



## **TOWN OF FRANKLIN, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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## INDEPENDENT AUDITORS' REPORT

To the Town Council  
Town of Franklin, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Town of Franklin, 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 Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

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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, the major fund, and the aggregate remaining fund information of the Town of Franklin, Massachusetts, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 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  
March 17, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

### ***Government-Wide Financial Statements***

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

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

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

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

### ***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 \$82,073,341 a change of \$(6,002,699), and net position in business-type activities was \$57,518,216, a change of \$(23,235).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$34,113,171, a change of \$777,981 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,231,583, a change of \$(489,993) 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 assets	\$ 40,591	\$ 37,324	\$ 19,875	\$ 11,938	\$ 60,466	\$ 49,262
Noncurrent assets	229,393	237,256	68,289	63,008	297,682	300,264
Total assets	269,984	274,580	88,164	74,946	358,148	349,526
Deferred outflows of resources	5,814	9,952	92	80	5,906	10,032
Current liabilities	10,210	7,488	17,872	3,813	28,082	11,301
Noncurrent liabilities	175,171	179,064	12,734	13,592	187,905	192,656
Total liabilities	185,381	186,552	30,606	17,405	215,987	203,957
Deferred inflows of resources	8,344	9,904	132	80	8,476	9,984
Net investment in capital assets	168,217	170,475	49,339	49,398	217,556	219,873
Restricted	14,226	13,501	-	-	14,226	13,501
Unrestricted	(100,370)	(95,900)	8,179	8,143	(92,191)	(87,757)
Total net position	\$ 82,073	\$ 88,076	\$ 57,518	\$ 57,541	\$ 139,591	\$ 145,617

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 \$139,469,593, a change of \$(6,147,988) in comparison to the prior year.

The largest portion of net position \$217,555,558 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 \$14,226,753 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(92,190,664) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 6,567	\$ 9,685	\$ 15,103	\$ 14,780	\$ 21,670	\$ 24,465
Operating grants and contributions	53,882	50,272	-	-	53,882	50,272
General revenues:						
Property taxes	80,659	76,989	-	-	80,659	76,989
Excises	5,960	6,136	-	-	5,960	6,136
Penalties, interest, and other taxes	300	347	-	-	300	347
Grants and contributions not restricted to specific programs	5,582	4,435	-	-	5,582	4,435
Investment income	917	924	28	27	945	951
Miscellaneous	218	201	17	24	235	225
Betterment revenue	-	-	21	22	21	22
Total revenues	154,085	148,989	15,169	14,853	169,254	163,842

(continued)

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	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Expenses:						
General government	17,104	14,276	-	-	17,104	14,276
Public safety	15,033	14,953	-	-	15,033	14,953
Education	109,331	103,431	-	-	109,331	103,431
Public works	6,644	7,387	-	-	6,644	7,387
Human services	1,028	1,223	-	-	1,028	1,223
Culture and recreation	2,566	2,662	-	-	2,566	2,662
Interest on long-term debt	2,576	2,669	-	-	2,576	2,669
Intergovernmental	5,806	4,978	-	-	5,806	4,978
Sewer services	-	-	6,317	5,686	6,317	5,686
Water services	-	-	6,525	5,747	6,525	5,747
Sanitation	-	-	2,350	2,253	2,350	2,253
Total expenses	<u>160,088</u>	<u>151,579</u>	<u>15,192</u>	<u>13,686</u>	<u>175,280</u>	<u>165,265</u>
Change in net position before transfers	(6,003)	(2,590)	(23)	1,167	(6,026)	(1,423)
Change in net position	(6,003)	(2,590)	(23)	1,167	(6,026)	(1,423)
Net position - beginning of year	<u>88,076</u>	<u>90,666</u>	<u>57,541</u>	<u>56,374</u>	<u>145,617</u>	<u>147,040</u>
Net position - end of year	<u>\$ 82,073</u>	<u>\$ 88,076</u>	<u>\$ 57,518</u>	<u>\$ 57,541</u>	<u>\$ 139,591</u>	<u>\$ 145,617</u>

### **Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$(6,002,699). Key elements of this change are as follows:

Depreciation expense in excess of principal debt service	\$ (5,473,746)
Change in pension expense from GASB 68	(707,677)
Change in OPEB expense from GASB 75	(2,013,122)
Capital improvements purchased with current year revenues	1,648,215
Other	<u>543,631</u>
Total	<u>\$ (6,002,699)</u>

### **Business-type activities**

Business-type activities for the year resulted in a change in net position of \$(23,235). Key elements of this change are as follows:

Sewer operations	\$ (279,130)
Water operations	245,467
Solid waste operations	<u>10,428</u>
Total	<u>\$ (23,235)</u>

## Financial Analysis of Town's Funds

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

### **Governmental Funds**

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

#### *General Fund*

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,231,583, while total fund balance was \$18,434,990. The unassigned fund balance changed from positive budgetary results of \$2,919,737 (page 59) less free cash that was used for supplemental capital appropriations of \$3,153,579. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 11,231,583	\$ 11,721,576	\$ (489,993)	9.1%
Total fund balance	\$ 18,434,990	\$ 18,415,656	\$ 19,334	14.9%

\*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 \$8,507,207.

The total fund balance of the general fund changed by \$19,334 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 793,353
Expenditures and encumbrances less than budget	2,141,384
Use of free cash as a funding source	(3,153,579)
Change in stabilization fund balance	130,459
Other	107,717
Total	<u>\$ 19,334</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	\$ 6,450,421	\$ 6,209,868	\$ 240,553
Budget stabilization	13,000	392,705	(379,705)
Athletic fields stabilization	459,173	302,065	157,108
Fire truck stabilization	312,475	207,612	104,863
Property acquisition stabilization	274,863	267,228	7,635
Traffic signal stabilization	<u>4,649</u>	<u>4,644</u>	<u>5</u>
Total	<u>\$ 7,514,581</u>	<u>\$ 7,384,122</u>	<u>\$ 130,459</u>

#### *Non-Major Governmental Funds*

The non-major fund balance changed by \$785,557 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 \$8,179,343, a change of \$36,001 in comparison to the prior year.

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$9,350,255 comprised of \$5,846,676 of prior year encumbrances and articles and \$3,503,579 of various capital items fund by free cash and transfers.

Expenditure turn backs for the year of \$2,141,384 compared to \$1,339,303 in the prior year. This favorable budgetary result is primarily due to a utility cost reduction. Conversely the revenue surplus for the current year was \$793,353 compared to \$2,072,961 in the prior year. Primarily due to less favorable budgetary results from motor vehicle excise collections and license and permit revenue.

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

##### **Capital Assets**

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$296,967,046 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

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

- \$4,838,364 for wastewater treatment plant.
- \$833,118 for water system improvements.
- \$296,111 for a new ambulance.

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

***Credit rating***

During the fiscal year, the Town's Standard & Poor's credit rating remained unchanged at AA+.

***Long-term Debt***

At the end of the current fiscal year, total bonds and loans outstanding was \$73,907,273, all of which was backed by the full faith and credit of the Town.

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

**Stabilization and Other Accounts**

The Town has made extensive efforts to maintain and increase their stabilization and other account balances. This effort allows the town to reduce future debt requirements and stabilize the Town finances. There have been many different stabilization funds that have been created and used throughout the years based on the Town's needs. The other account balances are set aside to prepare the Town for future costs including OPEB and the ability to purchase open space projects. Below is the breakout stabilization and significant other account balances.

