corporate bonds	\$ 660,737	\$ -	\$ -	\$ 660,737
Corporate equities	932,684	-	-	932,684
Equity mutual funds	4,114,678	-	-	4,114,678
U.S. Treasury and agencies	<u>3,599,255</u>	<u>266,132</u>	<u>100,346</u>	<u>3,232,777</u>
Total	<u>\$ 9,307,354</u>	<u>\$ 266,132</u>	<u>\$ 100,346</u>	<u>\$ 8,940,876</u>

Concentration of Credit Risk - Investments

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2020, the Town does not have an investment in one issuer greater than 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>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 660,737	\$ 101,064	\$ 528,615	\$ 31,058
U.S. Treasury and agencies	<u>3,599,255</u>	<u>2,440,285</u>	<u>904,361</u>	<u>254,609</u>
Total	<u>\$ 4,259,992</u>	<u>\$ 2,541,349</u>	<u>\$ 1,432,976</u>	<u>\$ 285,667</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 currently have any foreign investments. The Town does not have formal investment policies related to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.

- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Certificates of deposits	\$ 15,770,674	\$ -	\$ 15,770,674
Corporate bonds	660,737	-	660,737
Corporate equities	932,684	932,684	-
Equity mutual funds	4,114,678	4,114,678	-
U.S. Treasury and agencies	<u>3,599,255</u>	3,599,255	-
Total	<u>\$ 25,078,028</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.

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>
Equity mutual funds	\$ 996,693
Fixed income mutual funds	<u>299,749</u>
Total investments	<u>\$ 1,296,442</u>

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>
Equity mutual funds	\$ 996,693	\$ 996,693
Fixed income mutual funds	<u>299,749</u>	<u>299,749</u>
Total	<u>\$ 1,296,442</u>	<u>\$ 1,296,442</u>

Presented below is the actual rating as of year-end for debt-related investment of the OPEB Trust Fund.

<u>Investment Type</u>	<u>Amount</u>	Rating as of <u>Year End</u> <u>Unrated</u>
Fixed income mutual funds	\$ <u>299,749</u>	\$ <u>299,749</u>
Total	<u>\$ 299,749</u>	<u>\$ 299,749</u>

Concentration of Credit Risk

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of total Investments</u>
Bright Rock Quality Large Cap Fund	\$ <u>582,642</u>	45%
Total	<u>\$ 582,642</u>	

Fair Value

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

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using: <u>(Level 1)</u>
Investments by fair value level:		
Equity mutual funds	\$ 996,693	\$ 996,693
Fixed income mutual funds	<u>299,749</u>	\$ 299,749
Total	<u>\$ 1,296,442</u>	

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

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’s 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, excise, and departmental 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	\$ 1,335,908	\$ (137,128)	\$ 1,198,780	\$ -
Personal property taxes	28,950	(3,938)	25,012	-
Tax liens	479,559	(47,956)	-	431,603
Deferred taxes	805,003	(80,500)	724,503	-
Other taxes	<u>17,750</u>	<u>-</u>	<u>17,750</u>	<u>-</u>
Total property taxes	<u>\$ 2,667,170</u>	<u>\$ (269,522)</u>	<u>\$ 1,966,045</u>	<u>\$ 431,603</u>
Motor vehicle excise	<u>\$ 267,585</u>	<u>\$ (44,467)</u>	<u>\$ 223,118</u>	
Total excises	<u>\$ 267,585</u>	<u>\$ (44,467)</u>	<u>\$ 223,118</u>	

6. User Fee Receivables

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

	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Water	\$ 1,717,163	\$ (30,345)	\$ 1,686,818
Ambulance	<u>342,562</u>	<u>(60,306)</u>	<u>282,256</u>
Total user fee	<u>\$ 2,059,725</u>	<u>\$ (90,651)</u>	<u>\$ 1,969,074</u>

