

***TOWN OF HALIFAX, MASSACHUSETTS***

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

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

# TOWN OF HALIFAX, MASSACHUSETTS

## REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Halifax, Massachusetts

## **Report on the Financial Statements**

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

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our consideration of the Town of Halifax, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Powers + Sullivan, LLC*

March 8, 2021

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

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

As management of the Town of Halifax, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

This discussion and analysis is intended to serve as an introduction to the Town of Halifax's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, COVID-19, and interest.

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

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

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund is considered a major fund for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

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

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water operations.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement 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 the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Financial Highlights.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Halifax's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$17.3 million at the close of the most recent year.

- At the close of the current year, the Town's general fund reported a fund balance of \$5.2 million, an increase of \$327,000 in comparison with the prior year. The general fund is inclusive of the general stabilization fund, which totaled \$844,000. Total fund balance represents 20.8% of general fund expenditures.
- The Town made an additional contribution to the OPEB trust fund in 2020 of \$36,000 in excess of the pay-as-you-go contribution. The OPEB trust fund totaled \$357,000 at year-end.
- The Town's Net Pension Liability has decreased by \$663,000. The Town has recognized a total net pension liability of \$10.9 million along with deferred outflows related to pensions of \$1.6 million and deferred inflows related to pensions of \$454,000 (see Note 10).
- The Town's Net OPEB Liability has increased by \$857,000. The Town has recognized a net OPEB liability of \$13.6 million along with deferred outflows related to OPEB of \$1.5 million and deferred inflows related to OPEB of \$3.4 million (see Note 11).
- Outstanding long-term debt, as of June 30, 2020, totaled \$5.7 million which relates to various school and general governmental projects. This includes \$1.6 million of BANs that were permanently financed on November 5, 2020 (see Note 6).



## Governmental Activities

Key components of the Town's activities are presented on the following pages.

Governmental net position of \$21.5 million reflects investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$752,000, represents resources that are subject to external restrictions on how they may be used. At June 30, 2020, the remaining balance of *unrestricted net position* has a deficit of \$14.6 million. The primary reason for this deficit balance is the recognition of net OPEB and net pension liabilities.

	2020	2019
<b>Assets:</b>		
Current assets.....	\$ 13,892,707	\$ 15,494,246
Capital assets, non depreciable.....	3,683,770	3,765,438
Capital assets, net of accumulated depreciation....	22,658,064	21,978,247
<b>Total assets.....</b>	<b>40,234,541</b>	<b>41,237,931</b>
<b>Deferred outflows of resources.....</b>	<b>2,972,115</b>	<b>4,331,771</b>
<b>Liabilities:</b>		
Current liabilities.....	1,034,794	1,467,180
Noncurrent liabilities.....	24,847,461	24,621,875
Current debt.....	548,460	2,160,032
Noncurrent debt.....	5,410,360	4,125,820
<b>Total liabilities.....</b>	<b>31,841,075</b>	<b>32,374,907</b>
<b>Deferred inflows of resources.....</b>	<b>3,768,481</b>	<b>4,731,474</b>
<b>Net position:</b>		
Net investment in capital assets.....	21,458,184	20,703,182
Restricted.....	752,088	475,275
Unrestricted.....	(14,613,172)	(12,715,136)
<b>Total net position.....</b>	<b>\$ 7,597,100</b>	<b>\$ 8,463,321</b>

	2020	2019
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,201,943	\$ 1,885,801
Operating grants and contributions.....	6,228,617	5,522,196
Capital grants and contributions.....	435,460	984,946
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	16,916,154	16,493,797
Motor vehicle and other excise taxes.....	1,190,889	1,221,254
Penalties and interest on taxes.....	230,910	188,597
Grants and contributions not restricted to specific programs.....	1,188,074	1,075,877
Unrestricted investment income.....	93,974	62,179
Gain on sale of capital assets.....	-	66,530
<b>Total revenues.....</b>	<b>27,486,021</b>	<b>27,501,177</b>
<b>Expenses:</b>		
General government.....	2,230,859	2,334,567
Public safety.....	4,649,425	4,631,174
Education.....	16,586,821	15,874,303
Public works.....	3,305,662	2,789,644
Health and human services.....	732,234	722,586
Culture and recreation.....	546,711	601,916
COVID-19.....	46,504	-
Interest.....	254,026	93,527
<b>Total expenses.....</b>	<b>28,352,242</b>	<b>27,047,717</b>
<b>Change in net position.....</b>	<b>(866,221)</b>	<b>453,460</b>
<b>Net position, beginning of year.....</b>	<b>8,463,321</b>	<b>8,009,861</b>
<b>Net position, end of year.....</b>	<b>\$ 7,597,100</b>	<b>\$ 8,463,321</b>