	<u>Stabilization</u>	
Stabilization		6,450,421
Traffic signal stabilization		4,649
Athletic fields stabilization		459,173
Fire truck stabilization		312,475
Budget stabilization		13,000
Prop aqui proj/fac maint stabilization		274,863

	<u>Other accounts</u>	
Open space acquisition		2,365,135
Sewer lift stations		136,995
Affordable housing trust		979,608
Workers compensation fund		325,252
Unemployment compensation		358,192
Group insurance		655,197
OPEB trust fund		6,787,251

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Franklin'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:

Finance Director's Office  
355 East Central Street  
Franklin, Massachusetts 02038

**TOWN OF FRANKLIN, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 23,161,896	\$ 7,342,759	\$ 30,504,655
Investments	15,637,517	-	15,637,517
Receivables, net of allowance for uncollectibles:			
Property taxes	709,953	-	709,953
Excises	463,335	-	463,335
User fees	389,727	4,192,024	4,581,751
Intergovernmental	227,387	8,329,398	8,556,785
Betterments	<u>1,172</u>	<u>11,256</u>	<u>12,428</u>
Total Current Assets	40,590,987	19,875,437	60,466,424
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	669,462	-	669,462
Betterments	1,543	43,743	45,286
Capital assets:			
Land and construction in progress	19,377,953	9,807,035	29,184,988
Other capital assets, net of accumulated depreciation	<u>209,343,733</u>	<u>58,438,325</u>	<u>267,782,058</u>
Total Noncurrent Assets	<u>229,392,691</u>	<u>68,289,103</u>	<u>297,681,794</u>
Total Assets	269,983,678	88,164,540	358,148,218
<b>Deferred Outflows of Resources</b>			
Related to pensions	5,618,478	89,056	5,707,534
Related to OPEB	<u>195,967</u>	<u>3,106</u>	<u>199,073</u>
Total Deferred Outflows of Resources	5,814,445	92,162	5,906,607

(continued)

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



**TOWN OF FRANKLIN, MASSACHUSETTS**

Statement of Net Position

June 30, 2020

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants and accounts payable	2,374,762	1,277,821	3,652,583
Accrued liabilities	1,289,985	138,230	1,428,215
Notes payable	-	14,679,500	14,679,500
Tax refunds payable	235,000	-	235,000
Other current liabilities	2,014,360	-	2,014,360
Current portion of long-term liabilities:			
Bonds and loans payable	4,208,883	1,771,325	5,980,208
Compensated absences	<u>87,386</u>	<u>5,490</u>	<u>92,876</u>
Total Current Liabilities	10,210,376	17,872,366	28,082,742
Noncurrent:			
Bonds and loans payable, net of current portion	57,142,005	10,785,060	67,927,065
Net pension liability	44,487,898	705,154	45,193,052
Net OPEB liability	71,880,336	1,139,337	73,019,673
Compensated absences, net of current portion	<u>1,660,329</u>	<u>104,316</u>	<u>1,764,645</u>
Total Noncurrent Liabilities	<u>175,170,568</u>	<u>12,733,867</u>	<u>187,904,435</u>
Total Liabilities	185,380,944	30,606,233	215,987,177
<b>Deferred Inflows of Resources</b>			
Related to pensions	1,647,387	26,112	1,673,499
Related to OPEB	<u>6,696,361</u>	<u>106,141</u>	<u>6,802,502</u>
<b>Total Deferred Inflows of Resources</b>	8,343,748	132,253	8,476,001
<b>Net Position</b>			
Net investment in capital assets	168,216,685	49,338,873	217,555,558
Restricted for:			
Grants and other statutory restrictions	9,515,374	-	9,515,374
Permanent funds:			
Nonexpendable	503,930	-	503,930
Expendable	4,207,449	-	4,207,449
Unrestricted	<u>(100,370,007)</u>	<u>8,179,343</u>	<u>(92,190,664)</u>
<b>Total Net Position</b>	<u>\$ 82,073,431</u>	<u>\$ 57,518,216</u>	<u>\$ 139,591,647</u>

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2020

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<b>Governmental Activities</b>						
General government	\$ 17,103,910	\$ 337,188	\$ 1,919,459	\$ (14,847,263)	\$ -	\$ (14,847,263)
Public safety	15,032,517	2,588,281	282,253	(12,161,983)	-	(12,161,983)
Education	109,331,448	2,823,135	51,186,207	(55,322,106)	-	(55,322,106)
Public works	6,643,547	208,461	146,280	(6,288,806)	-	(6,288,806)
Health and human services	1,028,004	154,441	196,889	(676,674)	-	(676,674)
Culture and recreation	2,565,879	454,960	151,144	(1,959,775)	-	(1,959,775)
Interest on long-term debt	2,576,431	-	-	(2,576,431)	-	(2,576,431)
Intergovernmental	5,806,145	-	-	(5,806,145)	-	(5,806,145)
Total Governmental Activities	160,087,881	6,566,466	53,882,232	(99,639,183)	-	(99,639,183)
<b>Business-Type Activities</b>						
Sewer services	6,317,014	6,005,721	-	-	(311,293)	(311,293)
Water services	6,524,628	6,755,520	-	-	230,892	230,892
Solid waste services	2,349,787	2,341,325	-	-	(8,462)	(8,462)
Total Business-Type Activities	15,191,429	15,102,566	-	-	(88,863)	(88,863)
Total	\$ 175,279,310	\$ 21,669,032	\$ 53,882,232	(99,639,183)	(88,863)	(99,728,046)
			<b>General Revenues</b>			
			Property taxes	80,659,405	-	80,659,405
			Excises	5,960,063	-	5,960,063
			Penalties, interest and other taxes	300,404	-	300,404
			Grants and contributions not restricted to specific programs	5,581,982	-	5,581,982
			Investment income	917,092	28,051	945,143
			Miscellaneous	217,538	16,589	234,127
			Betterment revenue	-	20,988	20,988
			Total general revenues	93,636,484	65,628	93,702,112
			Change in Net Position	(6,002,699)	(23,235)	(6,025,934)
			<b>Net Position</b>			
			Beginning of year	88,076,130	57,541,451	145,617,581
			End of year	\$ 82,073,431	\$ 57,518,216	\$ 139,591,647

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and short-term investments	\$ 11,941,399	\$ 11,220,497	\$ 23,161,896
Investments	10,231,634	5,405,883	15,637,517
Receivables:			
Property taxes	1,666,424	-	1,666,424
Excises	891,323	-	891,323
User fees	1,307,967	-	1,307,967
Intergovernmental	<u>-</u>	<u>227,387</u>	<u>227,387</u>
Total Assets	<u>\$ 26,038,747</u>	<u>\$ 16,853,767</u>	<u>\$ 42,892,514</u>
<b>Liabilities</b>			
Warrants and accounts payable	\$ 2,290,981	\$ 83,781	\$ 2,374,762
Accrued liabilities	547,120	-	547,120
Tax refunds payable	235,000	-	235,000
Other liabilities	<u>922,555</u>	<u>1,091,805</u>	<u>2,014,360</u>
Total Liabilities	3,995,656	1,175,586	5,171,242
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	3,608,101	-	3,608,101
<b>Fund Balances</b>			
Nonspendable	-	503,930	503,930
Restricted	65,855	15,174,251	15,240,106
Committed	6,299,554	-	6,299,554
Assigned	837,998	-	837,998
Unassigned	<u>11,231,583</u>	<u>-</u>	<u>11,231,583</u>
Total Fund Balances	<u>18,434,990</u>	<u>15,678,181</u>	<u>34,113,171</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,038,747</u>	<u>\$ 16,853,767</u>	<u>\$ 42,892,514</u>

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

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

<b>Total governmental fund balances</b>	\$ 34,113,171
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</li></ul>	228,721,686
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,974,864
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds:</li></ul>	
Bonds payable	(61,350,888)
Net pension liability and related deferred outflows and inflows of resources	(40,516,807)
Net OPEB liability and related deferred inflows of resources	(78,380,730)
<ul style="list-style-type: none"><li>• Other</li></ul>	<u>(2,487,865)</u>
<b>Net position of governmental activities</b>	\$ <u><u>82,073,431</u></u>