7. Intergovernmental Receivables

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

8. Interfund Fund Accounts

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	\$ 740,044	\$ 861,303
Internal Service Fund	555,811	-
Nonmajor Funds:		
Special Revenue Funds	59,620	1,461,391
Capital Project Funds	<u>1,082,001</u>	<u>-</u>
Subtotal Nonmajor Funds	1,141,621	1,461,391
<u>Business-Type Funds</u>		
Water Fund	<u>-</u>	<u>10,829</u>
Subtotal Business-Type Funds	<u>-</u>	<u>10,829</u>
<u>Fiduciary Funds:</u>		
Agency Funds	<u>-</u>	<u>103,953</u>
Subtotal Fiduciary Funds:	<u>-</u>	<u>103,953</u>
Total	\$ <u><u>2,437,476</u></u>	\$ <u><u>2,437,476</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 Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 154,817	\$ 12,356	\$ -	\$ 167,173
Machinery, equipment, and furnishings	22,501	1,174	(250)	23,425
Infrastructure	<u>29,376</u>	<u>966</u>	<u>-</u>	<u>30,342</u>
Total capital assets, being depreciated	206,694	14,496	(250)	220,940
Less accumulated depreciation for:				
Buildings and improvements	(43,759)	(4,350)	-	(48,109)
Machinery, equipment, and furnishings	(16,620)	(1,103)	250	(17,473)
Infrastructure	<u>(8,045)</u>	<u>(850)</u>	<u>-</u>	<u>(8,895)</u>
Total accumulated depreciation	<u>(68,424)</u>	<u>(6,303)</u>	<u>250</u>	<u>(74,477)</u>
Total capital assets, being depreciated, net	138,270	8,193	-	146,463
Capital assets, not being depreciated:				
Land	20,912	10,014	-	30,926
Construction in progress	<u>8,630</u>	<u>-</u>	<u>(1,832)</u>	<u>6,798</u>
Total capital assets, not being depreciated	<u>29,542</u>	<u>10,014</u>	<u>(1,832)</u>	<u>37,724</u>
Governmental activities capital assets, net	<u>\$ 167,812</u>	<u>\$ 18,207</u>	<u>\$ (1,832)</u>	<u>\$ 184,187</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,104	\$ -	\$ -	\$ 1,104
Machinery, equipment, and furnishings	18,465	256	-	18,721
Infrastructure	<u>8,664</u>	<u>1,066</u>	<u>-</u>	<u>9,730</u>
Total capital assets, being depreciated	28,233	1,322	-	29,555
Less accumulated depreciation for:				
Buildings and improvements	(794)	(28)	-	(822)
Machinery, equipment, and furnishings	(14,636)	(521)	-	(15,157)
Infrastructure	<u>(1,099)</u>	<u>(252)</u>	<u>-</u>	<u>(1,351)</u>
Total accumulated depreciation	<u>(16,529)</u>	<u>(801)</u>	<u>-</u>	<u>(17,330)</u>
Total capital assets, being depreciated, net	11,704	521	-	12,225
Capital assets, not being depreciated:				
Land	<u>1,930</u>	<u>28</u>	<u>-</u>	<u>1,958</u>
Total capital assets, not being depreciated	<u>1,930</u>	<u>28</u>	<u>-</u>	<u>1,958</u>
Business-type activities capital assets, net	<u>\$ 13,634</u>	<u>\$ 549</u>	<u>\$ -</u>	<u>\$ 14,183</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 114
Public safety	1,592
Education	3,077
Public works	1,180
Health and human services	239
Culture and recreation	<u>101</u>
Total governmental activities	\$ <u>6,303</u>
Business-Type Activities	
Water	\$ <u>801</u>
Total business-type activities	\$ <u>801</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. Accounts Payable

Accounts payable represent additional 2020 expenditures paid after July 15, 2020.

12. Accrued Liabilities

Accrued liabilities expenses represent 2020 expenditures paid in fiscal 2021.

13. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the State Appellate Tax Board.