Governmental activities decreased the Town's net position by \$866,000 during the current year due to several factors. Net position decreased due to the fact that depreciation exceeded principal payments on long-term bonds by \$1.5 million, a \$171,000 increase in the other post-employment benefits liability, including the change in deferred outflows and deferred inflows, and an increase in the net pension liability, including the change in deferred outflows and deferred inflows of \$446,000. These decreases were offset by the recognition of \$436,000 of capital grants, the timing between the receipt and disbursement of bond proceeds, as well as the timing of the receipt versus the expenditure of grant funds.

## Business-type Activities

	2020	2019
<b>Assets:</b>		
Current assets.....	\$ 2,221,290	\$ 1,954,559
Capital assets, non depreciable.....	626,301	626,301
Capital assets, net of accumulated depreciation....	7,703,942	7,909,071
<b>Total assets.....</b>	<b>10,551,533</b>	<b>10,489,931</b>
<b>Deferred outflows of resources.....</b>	<b>117,475</b>	<b>191,238</b>
<b>Liabilities:</b>		
Current liabilities.....	782	710
Noncurrent liabilities.....	866,529	892,558
<b>Total liabilities.....</b>	<b>867,311</b>	<b>893,268</b>
<b>Deferred inflows of resources.....</b>	<b>78,021</b>	<b>93,682</b>
<b>Net position:</b>		
Net investment in capital assets.....	8,330,243	8,535,372
Unrestricted.....	1,393,433	1,158,847
<b>Total net position.....</b>	<b>\$ 9,723,676</b>	<b>\$ 9,694,219</b>

Water business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9.7 million at the close of 2020. The investment in capital assets, net of related debt, was \$8.3 million while unrestricted net position was a balance of \$1.4 million.

	2020	2019
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,024,633	\$ 1,059,414
<b>General Revenues:</b>		
Unrestricted investment income.....	1,471	2,112
<b>Total revenues.....</b>	<b>1,026,104</b>	<b>1,061,526</b>
<b>Expenses:</b>		
Water.....	996,647	771,795
<b>Total expenses.....</b>	<b>996,647</b>	<b>771,795</b>
<b>Change in net position.....</b>	<b>29,457</b>	<b>289,731</b>
<b>Net position, beginning of year.....</b>	<b>9,694,219</b>	<b>9,404,488</b>
<b>Net position, end of year.....</b>	<b>\$ 9,723,676</b>	<b>\$ 9,694,219</b>

The business-type activities increased by \$29,000 during the year primarily due to the fund's ability to set rates in order to cover operational and capital related costs.

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

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$8.9 million, an increase of \$862,000 from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$4.0 million, while total fund balance was \$5.2 million. The fund had an increase of \$327,000. This increase is the result of positive budgetary results and an increase in 60 day receipt accrual offset by an increase in the accrual for appellate tax board liability. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.7% of total general fund expenditures, while total fund balance represents 20.8% of that same amount.

The solid waste fund is used to account for activity related to the Town's residential curbside pickup and recycling programs. The fund had a balance of \$300,000 at year-end, a decrease of \$56,000 over the prior year. This decrease is the result of expenditures exceeding revenues by \$42,000, as well as a transfer to the general fund.

The road repair fund is used to account for activity related to roadway projects reimbursed by the Commonwealth in accordance with Massachusetts General Law Chapter 90, Section 34. The fund had a zero balance at year-end. Funds were not spent or reimbursed in the current year.