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

**TOWN OF FRANKLIN, MASSACHUSETTS**

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>			
Property taxes	\$ 80,499,586	\$ -	\$ 80,499,586
Excises	5,861,862	-	5,861,862
Penalties, interest and other taxes	273,366	367	273,733
Special assessments	835	-	835
Charges for services	2,629,079	3,135,436	5,764,515
Licenses and permits	1,202,264	-	1,202,264
Intergovernmental	41,378,841	7,245,015	48,623,856
Fines and forfeitures	80,098	3,020	83,118
Contributions	-	444,705	444,705
Investment income	625,570	291,522	917,092
Miscellaneous	362,980	680,825	1,043,805
	<u>132,914,481</u>	<u>11,800,890</u>	<u>144,715,371</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Current:			
General government	9,905,386	1,447,157	11,352,543
Public safety	12,381,281	244,768	12,626,049
Education	75,899,901	8,405,839	84,305,740
Public works	4,390,011	51,229	4,441,240
Health and human services	684,333	238,515	922,848
Culture and recreation	1,423,254	96,190	1,519,444
Insurance and benefits	11,474,466	4,810	11,479,276
Debt service:			
Principal	4,117,000	-	4,117,000
Interest	2,663,667	-	2,663,667
Intergovernmental	5,806,145	-	5,806,145
Capital outlay	3,264,703	1,438,825	4,703,528
	<u>132,010,147</u>	<u>11,927,333</u>	<u>143,937,480</u>
<b>Total Expenditures</b>			
Excess of revenues over expenditures	904,334	(126,443)	777,891
<b>Other Financing Sources (Uses)</b>			
Transfers in	350,000	1,235,000	1,585,000
Transfers out	(1,235,000)	(350,000)	(1,585,000)
	<u>(885,000)</u>	<u>885,000</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>			
Change in fund balance	19,334	758,557	777,891
Fund Balance, at Beginning of Year	<u>18,415,656</u>	<u>14,919,624</u>	<u>33,335,280</u>
Fund Balance, at End of Year	<u>\$ 18,434,990</u>	<u>\$ 15,678,181</u>	<u>\$ 34,113,171</u>

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

**TOWN OF FRANKLIN, 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

<b>Net changes in fund balances - total governmental funds</b>	\$ 777,891																		
<ul style="list-style-type: none"> <li>• 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: 40px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="width: 20%; text-align: right;">1,648,215</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(9,590,746)</td> </tr> </table> </li> <li>• 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: 40px;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="width: 20%; text-align: right;">4,117,000</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">44,883</td> </tr> </table> </li> <li>• 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: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">(140,420)</td> </tr> </table> </li> <li>• 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: 40px;"> <tr> <td style="width: 80%;">Change in pension expense from GASB 68</td> <td style="width: 20%; text-align: right;">(707,677)</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td style="text-align: right;">(2,013,122)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">(181,076)</td> </tr> </table> </li> <li>• Other differences <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">42,353</td> </tr> </table> </li> </ul>		Capital outlay	1,648,215	Depreciation	(9,590,746)	Repayments of debt	4,117,000	Amortization of bond premium	44,883		(140,420)	Change in pension expense from GASB 68	(707,677)	Change in OPEB expense from GASB 75	(2,013,122)	Other	(181,076)		42,353
Capital outlay	1,648,215																		
Depreciation	(9,590,746)																		
Repayments of debt	4,117,000																		
Amortization of bond premium	44,883																		
	(140,420)																		
Change in pension expense from GASB 68	(707,677)																		
Change in OPEB expense from GASB 75	(2,013,122)																		
Other	(181,076)																		
	42,353																		
<b>Change in net position of governmental activities</b>	<b>\$ <u>(6,002,699)</u></b>																		

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

TOWN OF FRANKLIN, MASSACHUSETTS

Proprietary Funds  
Statement of Net Position  
June 30, 2020

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	Total
<b>Assets</b>				
Current:				
Cash and short-term investments	\$ 1,862,596	\$ 4,702,491	\$ 777,672	\$ 7,342,759
Receivables, net of allowance for uncollectibles:				
User fees	1,858,066	2,101,151	232,807	4,192,024
Betterments	11,256	-	-	11,256
Intergovernmental receivables	-	8,329,398	-	8,329,398
Total Current Assets	3,731,918	15,133,040	1,010,479	19,875,437
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Betterments	43,743	-	-	43,743
Capital assets:				
Land and construction in progress	466,751	9,293,353	46,931	9,807,035
Other capital assets, net of accumulated depreciation	10,697,530	47,740,795	-	58,438,325
Total Noncurrent Assets	11,208,024	57,034,148	46,931	68,289,103
Total Assets	14,939,942	72,167,188	1,057,410	88,164,540
<b>Deferred Outflows of Resources</b>				
Related to pensions	31,995	57,061	-	89,056
Related to OPEB	1,116	1,990	-	3,106
Total Deferred Outflows of Resources	33,111	59,051	-	92,162
<b>Liabilities</b>				
Current:				
Warrants and accounts payable	49,019	768,426	460,376	1,277,821
Accrued liabilities	22,652	113,359	2,219	138,230
Notes payable	-	14,679,500	-	14,679,500
Current portion of long-term liabilities:				
Bonds and loans payable	277,000	1,494,325	-	1,771,325
Compensated absences	1,862	3,341	287	5,490
Total Current Liabilities	350,533	17,058,951	462,882	17,872,366
Noncurrent:				
Bonds and loans payable, net of current portion	1,128,000	9,657,060	-	10,785,060
Net pension liability	253,338	451,816	-	705,154
Net OPEB liability	409,325	730,012	-	1,139,337
Compensated absences, net of current portion	35,380	63,481	5,455	104,316
Total Noncurrent Liabilities	1,826,043	10,902,369	5,455	12,733,867
Total Liabilities	2,176,576	27,961,320	468,337	30,606,233
<b>Deferred Inflows of Resources</b>				
Related to pensions	9,381	16,731	-	26,112
Related to OPEB	38,133	68,008	-	106,141
Total Deferred Inflows of Resources	47,514	84,739	-	132,253
<b>Net Position</b>				
Net investment in capital assets	9,759,281	39,532,661	46,931	49,338,873
Unrestricted	2,989,682	4,647,519	542,142	8,179,343
Total Net Position	\$ 12,748,963	\$ 44,180,180	\$ 589,073	\$ 57,518,216

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

**TOWN OF FRANKLIN, 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			
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	Total
Operating Revenues				
Charges for services	\$ 6,005,721	\$ 6,755,520	\$ 2,341,325	\$ 15,102,566
Total Operating Revenues	6,005,721	6,755,520	2,341,325	15,102,566
Operating Expenses				
Salaries and benefits	1,566,018	2,285,089	173,567	4,024,674
Other operating expenses	414,907	1,902,538	2,136,320	4,453,765
Depreciation	447,273	1,839,981	39,900	2,327,154
Intergovernmental assessments	3,827,920	-	-	3,827,920
Total Operating Expenses	6,256,118	6,027,608	2,349,787	14,633,513
Operating Income (Loss)	(250,397)	727,912	(8,462)	469,053
Nonoperating Revenues (Expenses)				
Investment income	11,175	14,575	2,301	28,051
Miscellaneous revenues	-	-	16,589	16,589
Betterment revenue	20,988	-	-	20,988
Interest expense	(60,896)	(497,020)	-	(557,916)
Total Nonoperating Revenues (Expenses)	(28,733)	(482,445)	18,890	(492,288)
Income (Loss) Before Transfers	(279,130)	245,467	10,428	(23,235)
Change in Net Position	(279,130)	245,467	10,428	(23,235)
Net Position at Beginning of Year	13,028,093	43,934,713	578,645	57,541,451
Net Position at End of Year	\$ 12,748,963	\$ 44,180,180	\$ 589,073	\$ 57,518,216