14. Notes Payable

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

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/20</u>
MPL - Rattlesnake Hill Land Acquisition	2.00%	2/21/2020	2/19/2021	\$ <u>5,000,000</u>
Total				\$ <u><u>5,000,000</u></u>

The following summarizes activity in note(s) payable during fiscal year 2020:

	Balance Beginning <u>of Year</u>	New <u>Issues</u>	<u>Maturities</u>	Balance End of <u>Year</u>
MPL - Rattlesnake Hill Land Acquisition	\$ <u>-</u>	\$ <u>5,000,000</u>	\$ <u>-</u>	\$ <u>5,000,000</u>
Total	\$ <u><u>-</u></u>	\$ <u><u>5,000,000</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,000,000</u></u>

15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2024. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2020:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2021	\$ 47,047
2022	47,045
2023	47,046
2024	<u>23,526</u>
Total minimum lease payments	164,664
Less amounts representing interest	<u>(10,707)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 153,957</u></u>

16. Long-Term Debt

Long-Term Debt Supporting Activities

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

<u>General Obligation Bonds</u>	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/20</u>
Public offerings:				
Municipal purpose loan	13,700,000	5/1/2021	4.27%	\$ 435,000
Municipal purpose loan	13,990,000	3/15/2022	3.99%	1,260,000
General obligation	8,030,000	6/30/2026	3.00%	5,070,000
General obligation	2,838,000	5/1/2027	1.81%	960,000
General obligation	1,335,000	6/30/2027	3.00%	980,000
General obligation	8,855,000	6/30/2028	2.96%	7,780,000
General obligation	28,254,000	8/30/2031	2.81%	13,055,000
General obligation	3,696,000	6/30/2032	2.19%	2,480,000
General obligation	7,509,500	10/15/2033	3.00%	3,420,000
General obligation	26,776,000	1/15/2035	3.00%	18,400,000
General obligation	4,172,300	2/15/2039	5.00%	3,845,000
General obligation	79,482,500	2/15/2040	5.00%	79,482,500
General obligation	2,711,500	2/15/2040	5.00%	<u>2,711,500</u>
Total public offerings				<u>139,879,000</u>
Total general obligation bonds				<u>139,879,000</u>
 <u>Loans - Direct Borrowings</u>				
Septic loan	200,000	2/1/2021	0.00%	<u>11,049</u>
Total loans - direct borrowings				<u>11,049</u>
Total governmental activities				\$ <u>139,890,049</u>

(continued)

(continued)

<u>Business-Type Activities</u>	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/20</u>
<u>General Obligation Bonds</u>				
Public offerings:				
Water improvements	820,000	5/1/2027	1.81%	\$ 380,000
General obligation	1,367,500	10/15/2034	3.00%	950,000
General obligation	26,776,000	1/15/2035	3.00%	450,000
General obligation	2,217,700	2/15/2039	5.00%	2,095,000
General obligation	4,246,000	2/15/2040	5.00%	<u>4,246,000</u>
Total public offerings				<u>8,121,000</u>
Total general obligation bonds				<u>8,121,000</u>
Total business-type activities				<u>\$ 8,121,000</u>

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>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 6,669,000	\$ 4,826,850	\$ 11,049	\$ -	\$ 11,506,899
2022	6,355,000	4,640,366	-	-	10,995,366
2023	6,405,000	4,408,648	-	-	10,813,648
2024	7,385,000	4,175,073	-	-	11,560,073
2025	8,505,000	3,887,277	-	-	12,392,277
2026 - 2030	45,685,000	13,900,977	-	-	59,585,977
2031 - 2035	41,440,000	5,391,946	-	-	46,831,946
2036 - 2040	<u>17,435,000</u>	<u>935,382</u>	<u>-</u>	<u>-</u>	<u>18,370,382</u>
Total	<u>\$ 139,879,000</u>	<u>\$ 42,166,519</u>	<u>\$ 11,049</u>	<u>\$ -</u>	<u>\$ 182,056,568</u>

(continued)

(continued)