The Town capital projects fund is used to account for the Town's capital related activity. The main ongoing project relates to the elementary school renovation. The fund had a fund balance of \$1.6 million at year-end, an increase of \$351,000 from the prior year. The increase was mainly due to the timing of expenditures on the project, reimbursements from the School Building Authority and the timing of permanently financing the project.

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

The Town of Halifax adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Actual revenues were greater than budgeted amounts by \$648,000. Actual expenditures, including carryovers, were less than the budgeted amount by \$947,000. The Town has carried over \$1.3 million in appropriations to 2021.

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

In conjunction with the operating budget, the Town annually prepares capital budgets for each upcoming year.

The Town's governmental major capital activity related to \$2.0 million of costs related to the renovation of the elementary school, \$299,000 for the purchase of a new ambulance, and \$172,000 for the purchase of various vehicles and equipment. The funding for these capital expenditures came from general fund appropriations, bond proceeds, and capital grants from the Commonwealth. The governmental activities total capital assets, net of accumulated depreciation, was \$26.3 million at the end of 2020.

The major business-type capital asset activity during the year was \$32,000 for a new vehicle. The business-type activities total capital assets, net of accumulated depreciation, was \$8.3 million at the end of 2020.

Outstanding long-term debt, as of June 30, 2020, totaled \$5.7 million which relates to various school and general governmental projects. This includes \$1.6 million of BANs that were permanently financed on November 5, 2020.

Outstanding short-term debt, as of June 30, 2020, totaled \$228,000 which relates to a fire suppression project and was paid down with available funds upon maturity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Halifax's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 499 Plymouth Street, Halifax, Massachusetts 02338-1338.

# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 8,201,526	\$ 1,939,246	\$ 10,140,772
Investments.....	782,092	-	782,092
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	691,946	-	691,946
Tax liens.....	1,395,179	55	1,395,234
Motor vehicle and other excise taxes.....	146,576	-	146,576
User charges.....	105,840	281,989	387,829
Departmental and other.....	846,583	-	846,583
Intergovernmental - other.....	1,722,965	-	1,722,965
<b>Total current assets.....</b>	<b>13,892,707</b>	<b>2,221,290</b>	<b>16,113,997</b>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	3,683,770	626,301	4,310,071
Capital assets, net of accumulated depreciation.....	22,658,064	7,703,942	30,362,006
<b>Total noncurrent assets.....</b>	<b>26,341,834</b>	<b>8,330,243</b>	<b>34,672,077</b>
<b>TOTAL ASSETS.....</b>	<b>40,234,541</b>	<b>10,551,533</b>	<b>50,786,074</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	1,486,935	94,911	1,581,846
Deferred outflows related to other postemployment benefits.....	1,485,180	22,564	1,507,744
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>2,972,115</b>	<b>117,475</b>	<b>3,089,590</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	577,700	-	577,700
Accrued payroll.....	180,307	-	180,307
Tax refunds payable.....	131,000	-	131,000
Accrued interest.....	21,949	-	21,949
Other liabilities.....	5,939	-	5,939
Unearned revenue.....	3,350	-	3,350
Landfill closure.....	20,000	-	20,000
Compensated absences.....	94,549	782	95,331
Notes payable.....	228,000	-	228,000
Bonds payable.....	320,460	-	320,460
<b>Total current liabilities.....</b>	<b>1,583,254</b>	<b>782</b>	<b>1,584,036</b>
<b>NONCURRENT:</b>			
Landfill closure.....	300,000	-	300,000
Compensated absences.....	850,936	7,035	857,971
Net pension liability.....	10,269,448	655,497	10,924,945
Net other postemployment benefits liability.....	13,427,077	203,997	13,631,074
Bonds payable.....	5,410,360	-	5,410,360
<b>Total noncurrent liabilities.....</b>	<b>30,257,821</b>	<b>866,529</b>	<b>31,124,350</b>
<b>TOTAL LIABILITIES.....</b>	<b>31,841,075</b>	<b>867,311</b>	<b>32,708,386</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	426,986	27,254	454,240
Deferred inflows related to other postemployment benefits.....	3,341,495	50,767	3,392,262
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>3,768,481</b>	<b>78,021</b>	<b>3,846,502</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	21,458,184	8,330,243	29,788,427
Restricted for:			
Gifts and grants.....	752,088	-	752,088
Unrestricted.....	(14,613,172)	1,393,433	(13,219,739)
<b>TOTAL NET POSITION.....</b>	<b>\$ 7,597,100</b>	<b>\$ 9,723,676</b>	<b>\$ 17,320,776</b>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 2,230,859	\$ 399,499	\$ 27,753	\$ -	\$ (1,803,607)	
Public safety.....	4,649,425	149,949	10,096	25,797	(4,463,583)	
Education.....	16,586,821	54,478	5,422,423	181,607	(10,928,313)	
Public works.....	3,305,662	455,768	385,871	38,031	(2,425,992)	
Health and human services.....	732,234	67,398	308,427	-	(356,409)	
Culture and recreation.....	546,711	74,851	27,543	190,025	(254,292)	
COVID-19.....	46,504	-	46,504	-	-	
Interest.....	254,026	-	-	-	(254,026)	
Total Governmental Activities.....	28,352,242	1,201,943	6,228,617	435,460	(20,486,222)	
Business-Type Activities:						
Water.....	996,647	1,024,633	-	-	27,986	
Total Primary Government.....	\$ 29,348,889	\$ 2,226,576	\$ 6,228,617	\$ 435,460	\$ (20,458,236)	