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



**TOWN OF FRANKLIN, MASSACHUSETTS**

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

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 5,590,629	\$ 6,284,420	\$ 2,300,589	\$ 14,175,638
Payments to vendors	(4,949,598)	(1,776,922)	(1,825,377)	(8,551,897)
Payments to employees	<u>(392,832)</u>	<u>(2,232,064)</u>	<u>(171,189)</u>	<u>(2,796,085)</u>
Net Cash Provided By Operating Activities	248,199	2,275,434	304,023	2,827,656
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenues	<u>-</u>	<u>-</u>	<u>16,589</u>	<u>16,589</u>
Net Cash Provided By Noncapital Financing Activities	-	-	16,589	16,589
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(515,461)	(6,647,412)	-	(7,162,873)
Principal payments on bonds and loans	(290,696)	(1,484,954)	-	(1,775,650)
Proceeds of notes	-	5,250,102	-	5,250,102
Interest expense	(67,490)	(502,304)	-	(569,794)
Other non-operating income	<u>61,577</u>	<u>-</u>	<u>-</u>	<u>61,577</u>
Net Cash (Used For) Capital and Related Financing Activities	(812,070)	(3,384,568)	-	(4,196,638)
Cash Flows From Investing Activities				
Investment income	<u>11,175</u>	<u>14,575</u>	<u>2,300</u>	<u>28,050</u>
Net Change in Cash and Short-Term Investments	(552,696)	(1,094,559)	322,912	(1,324,343)
Cash and Short-Term Investments, Beginning of Year	<u>2,415,292</u>	<u>5,797,050</u>	<u>454,760</u>	<u>8,667,102</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,862,596</u>	<u>\$ 4,702,491</u>	<u>\$ 777,672</u>	<u>\$ 7,342,759</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (250,397)	\$ 727,912	\$ (8,462)	\$ 469,053
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	447,273	1,839,981	39,900	2,327,154
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	(415,092)	(481,799)	(40,737)	(937,628)
Deferred outflows - related to pensions	(11,930)	3,133	-	(8,797)
Deferred outflows - related to OPEB	(1,116)	(1,990)	-	(3,106)
Warrants and accounts payable	22,075	(329,526)	311,828	4,377
Net pension liability	156,124	160,174	-	316,298
Net OPEB liability	272,215	318,683	-	590,898
Deferred inflows - related to pensions	6,270	7,399	-	13,669
Deferred inflows - related to OPEB	21,276	17,436	-	38,712
Other liabilities	<u>1,501</u>	<u>14,031</u>	<u>1,494</u>	<u>17,026</u>
Net Cash Provided By Operating Activities	<u>\$ 248,199</u>	<u>\$ 2,275,434</u>	<u>\$ 304,023</u>	<u>\$ 2,827,656</u>

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

**TOWN OF FRANKLIN, 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>
<b>Assets</b>			
Cash and short-term investments	\$ -	\$ 108,300	\$ 848,731
Investments:			
External investment pool	<u>6,787,251</u>	<u>-</u>	<u>-</u>
Total Investments	6,787,251	-	-
Departmental receivable	-	-	92,441
Other assets	<u>-</u>	<u>-</u>	<u>707,673</u>
Total Assets	6,787,251	108,300	<u>\$ 1,648,845</u>
<b>Liabilities</b>			
Other liabilities	<u>-</u>	<u>-</u>	<u>\$ 1,648,845</u>
<b>Net Position</b>			
Restricted for OPEB purposes	6,787,251	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>108,300</u>	
Total Net Position	<u>\$ 6,787,251</u>	<u>\$ 108,300</u>	

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

**TOWN OF FRANKLIN, 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 Trust Funds <u>Trust Funds</u>
<b>Additions</b>		
Contributions:		
Employers	\$ 3,407,236	\$ -
Other	<u>-</u>	<u>21,250</u>
Total contributions	3,407,236	21,250
Investment income:		
Interest	-	1,385
Increase in fair value of investments	<u>110,265</u>	<u>-</u>
Net investment income	<u>110,265</u>	<u>1,385</u>
Total additions	3,517,501	22,635
<b>Deductions</b>		
Benefit payments to plan members beneficiaries and other systems	2,437,236	-
Scholarship payments	<u>-</u>	<u>17,250</u>
Total deductions	<u>2,437,236</u>	<u>17,250</u>
Net increase	1,080,265	5,385
<b>Net position restricted for OPEB and other purposes</b>		
Beginning of year	<u>5,706,986</u>	<u>102,915</u>
End of year	<u>\$ 6,787,251</u>	<u>\$ 108,300</u>

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

# TOWN OF FRANKLIN, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

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

The Town reports the following major proprietary funds:

- Sewer Fund
- Water Fund

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, such as student activity funds. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

### ***Cash and Investments***

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

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

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

Investments are carried at fair value, except certificates of deposit, which are not market-linked and therefore are reported at cost. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

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.

### ***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 \$44,017.

***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 \$15,000 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 - 50
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*

The Town Administrator presents, on behalf of the Finance Committee, an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town Council, 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 Town Council meetings as required by changing conditions.

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. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate. It has been the practice of the town to pay for any of these type of deficiencies by using available funds in the year incurred.



Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

### **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 an average 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. The Town's policies related to the custodial credit risk of deposits is that the Treasurer will review the financial institution's financial statements and the background of the Advisor. Further, all securities held by a third-party custodian will be held in the Town's name and tax identification number.

As of June 30, 2020, \$311,119 of the Town's bank balance of \$34,945,838 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$384,860 was on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, section 38A.

### Investment Summary

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

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 2,046,481
Market-Linked Certificates of deposits	831,234
Corporate bonds	3,166,608
Corporate equities	904,675
Fixed income mutual funds	227,497
U.S. Treasury and agencies	7,806,462
Other	<u>654,560</u>
Total investments	<u>\$ 15,637,517</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 the possession of another party. Per the Town's investment policy, the Treasurer will review the financial institution's financial statements and the background of the Advisor. Further, all securities held by a third-party custodian will be held in the Town's name and tax identification number.

As of June 30, 2020, the Town did not have any investments subject to custodial credit risk exposure as all assets were held in the Town's name.

### Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). 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. 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>A1</u>	<u>A2</u>	<u>A3</u>	<u>AA3</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Unrated</u>
Corporate bonds	\$ 3,166,608	\$ 367,782	\$ 499,887	\$ 436,034	\$ 136,482	\$ 243,299	\$ 707,611	\$ 497,517	\$ 277,996
U.S. Treasury and agencies	7,806,462	7,806,462	-	-	-	-	-	-	-
Fixed income mutual funds	227,497	-	-	-	-	-	-	-	227,497
Total	<u>\$ 11,200,567</u>	<u>\$ 8,174,244</u>	<u>\$ 499,887</u>	<u>\$ 436,034</u>	<u>\$ 136,482</u>	<u>\$ 243,299</u>	<u>\$ 707,611</u>	<u>\$ 497,517</u>	<u>\$ 505,493</u>

### Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. 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 credit disclosure.

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

*Interest Rate Risk – Investments of Debt Securities*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town’s investment policy states the Town will manage interest rate risk by managing duration in the account.