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 521,000	\$ 297,983	\$ -	\$ -	\$ 818,983
2022	510,000	278,962	-	-	788,962
2023	500,000	257,882	-	-	757,882
2024	490,000	237,332	-	-	727,332
2025	490,000	216,675	-	-	706,675
2026 - 2030	2,165,000	780,417	-	-	2,945,417
2031 - 2035	1,985,000	362,904	-	-	2,347,904
2036 - 2040	<u>1,460,000</u>	<u>112,808</u>	<u>-</u>	<u>-</u>	<u>1,572,808</u>
Total	<u>\$ 8,121,000</u>	<u>\$ 2,544,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,665,963</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	\$ 64,207	\$ 82,194	(6,522)	\$ 139,879	\$ (6,669)	\$ 133,210
Loans payable (direct borrowings)	22	-	(11)	11	(11)	-
Unamortized premium	<u>-</u>	<u>10,939</u>	<u>-</u>	<u>10,939</u>	<u>(547)</u>	<u>10,392</u>
Subtotal	64,229	93,133	(6,533)	150,829	(7,227)	143,602
Net pension liability	37,909	-	(3,445)	34,464	-	34,464
Net OPEB liability	84,100	4,211	-	88,311	-	88,311
Compensated absences	3,051	160	-	3,211	(161)	3,050
Capital lease	194	-	(40)	154	(42)	112
Landfill liability	<u>325</u>	<u>-</u>	<u>(25)</u>	<u>300</u>	<u>(25)</u>	<u>275</u>
Totals	<u>\$ 189,808</u>	<u>\$ 97,504</u>	<u>\$ (10,043)</u>	<u>\$ 277,269</u>	<u>\$ (7,455)</u>	<u>\$ 269,814</u>
Business-Type Activities						
Bonds payable						
Public offerings	\$ 4,183	\$ 4,246	(308)	\$ 8,121	\$ (521)	\$ 7,600
Unamortized premium	<u>-</u>	<u>484</u>	<u>-</u>	<u>484</u>	<u>(24)</u>	<u>460</u>
Subtotal	4,183	4,730	(308)	8,605	(545)	8,060
Net pension liability	325	-	(30)	295	-	295
Net OPEB liability	665	23	-	688	-	688
Compensated absences	<u>105</u>	<u>-</u>	<u>(7)</u>	<u>98</u>	<u>(5)</u>	<u>93</u>
Totals	<u>\$ 5,278</u>	<u>\$ 4,753</u>	<u>\$ (345)</u>	<u>\$ 9,686</u>	<u>\$ (550)</u>	<u>\$ 9,136</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.

17. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$300,000 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

18. 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.

19. 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 has 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 general fund encumbrances for non-lapsing, 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. This fund balance classification also includes general and budgetary stabilization funds set aside by Town meeting vote for future use (now reported as part of the general fund per GASB 54) and temporary deficits in other government funds.

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

	General Fund	High School Construction Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 43,070	\$ 43,070
Total Nonspendable	-	-	-	43,070	43,070
Restricted					
Reserve for excluded debt	370,954	-	-	-	370,954
Special revenue funds	-	-	-	5,916,955	5,916,955
Capital project fund	-	82,454,124	-	9,807,637	92,261,761
Expendable permanent funds	-	-	-	449,215	449,215
Total Restricted	370,954	82,454,124	-	16,173,807	98,998,885
Assigned					
Encumbrances:					
General government	49,937	-	-	-	49,937
Public safety	84,016	-	-	-	84,016
Education	644,859	-	-	-	644,859
Health and human services	979	-	-	-	979
Culture and recreation	6,830	-	-	-	6,830
Employee benefits	150	-	-	-	150
Total Assigned	786,771	-	-	-	786,771
Unassigned					
General fund	6,826,890	-	-	-	6,826,890
General stabilization fund	938,694	-	-	-	938,694
Special revenue fund	-	-	(3,151,851)	(82,622)	(3,234,473)
Total Unassigned	7,765,584	-	(3,151,851)	(82,622)	4,531,111
Total Fund Balances	\$ 8,923,309	\$ 82,454,124	\$ (3,151,851)	\$ 16,134,255	\$ 104,359,837

20. Norfolk Contributory 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 (except teachers and administrators under contract employed by the School Department) are members of the Norfolk 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 614 High Street, Suite 201, Dedham, Massachusetts 02027-0310.

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.