See notes to basic financial statements.

(Continued)



# STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ (20,486,222)	\$ 27,986	\$ (20,458,236)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	16,916,154	-	16,916,154
Motor vehicle and other excise taxes.....	1,190,889	-	1,190,889
Penalties and interest on taxes.....	230,910	-	230,910
Grants and contributions not restricted to specific programs.....	1,188,074	-	1,188,074
Unrestricted investment income.....	93,974	1,471	95,445
Total general revenues.....	19,620,001	1,471	19,621,472
Change in net position.....	(866,221)	29,457	(836,764)
<i>Net position:</i>			
Beginning of year.....	8,463,321	9,694,219	18,157,540
End of year.....	\$ 7,597,100	\$ 9,723,676	\$ 17,320,776

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

	General	Solid Waste Fund	Road Repair Fund	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 5,389,742	\$ 300,349	\$ -	\$ 1,075,170	\$ 1,436,265	\$ 8,201,526
Investments.....	506,042	-	-	-	276,050	782,092
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	691,946	-	-	-	-	691,946
Tax liens.....	1,395,179	-	-	-	-	1,395,179
Motor vehicle and other excise taxes.....	146,576	-	-	-	-	146,576
User charges.....	-	-	-	-	105,840	105,840
Departmental and other.....	753,472	93,111	-	-	-	846,583
Intergovernmental - other.....	82,539	34	718,791	749,607	171,994	1,722,965
<b>TOTAL ASSETS.....</b>	<b>\$ 8,965,496</b>	<b>\$ 393,494</b>	<b>\$ 718,791</b>	<b>\$ 1,824,777</b>	<b>\$ 1,990,149</b>	<b>\$ 13,892,707</b>
<b>LIABILITIES</b>						
Warrants payable.....	\$ 577,700	\$ -	\$ -	\$ -	\$ -	\$ 577,700
Accrued payroll.....	180,307	-	-	-	-	180,307
Tax refunds payable.....	131,000	-	-	-	-	131,000
Other liabilities.....	5,939	-	-	-	-	5,939
Unearned revenue.....	-	-	-	-	3,350	3,350
Notes payable.....	-	-	-	228,000	-	228,000
<b>TOTAL LIABILITIES.....</b>	<b>894,946</b>	<b>-</b>	<b>-</b>	<b>228,000</b>	<b>3,350</b>	<b>1,126,296</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue.....	2,841,226	93,111	718,791	-	238,014	3,891,142
<b>FUND BALANCES</b>						
Restricted.....	1,786	300,383	-	1,596,777	1,748,785	3,647,731
Assigned.....	1,270,387	-	-	-	-	1,270,387
Unassigned.....	3,957,151	-	-	-	-	3,957,151
<b>TOTAL FUND BALANCES.....</b>	<b>5,229,324</b>	<b>300,383</b>	<b>-</b>	<b>1,596,777</b>	<b>1,748,785</b>	<b>8,875,269</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 8,965,496</b>	<b>\$ 393,494</b>	<b>\$ 718,791</b>	<b>\$ 1,824,777</b>	<b>\$ 1,990,149</b>	<b>\$ 13,892,707</b>