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

Investment Type	Amount	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Unavailable
Corporate bonds	\$ 3,166,608	\$ 501,446	\$ 2,623,752	\$ 41,410	\$ -
U.S. Treasury and agencies	7,806,462	65,507	5,991,509	1,749,446	-
Fixed income mutual funds	227,497	-	-	-	227,497
Total	\$ 11,200,567	\$ 566,953	\$ 8,615,261	\$ 1,790,856	\$ 227,497

*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’s policy for foreign currency risk states the Town will not invest in any investment exposed 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.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

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:			
Market-Linked Certificates of deposits	\$ 831,234	\$ -	\$ 831,234
Corporate bonds	3,166,608	-	\$ 3,166,608
Corporate equities	904,675	904,675	-
U.S. Treasury and agencies	7,806,462	2,329,323	5,477,139
Fixed income mutual funds	227,497	-	227,497
Other	654,560	654,560	-
Total	<u>\$ 13,591,036</u>		

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

Debt securities classified as 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>
External investment pool	\$ <u>6,787,251</u>

***Custodial Credit Risk***

As of June 30, 2020, none of the OPEB Trust Fund’s total investments were subject to custodial credit risk exposure as all assets were held in the Town’s name.

***Concentration of Credit Risk***

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

***Fair Value***

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

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the net asset value (NAV):				
External investment pools	\$ 6,787,251	\$ -	Monthly	30 Days

**5. Property Taxes and Excises Receivable**

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 ½ % 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.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long-Term Portion
Real estate taxes	\$ 736,981	\$ (86,085)	\$ 650,896	\$ -
Personal property taxes	156,165	(123,922)	32,243	-
Tax liens	743,847	(74,385)	-	669,462
Other	29,431	(2,617)	26,814	-
Total property taxes	<u>\$ 1,666,424</u>	<u>\$ (287,009)</u>	<u>\$ 709,953</u>	<u>\$ 669,462</u>
Motor vehicle excise	\$ 888,909	\$ (425,574)	\$ 463,335	
Boat excise	2,414	(2,414)	-	
Total excises	<u>\$ 891,323</u>	<u>\$ (427,988)</u>	<u>\$ 463,335</u>	

## 6. User Fee Receivables

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

<u>Governmental Funds</u>	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Ambulance	\$ <u>1,307,967</u>	\$ <u>(918,240)</u>	\$ <u>389,727</u>

<u>Business-Type Funds</u>	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Sewer	\$ 1,937,051	\$ (78,985)	\$ 1,858,066
Water	2,184,405	(83,254)	2,101,151
Solid Waste	<u>265,135</u>	<u>(32,328)</u>	<u>232,807</u>
Total	\$ <u>4,386,591</u>	\$ <u>(194,567)</u>	\$ <u>4,192,024</u>

## 7. Intergovernmental Receivables

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

## 8. 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 interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 350,000	\$ 1,235,000
Nonmajor Funds:		
Special revenue funds	15,000	350,000
Expendable trust funds	<u>1,220,000</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>1,235,000</u>	<u>350,000</u>
Total	\$ <u>1,585,000</u>	\$ <u>1,585,000</u>

Of the transfer into the general fund, \$350,000 was transferred from the special revenue receipts reserved for appropriation ambulance fund. Of the transfer out of the general fund, \$1,220,000 was transferred to the open space acquisition fund.

## 9. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 251,961	\$ 260	\$ -	\$ 252,221
Machinery, equipment, and furnishings	13,076	639	(392)	13,323
Infrastructure	<u>89,007</u>	<u>91</u>	<u>-</u>	<u>89,098</u>
Total capital assets, being depreciated	354,044	990	(392)	354,642
Less accumulated depreciation for:				
Buildings and improvements	(75,056)	(6,868)	-	(81,924)
Machinery, equipment, and furnishings	(8,250)	(841)	392	(8,699)
Infrastructure	<u>(52,793)</u>	<u>(1,882)</u>	<u>-</u>	<u>(54,675)</u>
Total accumulated depreciation	<u>(136,099)</u>	<u>(9,591)</u>	<u>392</u>	<u>(145,298)</u>
Total capital assets, being depreciated, net	217,945	(8,601)	-	209,344
Capital assets, not being depreciated:				
Land	18,623	-	-	18,623
Works of art	96	-	-	96
Construction in progress	<u>-</u>	<u>659</u>	<u>-</u>	<u>659</u>
Total capital assets, not being depreciated	<u>18,719</u>	<u>659</u>	<u>-</u>	<u>19,378</u>
Governmental activities capital assets, net	<u>\$ 236,664</u>	<u>\$ (7,942)</u>	<u>\$ -</u>	<u>\$ 228,722</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 306	\$ 163	\$ -	\$ 469
Machinery, equipment, and furnishings	1,940	401	(28)	2,313
Infrastructure	<u>113,214</u>	<u>1,408</u>	<u>-</u>	<u>114,622</u>
Total capital assets, being depreciated	115,460	1,972	(28)	117,404
Less accumulated depreciation for:				
Buildings and improvements	(148)	(7)	-	(155)
Machinery, equipment, and furnishings	(1,366)	(127)	108	(1,385)
Infrastructure	<u>(55,153)</u>	<u>(2,193)</u>	<u>(80)</u>	<u>(57,426)</u>
Total accumulated depreciation	<u>(56,667)</u>	<u>(2,327)</u>	<u>28</u>	<u>(58,966)</u>
Total capital assets, being depreciated, net	58,793	(355)	-	58,438
Capital assets, not being depreciated:				
Land	4,136	-	-	4,136
Construction in progress	<u>-</u>	<u>5,671</u>	<u>-</u>	<u>5,671</u>
Total capital assets, not being depreciated	<u>4,136</u>	<u>5,671</u>	<u>-</u>	<u>9,807</u>
Business-type activities capital assets, net	<u>\$ 62,929</u>	<u>\$ 5,316</u>	<u>\$ -</u>	<u>\$ 68,245</u>



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

Governmental Activities	
General government	\$ 153
Public safety	844
Education	5,196
Public works	2,357
Health and human services	226
Culture and recreation	<u>815</u>
Total governmental activities	<u>\$ 9,591</u>
Business-Type Activities	
Sewer	\$ 447
Water	1,840
Solid waste	<u>40</u>
Total business-type activities	<u>\$ 2,327</u>

#### **10. Deferred Outflows of Resources**

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

#### **11. Warrants and Accounts Payable**

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

#### **12. Accrued Liabilities**

Accrued liabilities represent 2020 expenditures paid in 2021.

### 13. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
Water treatment plant design	1.33%	5/13/20	5/13/21	\$ 758,000
Well 3A	1.33%	5/13/20	5/13/21	342,000
Water Mains	1.33%	5/13/20	5/13/21	1,000,000
MCWT - DW-19-02 - Direct Borrowing	0.00%	1/15/20	12/26/22	<u>12,579,500</u>
Total				<u>\$ 14,679,500</u>

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Reissued</u>	<u>Balance End of Year</u>
Water treatment plant design	\$ 758,000	\$ -	\$ (758,000)	\$ -
Well 3A	342,000	-	(342,000)	-
Water treatment plant design	-	-	758,000	758,000
Well 3A	-	-	342,000	342,000
Water Mains	-	1,000,000	-	1,000,000
MCWT - DW-19-02 - Direct Borrowing	-	<u>12,579,500</u>	-	<u>12,579,500</u>
Total	<u>\$ 1,100,000</u>	<u>\$ 13,579,500</u>	<u>\$ -</u>	<u>\$ 14,679,500</u>