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 four 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 \$4,434,384, 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 \$34,759,460 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 5.9204%, which was an increase of 0.0468% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$5,034,425. 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	\$ 2,978,251	\$ -
Changes of assumptions	637,562	
Net difference between projected and actual earnings on pension plan investments	-	(979,007)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>230,106</u>	<u>(559,707)</u>
Total	<u>\$ 3,845,919</u>	<u>\$ (1,538,714)</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	\$ 1,228,766
2022	802,525
2023	1,161,012
2024	<u>(885,098)</u>
Total	<u>\$ 2,307,205</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 \$175,000
Salary increases	3.5% - 5.5%
Investment rate of return	7.75%
Remaining amortization period	Till fiscal 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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.50%	6.60%
International equity	15.50%	8.00%
Fixed income	20.50%	3.80%
Real estate	9.50%	8.20%
Private equity	10.00%	9.10%
Hedge funds	11.50%	7.20%
Real assets	<u>2.50%</u>	9.90%
Total	<u>100.00%</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 Changes 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 <u>Rate</u> (7.75%)	1% Increase <u>(8.75%)</u>
\$ 45,145,734	\$ 34,759,460	\$ 25,934,255

Pension Plan Fiduciary Net Position

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

21. 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) establish 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, 2019 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 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 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant.
 - 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 one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

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

Special Funding Situation

The Commonwealth is a nonmember 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 approximately \$105,876,389 based on a proportionate share of 0.419911%. As required by GASB 68, the Town has recognized its portion of the Commonwealth’s contribution of approximately \$6,062,294 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$12,839,350 as both a revenue and expense in the governmental activities.

22. 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 2015, the Town established a single employer defined benefit 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 BlueCross BlueShield. 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 actuarially determined amounts.

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	568
Active employees	<u>666</u>
Total	<u><u>1,234</u></u>

Investments

The OPEB trust fund assets consist of 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 2.21%. 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3%, average, including inflation
Investment rate of return	6.72%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	4.25%
Healthcare cost trend rates	4.5% for 2020, fluctuating 0% to an ultimate rate of 4.5%
Participation rate	80% of employees eligible to receive retirement benefits

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

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study 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	49.75%	4.80%
Domestic equity - small/mid cap	6.25%	5.29%
International equity - developed market	8.50%	5.45%
International equity - emerging market	2.75%	6.42%
Domestic fixed income	20.75%	2.05%
International fixed income	2.00%	3.00%
Alternatives	9.50%	6.50%
Real estate	0.00%	6.25%
Cash and cash equivalents	<u>50.00%</u>	0.00%
Total	<u><u>149.50%</u></u>	

Contributions

In addition to the implicit subsidy contribution, Town's policy is to contribute the amounts provided annually by the budget. In fiscal 2020 the town contributed \$350,000 (above the implicit subsidy), which will increase \$50,000 annually through fiscal 2023 and ultimately to an annual contribution amount of \$500,000.

The discount rate used to measure the net OPEB liability was 4.25%. 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 6.71% and municipal bond rate of 2.66% (based on index provided by Standard and Poor's 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	\$ 90,295,302
Plan fiduciary net position	<u>1,296,442</u>
Net OPEB liability	<u><u>\$ 88,998,860</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	1.44%
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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 <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 85,683,647	\$ 919,017	\$ 84,764,630
Changes for the year:			
Service cost	2,734,023	-	2,734,023
Interest	3,719,907	-	3,719,907
Contributions - employer	-	2,149,641	(2,149,641)
Net investment income	-	27,425	(27,425)
Differences between expected and actual experience	(42,634)	-	(42,634)
Benefit payments	<u>(1,799,641)</u>	<u>(1,799,641)</u>	<u>-</u>
Net Changes	<u>4,611,655</u>	<u>377,425</u>	<u>4,234,230</u>
Balances, end of year	<u>\$ 90,295,302</u>	<u>\$ 1,296,442</u>	<u>\$ 88,998,860</u>

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 one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
\$ 103,294,026	\$ 88,998,860	\$ 77,608,876

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 one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease <u>(3.5%)</u>	Current Healthcare Cost Trend Rates <u>(4.5%)</u>	1% Increase <u>(5.5%)</u>
\$ 76,372,560	\$ 88,998,860	\$ 104,998,943

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 \$7,491,325. 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>
Difference between expected and actual experience	\$ -	\$ (5,014,855)
Change in assumptions	8,808,410	-
Net difference between projected and actual OPEB investment earnings	<u>25,690</u>	<u>-</u>
Total	<u>\$ 8,834,100</u>	<u>\$ (5,014,855)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ 1,110,613
2022	1,110,613
2023	1,110,478
2024	490,990
2025	<u>(3,449)</u>
Total	<u>\$ 3,819,245</u>