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....	\$ 8,875,269
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	26,341,834
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	3,891,142
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	(796,366)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(21,949)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(5,730,820)
Net pension liability.....	(10,269,448)
Net other postemployment benefits liability.....	(13,427,077)
Landfill closure.....	(320,000)
Compensated absences.....	(945,485)
Net effect of reporting long-term liabilities.....	<u>(30,692,830)</u>
Net position of governmental activities.....	<u>\$ 7,597,100</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	Solid Waste Fund	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 16,968,705	\$ -	\$ -	\$ -	\$ 16,968,705
Motor vehicle and other excise taxes.....	1,162,323	-	-	-	1,162,323
Charges for services.....	650,997	230,083	-	112,347	993,427
Penalties and interest on taxes.....	230,910	-	-	-	230,910
Licenses and permits.....	144,120	-	-	75,203	219,323
Intergovernmental - School Building Authority.....	-	-	181,607	-	181,607
Intergovernmental - Teachers Retirement.....	1,494,598	-	-	-	1,494,598
Intergovernmental - other.....	4,440,098	-	-	1,311,261	5,751,359
Intergovernmental - COVID-19 relief.....	-	34	-	46,470	46,504
Departmental and other.....	374,612	127,275	-	78,275	580,162
Contributions and donations.....	-	-	-	46,081	46,081
Investment income.....	35,444	326	-	58,204	93,974
<b>TOTAL REVENUES.....</b>	<b>25,501,807</b>	<b>357,718</b>	<b>181,607</b>	<b>1,727,841</b>	<b>27,768,973</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	1,604,292	-	18,000	138,504	1,760,796
Public safety.....	3,368,027	-	-	113,785	3,481,812
Education.....	12,909,769	-	1,417,179	790,390	15,117,338
Public works.....	1,566,934	399,399	-	236,578	2,202,911
Health and human services.....	523,344	-	-	67,709	591,053
Culture and recreation.....	363,986	-	-	73,685	437,671
COVID-19.....	-	34	-	46,470	46,504
Pension benefits.....	1,110,882	-	-	-	1,110,882
Pension benefits - Teachers Retirement.....	1,494,598	-	-	-	1,494,598
Employee benefits.....	1,430,573	-	-	-	1,430,573
State and county charges.....	234,246	-	-	-	234,246
Debt service:					
Principal.....	290,000	-	-	20,400	310,400
Interest.....	292,908	-	-	-	292,908
<b>TOTAL EXPENDITURES.....</b>	<b>25,189,559</b>	<b>399,433</b>	<b>1,435,179</b>	<b>1,487,521</b>	<b>28,511,692</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>312,248</b>	<b>(41,715)</b>	<b>(1,253,572)</b>	<b>240,320</b>	<b>(742,719)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds.....	-	-	1,605,000	-	1,605,000
Transfers in.....	46,062	-	-	31,478	77,540
Transfers out.....	(31,478)	(14,450)	-	(31,612)	(77,540)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>14,584</b>	<b>(14,450)</b>	<b>1,605,000</b>	<b>(134)</b>	<b>1,605,000</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>326,832</b>	<b>(56,165)</b>	<b>351,428</b>	<b>240,186</b>	<b>862,281</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>4,902,492</b>	<b>356,548</b>	<b>1,245,349</b>	<b>1,508,599</b>	<b>8,012,988</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 5,229,324</b>	<b>\$ 300,383</b>	<b>\$ 1,596,777</b>	<b>\$ 1,748,785</b>	<b>\$ 8,875,269</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....	\$ 862,281
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay.....	2,432,147
Capital asset deletions.....	(52,462)
Depreciation expense.....	<u>(1,781,536)</u>
Net effect of reporting capital assets.....	598,149
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>	
	(445,902)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>	
Issuance of bonds.....	(1,605,000)
Net amortization of premium from issuance of bonds.....	16,632
Debt service principal payments.....	<u>310,400</u>
Net effect of reporting long-term debt.....	(1,277,968)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Net change in compensated absences accrual.....	(27,817)
Net change in accrued interest on long-term debt.....	22,250
Net change in deferred outflow/(inflow) of resources related to pensions.....	(1,069,536)
Net change in net pension liability.....	623,347
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	672,873
Net change in net other postemployment benefits liability.....	(843,898)
Net change in landfill closure.....	<u>20,000</u>
Net effect of recording long-term liabilities.....	<u>(602,781)</u>
Change in net position of governmental activities.....	<u>\$ (866,221)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-type Activities Water Fund
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 1,939,246
Receivables, net of allowance for uncollectibles:	
Liens - user charges.....	55
User charges.....	<u>281,989</u>
Total current assets.....	<u>2,221,290</u>
NONCURRENT:	
Capital assets, non depreciable.....	626,301
Capital assets, net of accumulated depreciation.....	<u>7,703,942</u>
Total noncurrent assets.....	<u>8,330,243</u>
TOTAL ASSETS.....	<u>10,551,533</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions.....	94,911
Deferred outflows related to other postemployment benefits.....	<u>22,564</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>117,475</u>
<b>LIABILITIES</b>	
CURRENT:	
Compensated absences.....	<u>782</u>
NONCURRENT:	
Compensated absences.....	7,035
Net pension liability.....	655,497
Net other postemployment benefits liability.....	<u>203,997</u>
Total noncurrent liabilities.....	<u>866,529</u>
TOTAL LIABILITIES.....	<u>867,311</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions.....	27,254
Deferred inflows related to other postemployment benefits.....	<u>50,767</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>78,021</u>
<b>NET POSITION</b>	
Net investment in capital assets.....	8,330,243
Unrestricted.....	<u>1,393,433</u>
TOTAL NET POSITION.....	<u>\$ 9,723,676</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	Business-type Activities Water Fund
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 984,769
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	757,688
Depreciation.....	237,609
TOTAL OPERATING EXPENSES.....	995,297
OPERATING INCOME (LOSS).....	(10,528)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	1,471
Interest expense.....	(1,350)
Other nonoperating revenues.....	39,864
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	39,985
CHANGE IN NET POSITION.....	29,457
NET POSITION AT BEGINNING OF YEAR.....	9,694,219
NET POSITION AT END OF YEAR.....	\$ 9,723,676