## 14. Long-Term Debt

### ***General Obligation Bonds and Loans***

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

<u>Governmental Activities</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/20</u>
<u>General Obligation Bonds</u>				
Public offerings:				
School building repairs	\$ 2,000,000	06/30/22	2.00-4.00%	\$ 400,000
General obligation refunding 2002	1,673,500	06/30/22	2.00-4.00%	65,000
General obligation refunding 2003	3,926,500	06/30/22	2.00-4.00%	1,124,000
General obligation refunding 2004	2,325,000	06/30/22	2.00-4.00%	532,000
Keller-Sullivan School	7,300,000	03/15/25	3.25-5.5%	1,819,001
General obligation refunding 2015	3,135,000	03/15/27	2-4%	1,815,000
General obligation refunding 2016	7,310,000	03/01/28	4%	6,395,000
High School construction	43,990,000	06/15/38	4.125-5%	37,340,000
General obligation library bond	9,150,000	05/15/39	3.00% - 5.00%	8,690,000
General obligation municipal purpose	2,443,500	05/15/43	2.50-5.00%	2,325,000
Total Governmental Activities				<u>\$ 60,505,001</u>
<u>Business-Type Activities</u>				
	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/20</u>
<u>General Obligation Bonds</u>				
Public offerings:				
Water refunding 2004	\$ 2,325,000	06/30/22	2.00 - 4.00%	\$ 292,000
Sewer refunding 2004	2,325,000	06/30/22	2.00 - 4.00%	194,000
Sewer refunding 2002	1,673,500	06/30/23	2.00 - 4.00%	71,000
Water refunding 2002	1,673,500	06/30/23	2.00 - 4.00%	160,000
Water mains	3,000,000	03/15/25	4.26%	748,000
Sewer refunding 2015	1,928,000	03/15/27	2.00 - 4.00%	1,140,000
Water refunding 2015	1,857,000	03/15/27	2.00 - 4.00%	1,290,000
Water line replacement	5,000,000	06/15/28	4.00 - 5.00%	2,990,000
Water infrastructure improvements	4,541,500	05/15/33	2.50-5.00%	3,875,000
Total public offerings				10,760,000
<u>Loans - Direct Borrowings</u>				
Water treatment facility DW-02-12	\$ 5,889,794	08/01/24	2.50 - 5.25%	1,796,385
Total loans - direct borrowings				1,796,385
Total Business-Type Activities				<u>\$ 12,556,385</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>Principal</u>	<u>Interest</u>
2021	\$ 4,164,000	\$ 2,497,741
2022	4,230,000	2,314,951
2023	4,044,000	2,133,221
2024	3,732,000	1,955,581
2025	3,640,001	1,798,976
2026-2030	13,655,000	7,018,303
2031-2035	13,640,000	3,771,286
2036-2040	12,980,000	1,775,034
2040-2043	420,000	30,812
Total	<u>\$ 60,505,001</u>	<u>\$ 23,295,905</u>

The general funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2020.

<u>Business-Type</u>	<u>Bonds Payable</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,436,000	\$ 436,016	\$ 335,325	\$ 19,937
2022	1,415,000	373,531	344,906	11,056
2023	1,296,000	319,661	359,277	5,575
2024	1,293,000	264,076	373,648	-
2025	965,000	196,956	383,229	-
2026-2030	3,610,000	491,805	-	-
2031-2033	745,000	41,643	-	-
Total	<u>\$ 10,760,000</u>	<u>\$ 2,123,688</u>	<u>\$ 1,796,385</u>	<u>\$ 36,568</u>

### Changes in General Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Total Balance 6/30/20	Less Current Portion	Equals Long-Term Portion 6/30/20
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 64,622	\$ -	\$ (4,117)	\$ 60,505	\$ (4,164)	\$ 56,341
Unamortized premium	<u>891</u>	<u>-</u>	<u>(45)</u>	<u>846</u>	<u>(45)</u>	<u>801</u>
Subtotal	65,513	-	(4,162)	61,351	(4,209)	57,142
Net pension liability	48,218	-	(3,730)	44,488	-	44,488
Net OPEB liability	68,006	3,874	-	71,880	-	71,880
Compensated absences	<u>1,566</u>	<u>181</u>	<u>-</u>	<u>1,747</u>	<u>(87)</u>	<u>1,660</u>
Totals	<u>\$ 183,303</u>	<u>\$ 4,055</u>	<u>\$ (7,892)</u>	<u>\$ 179,466</u>	<u>\$ (4,296)</u>	<u>\$ 175,170</u>

	Beginning Balance	Additions	Reductions	Total Balance 6/30/20	Less Current Portion	Equals Long-Term Portion 6/30/20
<b>Business-Type Activities</b>						
Bonds payable:						
Public offerings	\$ 12,213	\$ -	\$ (1,453)	\$ 10,760	\$ (1,436)	\$ 9,324
Loans payable (direct borrowings)	<u>2,118</u>	<u>-</u>	<u>(322)</u>	<u>1,796</u>	<u>(335)</u>	<u>1,461</u>
Subtotal	14,331	-	(1,775)	12,556	(1,771)	10,785
Net pension liability	389	316	-	705	-	705
Net OPEB liability	548	591	-	1,139	-	1,139
Compensated absences	<u>103</u>	<u>-</u>	<u>6</u>	<u>109</u>	<u>(5)</u>	<u>104</u>
Totals	<u>\$ 15,371</u>	<u>\$ 907</u>	<u>\$ (1,769)</u>	<u>\$ 14,509</u>	<u>\$ (1,776)</u>	<u>\$ 12,733</u>

### 15. 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.

### 16. 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 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 capital projects funded by grants and 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 (Town Council). This fund balance classification includes general fund non-lapsing capital appropriations approved by Town Council, capital improvement stabilization funds (now reported as part of the general fund per GASB 54), and various special revenue and expendable trust 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.

***Unassigned***

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

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>			
Nonexpendable permanent funds	\$ -	\$ 503,930	\$ 503,930
Total Nonexpendable	-	503,930	503,930
<b>Restricted</b>			
Reserve for excluded debt	65,855	-	65,855
Special revenue funds:			
Extra curricular athletics	-	512,362	512,362
Transportation	-	851,707	851,707
Pre-kindergarten	-	922,297	922,297
Circuit breaker	-	2,734,705	2,734,705
Sale of real estate receipts reserved	-	1,559,848	1,559,848
Parking meter receipts	-	481,734	481,734
Town use of facilities	-	257,008	257,008
Wetlands protection	-	185,400	185,400
CDBG program income	-	105,452	105,452
40B Franklin heights infrastructure	-	164,000	164,000
Other	-	1,740,861	1,740,861
Capital projects funds	-	50,290	50,290
Expendable trust funds	-	4,207,449	4,207,449
Insurance reserves	-	1,401,138	1,401,138
Total Restricted	65,855	15,174,251	15,240,106
<b>Committed</b>			
Reserve for continuing resolutions	5,248,394	-	5,248,394
Capital improvement stabilization funds	1,051,160	-	1,051,160
Total Committed	6,299,554	-	6,299,554
<b>Assigned</b>			
Encumbrances:			
General government	341,983	-	341,983
Public safety	53,849	-	53,849
Education	60,112	-	60,112
Public works	251,818	-	251,818
Culture and recreation	55	-	55
Insurance and benefits	130,181	-	130,181
Total Assigned	837,998	-	837,998
<b>Unassigned</b>			
General fund	4,768,162	-	4,768,162
General stabilization fund	6,450,421	-	6,450,421
Budget stabilization fund	13,000	-	13,000
Total Unassigned	11,231,583	-	11,231,583
<b>Total Fund Balance</b>	<b>\$ 18,434,990</b>	<b>\$ 15,678,181</b>	<b>\$ 34,113,171</b>

## 17. Norfolk County Retirement System

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

### *Plan Description*

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 480 Neponset Street, Canton, Massachusetts 02021.

### *Participants Contributions*

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

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

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

### *Participant Retirement Benefits*

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-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 percent, 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 members 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 \$5,765,354.