23. Self-Insurance

The Town self-insures against claims for workers compensation, unemployment, and most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

Workers Compensation

The Town contracts with an insurance consultant for claims processing of the Town's workers compensation policy, which has no excess liability coverage for any employees. The Workers Compensation claims liability represents an estimate of future costs based on a historical analysis of similar claims for all employees excluding public safety. The Town is unable to make any reasonable estimate of its liability for public safety employees.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$100,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2020 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 611,014
Claims incurred/recognized in fiscal year 2020	12,852,666
Claims paid in fiscal year 2020	<u>(12,767,196)</u>
Claims liability, end of year	<u>\$ 696,484</u>

24. Subsequent Events

Management has evaluated subsequent events through January 15, 2021, which is the date the financial statements were available to be issued.

25. 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 \$786,771 in encumbrances that will be honored in the next fiscal year.

26. Beginning Fund Balance Reclassification

The beginning (July 1, 2019) fund balance of the Town has been reclassified as follows:

Fund Basis Financial Statements:	Municipal Building Fund	Nonmajor Funds
As previously reported	\$ 4,483,788	\$ 10,772,534
Reclassification of major fund	<u>(4,483,788)</u>	<u>4,483,788</u>
As reclassified	<u>\$ -</u>	<u>\$ 15,256,322</u>

27. 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 SHARON, 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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 69,221,655	\$ 69,221,655	\$ 68,917,754	\$ (303,901)
Excise	3,100,000	3,100,000	2,863,149	(236,851)
Penalties, interest, and other taxes	501,700	501,700	426,858	(74,842)
Charges for services	245,000	245,000	182,396	(62,604)
Intergovernmental	11,035,287	11,035,287	10,966,919	(68,368)
Licenses and permits	650,000	650,000	683,029	33,029
Fines and forfeitures	50,000	50,000	69,425	19,425
Investment income	368,300	368,300	903,875	535,575
Miscellaneous	163,175	163,175	167,696	4,521
Total Revenues	85,335,117	85,335,117	85,181,101	(154,016)
Expenditures				
General government	2,189,236	2,415,276	2,348,022	67,254
Public safety	7,540,635	7,540,635	7,457,720	82,915
Education	45,490,890	45,490,890	45,431,275	59,615
Public works	4,029,767	4,029,767	3,994,081	35,686
Health and human services	718,676	718,676	672,749	45,927
Culture and recreation	1,374,214	1,374,214	1,332,761	41,453
Employee benefits	14,811,517	14,811,517	14,623,243	188,274
Debt service	8,618,367	8,618,367	8,618,367	-
Intergovernmental	832,566	832,566	825,764	6,802
Total Expenditures	85,605,868	85,831,908	85,303,982	527,926
Excess of revenues over expenditures	(270,751)	(496,791)	(122,881)	373,910
Other Financing Sources/(Uses)				
Use of overlay surplus	200,000	200,000	200,000	-
Fund balance reserve for excluded debt	25,293	25,293	25,293	-
Transfers in	729,215	729,215	729,215	-
Transfers out	(1,020,284)	(794,244)	(794,244)	-
Other source(s)	336,527	336,527	336,527	-
Total Other Financing Sources/(Uses)	270,751	496,791	496,791	-
Overall Budgetary Excess (Deficiency)	\$ -	\$ -	\$ 373,910	\$ 373,910

See Independent Auditors' Report.