#### ***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 \$45,193,052 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, 2019. At June 30, 2020, the Town’s proportion was 7.6975%, which was an increase of 0.2303% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$7,083,668. 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	\$ 3,872,218	\$ -
Changes of assumptions	828,935	-
Net difference between projected and actual earnings on pension plan investments	-	(1,272,871)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,006,381</u>	<u>(400,628)</u>
Total	<u>\$ 5,707,534</u>	<u>\$ (1,673,499)</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	\$ 2,144,234
2022	1,265,368
2023	1,732,644
2024	<u>(1,108,211)</u>
Total	<u>\$ 4,034,035</u>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases	3.5% to 5.5%
Investment rate of return	7.75%
Cost of living increases	3% of the first \$18,000 of retirement
Remaining amortization period	Till fiscal 2040

Mortality rates were based on the RP-2014 Blue Collar Mortality Table adjusted with 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	30.5%	6.6%
International equities	15.5%	8.0%
Fixed income	20.5%	3.8%
Real estate	9.5%	8.2%
Private equity	10.0%	9.1%
Hedge funds	11.5%	7.2%
Real assets	2.5%	9.9%
Total	<u>100.00%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability as of December 31, 2019 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. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the pension plan reaches full funding status by 2040. 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 System’s 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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 58,696,927	\$ 45,193,052	\$ 33,718,825

### ***Pension Plan Fiduciary Net Position***

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

## **18. Massachusetts Teachers' Retirement System (MTRS)**

### ***Plan Description***

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

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

### ***Benefits Provided***

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

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

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

### **Contributions**

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

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 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 on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
  - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
  - Disability – assumed to be in accordance with 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 <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

### ***Special Funding Situation***

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement

No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

### ***Town Proportions***

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$148,576,160 based on a proportionate share of 0.58926%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$8,507,207 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$18,017,438 as both a revenue and expense in the governmental activities.

## **19. 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 2010, 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 Tufts Health Plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

#### ***Benefits Provided***

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



### *Funding Policy*

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

### *Plan Membership*

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

Inactive employees or beneficiaries	
currently receiving benefit payments	643
Active employees	<u>946</u>
Total	<u><u>1,589</u></u>

### *Investments*

The OPEB trust fund assets consist of investments held by the Pension Reserves Investment Trust.

*Rate of return.* For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Actuarial Assumptions and Other Inputs*

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

Investment rate of return	7.50%, net of OPEB plan investment expense
Discount rate	7.50%
Healthcare cost trend rates	4.5% for 2020 and future periods
Participation rate	95% of future retiree teachers are assumed to participate in the retiree medical plan, 70% of future non-teacher retirees are expected to participate in the retiree medical plan, and 75% of future retirees are expected to elect life insurance
Funding assumption	In year 2032, the Town will utilize funds (approximately \$7 million) that were previously utilized for funding the net pension liability to fund the net OPEB liability.
Retirees' share of benefit-related costs	32%

Mortality rates were based on the SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2019 improvements until 2025.

**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>
US equity	13.00%	7.62%
International equities	13.00%	7.80%
Emerging international equities	5.00%	9.31%
Hedged equity	8.00%	6.89%
Core bonds	6.00%	4.37%
Short-term fixed income	2.00%	4.01%
20+ yr. treasury STRIPS	3.00%	3.50%
TIPS	4.00%	4.00%
Value-added fixed income	8.00%	7.58%
Private equity	13.00%	11.15%
Real estate	10.00%	6.43%
Timberland	4.00%	7.00%
Portfolio completion	<u>11.00%</u>	6.76%
Total	<u><u>100.00%</u></u>	

**Contributions**

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

**Discount Rate**

The discount rate used to measure the net OPEB liability was 7.50%. 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 projected to be available to make all projected future benefit payments of current plan members.

### Net OPEB Liability

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

Total OPEB liability	\$	79,806,924
Plan fiduciary net position		<u>6,787,251</u>
Net OPEB liability	\$	<u><u>73,019,673</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		8.50%

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	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, beginning of year	\$ 74,261,856	\$ 5,706,986	\$ 68,554,870
Changes for the year:			
Service cost	2,461,872	-	2,461,872
Interest	5,659,418	-	5,659,418
Contributions - employer	-	3,407,236	(3,407,236)
Net investment income	-	110,265	(110,265)
Benefit payments	<u>(2,576,222)</u>	<u>(2,437,236)</u>	<u>(138,986)</u>
Net Changes	<u>5,545,068</u>	<u>1,080,265</u>	<u>4,464,803</u>
Balances, end of year	\$ <u><u>79,806,924</u></u>	\$ <u><u>6,787,251</u></u>	\$ <u><u>73,019,673</u></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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 84,649,490	\$ 73,019,673	\$ 63,470,718

**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:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 60,615,990	\$ 73,019,673	\$ 88,524,763

**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 \$6,258,848. At June 30, 2020, the Town reported deferred (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 199,073	\$ (5,304,575)
Change in assumptions	<u>-</u>	<u>(1,497,927)</u>
Total	<u>\$ 199,073</u>	<u>\$ (6,802,502)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ (1,506,046)
2022	(1,437,408)
2023	(1,416,346)
2024	(1,434,520)
2025	<u>(809,109)</u>
Total	<u>\$ (6,603,429)</u>

**20. Subsequent Events**

Management has evaluated subsequent events through March 17,2021, which is the date the financial statements were available to be issued.

## 21. 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 \$837,998 in encumbrances that will be honored in the next fiscal year.

## 22. 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 FRANKLIN, 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	
<b>Revenues</b>				
Property taxes	\$ 80,342,635	\$ 80,342,635	\$ 80,499,586	\$ 156,951
Motor vehicle excise	4,619,680	4,619,680	4,908,181	288,501
Other excise	1,049,462	1,049,462	953,681	(95,781)
Penalties, interest and other taxes	295,027	295,027	274,201	(20,826)
Charges for services	2,487,919	2,487,919	2,629,079	141,160
Licenses and permits	1,162,044	1,162,044	1,202,264	40,220
Intergovernmental	32,617,853	32,617,853	32,871,634	253,781
Fines and forfeitures	110,516	110,516	80,098	(30,418)
Investment income	350,185	350,185	355,110	4,925
Miscellaneous	308,140	308,140	362,980	54,840
Total Revenues	123,343,461	123,343,461	124,136,814	793,353
<b>Expenditures</b>				
General government	10,565,119	10,954,689	10,247,369	707,320
Public safety	12,314,332	12,515,839	12,435,130	80,709
Education	67,417,393	67,513,543	67,452,806	60,737
Public works	4,863,841	4,968,770	4,641,829	326,941
Health and human services	708,270	715,560	684,333	31,227
Culture and recreation	1,620,035	1,620,559	1,423,309	197,250
Employee benefits	12,890,354	12,737,475	12,261,647	475,828
Debt service	6,780,667	6,780,667	6,780,667	-
Intergovernmental	6,067,450	6,067,450	5,806,145	261,305
Capital outlay	-	8,513,164	8,513,097	67
Total Expenditures	123,227,461	132,387,716	130,246,332	2,141,384
Excess (Deficiency) of Revenues over Expenditures	116,000	(9,044,255)	(6,109,518)	2,934,737
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,512,000	1,862,000	1,862,000	-
Transfers out	(1,628,000)	(1,818,000)	(1,833,000)	(15,000)
Use of free cash	-	3,153,579	3,153,579	-
Use of prior year committed fund balance (carryforwards)	-	5,199,587	5,199,587	-
Use of prior year assigned fund balance (encumbrances)	-	647,089	647,089	-
Total Other Financing Sources (Uses)	(116,000)	9,044,255	9,029,255	(15,000)
Overall Budgetary Excess (Deficiency)	\$ -	\$ -	\$ 2,919,737	\$ 2,919,737

See Independent Auditors' Report.