TOWN OF SHARON, MASSACHUSETTS

Required Supplemental Information
 Community Preservation Fund
 Schedule of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual
 For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 540,000	\$ 540,000	\$ 596,088	\$ 56,088
Intergovernmental	60,000	60,000	129,775	69,775
Miscellaneous	-	-	41,200	41,200
Total Revenues	600,000	600,000	767,063	167,063
Expenditures				
General government	7,922,706	7,922,706	7,844,493	78,213
Debt service	20,000	20,000	9,040	10,960
Total Expenditures	7,942,706	7,942,706	7,853,533	89,173
Excess of revenues over expenditures	(7,342,706)	(7,342,706)	(7,086,470)	256,236
Other Financing Sources/(Uses)				
Reservations	(198,004)	(198,004)	(198,004)	-
Bond anticipation notes	5,000,000	5,000,000	5,000,000	-
Use of reserves	2,540,710	2,540,710	-	(2,540,710)
Total Other Financing Sources/(Uses)	7,342,706	7,342,706	4,801,996	(2,540,710)
Overall Budgetary Excess (Deficiency)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(2,284,474)</u></u>	\$ <u><u>(2,284,474)</u></u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information
for General Fund and Community Preservation Fund Budgets**

Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general 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	\$ 91,296,539	\$ 90,555,256	\$ (121,259)
Add end-of-year appropriation carryforwards from expenditures	-	868,149	-
To record use of overlay surplus	-	-	200,000
To record use of debt reserves (fund balance)	-	-	25,293
To reverse the effect of non-budgeted State contributions for teachers retirement	(6,062,294)	(6,062,294)	-
To remove the effects of non-budgeted stabilization fund	(53,144)	-	-
Other adjustments	<u>-</u>	<u>(57,129)</u>	<u>392,757</u>
Budgetary basis	<u>\$ 85,181,101</u>	<u>\$ 85,303,982</u>	<u>\$ 496,791</u>

<u>Community Preservation Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP basis	\$ 3,267,063	\$ 10,584,029	\$ -
Reverse beginning of year appropriation carryforwards from expenditures	-	(230,496)	-
Record budgeted reserves	-	-	(198,004)
Other adjustments	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>5,000,000</u>
Budgetary basis	<u>\$ 767,063</u>	<u>\$ 7,853,533</u>	<u>\$ 4,801,996</u>

See Independent Auditors' Report.

TOWN OF SHARON, 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	5.920400%	\$34,759,460	\$ 18,686,741	186.01%	64.60%
June 30, 2019	December 31, 2018	8.105600%	\$38,233,635	\$ 18,408,802	207.69%	58.30%
June 30, 2018	December 31, 2017	5.861500%	\$32,414,349	\$ 17,786,282	182.24%	63.50%
June 30, 2017	December 31, 2016	5.985200%	\$31,244,098	\$ 17,142,063	182.27%	61.60%
June 30, 2016	December 31, 2015	5.985212%	\$32,512,437	\$ 16,355,566	198.79%	58.60%
June 30, 2015	December 31, 2014	6.404452%	\$33,215,101	\$ 16,148,680	205.68%	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	0.419911%	\$ 105,876,389	\$ -	\$ 105,876,389	\$ 28,513,922	-	55.43%
June 30, 2019	June 30, 2018	0.430032%	\$ 101,966,040	\$ -	\$ 101,966,040	\$ 30,200,571	-	54.84%
June 30, 2018	June 30, 2017	0.411686%	\$ 94,215,921	\$ -	\$ 94,215,921	\$ 27,955,406	-	54.25%
June 30, 2017	June 30, 2016	0.428057%	\$ 95,704,726	\$ -	\$ 95,704,726	\$ 28,156,113	-	52.73%
June 30, 2016	June 30, 2015	0.415103%	\$ 85,053,177	\$ -	\$ 85,053,177	\$ 26,312,914	-	55.38%
June 30, 2015	June 30, 2014	0.418239%	\$ 66,484,812	\$ -	\$ 66,484,812	\$ 25,644,299	-	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 SHARON, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Pension Contributions