**Notes to the Required Supplemental Information  
for General Fund Budget**

**Budgetary Basis**

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

**Budget/GAAP Reconciliation**

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 132,914,481	\$ 132,010,147	\$ (885,000)
Add end-of-year appropriation carryforwards to expenditures	-	5,969,392	-
To record use of free cash	-	-	3,153,579
To record use of PY committed fund balance (carryforwards)	-	-	5,199,587
To record use of PY assigned fund balance (encumbrances)	-	-	647,089
To reverse MTRS on behalf payment	(8,507,207)	(8,507,207)	-
Reclassification of indirect costs	-	1,122,000	1,122,000
Reverse effect of combining stabilization funds with general fund per GASB 54	(270,460)	-	140,000
Reclassification of transfers out	-	(348,000)	(348,000)
Budgetary Basis	<u>\$ 124,136,814</u>	<u>\$ 130,246,332</u>	<u>\$ 9,029,255</u>

See Independent Auditors' Report.

TOWN OF FRANKLIN, MASSACHUSETTS

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	December 31, 2019	7.697500%	\$45,193,052	\$ 25,204,407	179.31%	64.60%
June 30, 2019	December 31, 2018	7.467200%	\$48,607,021	\$ 23,791,082	204.31%	58.30%
June 30, 2018	December 31, 2017	7.454200%	\$41,222,050	\$ 22,986,553	179.33%	63.50%
June 30, 2017	December 31, 2016	7.611400%	\$39,733,230	\$ 21,380,359	185.84%	61.60%
June 30, 2016	December 31, 2015	7.611443%	\$41,346,324	\$ 20,361,675	203.06%	58.60%
June 30, 2015	December 31, 2014	7.756292%	\$40,226,086	\$ 19,038,422	211.29%	60.10%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	June 30, 2019	0.589260%	\$ -	\$ 148,576,160	\$ 148,576,160	\$ 42,881,322	-	53.95%
June 30, 2019	June 30, 2018	0.575463%	\$ -	\$ 136,449,789	\$ 136,449,789	\$ 40,413,995	-	54.84%
June 30, 2018	June 30, 2017	0.584000%	\$ -	\$ 133,650,583	\$ 133,650,583	\$ 39,656,333	-	54.25%
June 30, 2017	June 30, 2016	0.594982%	\$ -	\$ 133,025,615	\$ 133,025,615	\$ 39,315,863	-	52.73%
June 30, 2016	June 30, 2015	0.591007%	\$ -	\$ 121,095,209	\$ 121,095,209	\$ 37,463,272	-	55.38%
June 30, 2015	June 30, 2014	0.584174%	\$ -	\$ 92,862,306	\$ 92,862,306	\$ 35,818,594	-	61.64%

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

See Independent Auditors' Report.



**TOWN OF FRANKLIN, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

Norfolk County Retirement System

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the				Contributions as a Percentage of Covered Payroll
		Actuarially Determined <u>Contribution</u>	Actuarially Determined <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	
June 30, 2020	December 31, 2019	\$ 5,765,354	\$ 5,765,354	\$ -	\$ 25,204,407	22.87%
June 30, 2019	December 31, 2018	\$ 5,223,882	\$ 5,223,882	\$ -	\$ 23,791,082	21.96%
June 30, 2018	December 31, 2017	\$ 4,771,398	\$ 4,771,398	\$ -	\$ 22,986,553	20.76%
June 30, 2017	December 31, 2016	\$ 4,351,658	\$ 4,351,658	\$ -	\$ 21,380,359	20.35%
June 30, 2016	December 31, 2015	\$ 3,947,535	\$ 3,947,535	\$ -	\$ 20,361,675	19.39%
June 30, 2015	December 31, 2014	\$ 3,661,686	\$ 3,661,686	\$ -	\$ 19,038,422	19.23%

Massachusetts Teachers' Retirement System

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the				Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution Provided by <u>Commonwealth</u>	Actuarially Determined <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	
June 30, 2020	June 30, 2019	\$ 8,507,207	\$ 8,507,207	\$ -	\$ 42,881,322	19.84%
June 30, 2019	June 30, 2018	\$ 7,566,095	\$ 7,566,095	\$ -	\$ 40,413,995	18.72%
June 30, 2018	June 30, 2017	\$ 7,215,402	\$ 7,215,402	\$ -	\$ 39,656,333	18.19%
June 30, 2017	June 30, 2016	\$ 6,691,065	\$ 6,691,065	\$ -	\$ 39,315,863	17.02%
June 30, 2016	June 30, 2015	\$ 6,039,677	\$ 6,039,677	\$ -	\$ 37,463,272	16.12%
June 30, 2015	June 30, 2014	\$ 5,475,922	\$ 5,475,922	\$ -	\$ 35,848,594	15.28%

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

See Independent Auditors' Report.

**TOWN OF FRANKLIN, 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>
<b>Total OPEB Liability</b>				
Service cost	\$ 2,461,872	\$ 2,355,858	\$ 2,749,555	\$ 2,631,153
Interest	5,659,418	5,960,335	5,560,968	5,151,437
Differences between expected and actual experience	-	(7,641,391)	-	-
Changes of assumptions	-	(2,157,806)	-	-
Benefit payments, including refunds of member contributions	<u>(2,576,222)</u>	<u>(2,692,152)</u>	<u>(2,495,281)</u>	<u>(2,387,829)</u>
Net change in total OPEB liability	5,545,068	(4,175,156)	5,815,242	5,394,761
Total OPEB liability - beginning	<u>74,261,856</u>	<u>78,437,012</u>	<u>72,621,770</u>	<u>67,227,009</u>
Total OPEB liability - ending (a)	79,806,924	74,261,856	78,437,012	72,621,770
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	3,407,236	3,346,111	3,113,747	3,219,829
Net investment income	110,265	280,311	383,452	521,740
Benefit payments, including refunds of member contributions	(2,437,236)	(2,408,121)	(2,311,621)	(2,387,829)
Other	<u>-</u>	<u>-</u>	<u>(22,867)</u>	<u>-</u>
Net change in plan fiduciary net position	1,080,265	1,218,301	1,162,711	1,353,740
Plan fiduciary net position - beginning	<u>5,706,986</u>	<u>4,488,685</u>	<u>3,325,974</u>	<u>1,972,234</u>
Plan fiduciary net position - ending (b)	<u>6,787,251</u>	<u>5,706,986</u>	<u>4,488,685</u>	<u>3,325,974</u>
Net OPEB liability - ending (a-b)	<u>\$ 73,019,673</u>	<u>\$ 68,554,870</u>	<u>\$ 73,948,327</u>	<u>\$ 69,295,796</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 FRANKLIN, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Net OPEB Liability</b>				
Total OPEB liability	\$ 79,806,924	\$ 74,261,856	\$ 78,437,012	\$ 72,621,770
Plan fiduciary net position	<u>6,787,251</u>	<u>5,706,986</u>	<u>4,488,685</u>	<u>3,325,974</u>
Net OPEB liability	<u>\$ 73,019,673</u>	<u>\$ 68,554,870</u>	<u>\$ 73,948,327</u>	<u>\$ 69,295,796</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.50%	7.68%	5.72%	4.58%
Covered employee payroll	\$ 64,766,856	\$ 63,608,230	\$ 63,608,230	\$ 61,457,227
Participating employer net OPEB liability as a percentage of covered employee payroll	112.74%	107.78%	116.26%	112.75%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Contributions</b>				
Actuarially determined contribution	\$ 5,724,334	\$ 5,724,334	\$ 5,871,382	\$ 5,618,548
Contributions in relation to the actuarially determined contribution	<u>3,407,236</u>	<u>3,350,121</u>	<u>3,136,488</u>	<u>3,219,829</u>
Contribution deficiency	<u>\$ 2,317,098</u>	<u>\$ 2,374,213</u>	<u>\$ 2,734,894</u>	<u>\$ 2,398,719</u>
Covered employee payroll	\$ 64,766,856	\$ 63,608,230	\$ 63,608,230	\$ 61,457,227
Contributions as a percentage of covered employee payroll	5.26%	5.27%	4.93%	5.24%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Investment Returns</b>				
Annual money weighted rate of return, net of investment expense	unavailable	unavailable	unavailable	unavailable

*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.