(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2020	December 31, 2019	\$ 4,434,384	\$ 4,434,384	\$ -	\$ 18,686,741	23.73%
June 30, 2019	December 31, 2018	\$ 4,109,068	\$ 4,109,068	\$ -	\$ 18,408,802	22.32%
June 30, 2018	December 31, 2017	\$ 3,751,960	\$ 3,751,960	\$ -	\$ 17,786,282	21.09%
June 30, 2017	December 31, 2016	\$ 3,686,874	\$ 3,686,874	\$ -	\$ 17,142,063	21.51%
June 30, 2016	December 31, 2015	\$ 3,824,140	\$ 3,824,140	\$ -	\$ 16,355,566	23.38%
June 30, 2015	December 31, 2014	\$ 3,098,701	\$ 3,098,701	\$ -	\$ 16,148,680	19.19%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Actuarially Determined Contribution Provided by Commonwealth	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2020	June 30, 2019	\$ 6,062,294	\$ 6,062,294	\$ -	\$ 28,513,922	21.26%
June 30, 2019	June 30, 2018	\$ 5,653,983	\$ 5,653,983	\$ -	\$ 30,200,571	18.72%
June 30, 2018	June 30, 2017	\$ 5,086,441	\$ 5,086,441	\$ -	\$ 27,955,406	18.19%
June 30, 2017	June 30, 2016	\$ 4,813,859	\$ 4,813,859	\$ -	\$ 28,156,113	17.10%
June 30, 2016	June 30, 2015	\$ 4,242,065	\$ 4,242,065	\$ -	\$ 26,312,914	16.12%
June 30, 2015	June 30, 2014	\$ 3,920,489	\$ 3,920,489	\$ -	\$ 25,644,299	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 SHARON, 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	\$ 2,734,023	\$ 2,609,939	\$ 2,423,454	\$ 2,475,181
Interest	3,719,907	3,467,826	3,520,469	3,021,054
Differences between expected and actual experience	(42,634)	(7,875,438)	-	-
Changes of assumptions	-	13,929,578	(5,004,946)	-
Benefit payments, including refunds of member contributions	<u>(1,799,641)</u>	<u>(1,782,627)</u>	<u>(2,796,860)</u>	<u>(2,684,008)</u>
Net change in total OPEB liability	4,611,655	10,349,278	(1,857,883)	2,812,227
Total OPEB liability - beginning	<u>85,683,647</u>	<u>75,334,369</u>	<u>77,192,252</u>	<u>74,380,025</u>
Total OPEB liability - ending (a)	90,295,302	85,683,647	75,334,369	77,192,252
Plan Fiduciary Net Position				
Contributions - employer	2,149,641	2,082,627	2,996,860	2,834,008
Net investment income	27,425	65,783	27,436	14,623
Benefit payments, including refunds of member contributions	<u>(1,799,641)</u>	<u>(1,782,627)</u>	<u>(2,796,860)</u>	<u>(2,684,008)</u>
Net change in plan fiduciary net position	377,425	365,783	227,436	164,623
Plan fiduciary net position - beginning	<u>919,017</u>	<u>553,234</u>	<u>325,798</u>	<u>161,175</u>
Plan fiduciary net position - ending (b)	<u>1,296,442</u>	<u>919,017</u>	<u>553,234</u>	<u>325,798</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 88,998,860</u>	<u>\$ 84,764,630</u>	<u>\$ 74,781,135</u>	<u>\$ 76,866,454</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 SHARON, 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	\$ 90,295,302	\$ 85,683,647	\$ 75,334,369	\$ 77,192,252
Plan fiduciary net position	<u>(1,296,442)</u>	<u>(919,017)</u>	<u>(553,234)</u>	<u>(325,798)</u>
Net OPEB liability (asset)	<u>\$ 88,998,860</u>	<u>\$ 84,764,630</u>	<u>\$ 74,781,135</u>	<u>\$ 76,866,454</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.44%	1.07%	0.73%	0.42%
Covered employee payroll	45,915,232	44,577,895	39,449,452	38,300,439
Net OPEB liability as a percentage of covered employee payroll	194%	190%	190%	201%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 7,455,813	\$ 7,455,813	\$ 6,939,196	\$ 6,602,184
Contributions in relation to the actuarially determined contribution	<u>2,082,627</u>	<u>2,082,627</u>	<u>2,996,860</u>	<u>2,834,008</u>
Contribution deficiency (excess)	<u>\$ 5,373,186</u>	<u>\$ 5,373,186</u>	<u>\$ 3,942,336</u>	<u>\$ 3,768,176</u>
Covered employee payroll	45,915,232	44,577,895	39,449,452	38,300,439
Contributions as a percentage of covered employee payroll	12%	12%	10%	10%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	2.21%	7.95%	6.47%	6.51%

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