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	Business-type Activities Water Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 982,439
Payments to vendors.....	(352,384)
Payments to employees.....	(373,159)
NET CASH FROM OPERATING ACTIVITIES.....	<u>256,896</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Acquisition and construction of capital assets.....	(32,480)
Receipts from water tower lease.....	39,864
Interest expense.....	(1,350)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>6,034</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	<u>1,471</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	264,401
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>1,674,845</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 1,939,246</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ (10,528)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	237,609
Deferred (outflows)/inflows related to pensions.....	68,267
Deferred (outflows)/inflows related to OPEB.....	(10,165)
Changes in assets and liabilities:	
User charges.....	(2,330)
Compensated absences.....	721
Net pension liability.....	(39,788)
Other postemployment benefits.....	<u>13,110</u>
Total adjustments.....	<u>267,424</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 256,896</u>

See notes to basic financial statements.



**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 1,518	\$ 7,323	\$ 403,042
Investments:			
Equity securities.....	220,438	-	-
Fixed income mutual funds.....	135,154	-	-
<b>TOTAL ASSETS.....</b>	<b>357,110</b>	<b>7,323</b>	<b>403,042</b>
<b>LIABILITIES</b>			
Liabilities due depositors.....	-	-	208,513
Other liabilities.....	-	-	194,529
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>403,042</b>
<b>NET POSITION</b>			
Restricted for other postemployment benefits.....	357,110	-	-
Held in trust for other purposes.....	-	7,323	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 357,110</b>	<b>\$ 7,323</b>	<b>\$ -</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer contributions.....	\$ 36,000	\$ -
Employer contributions for other postemployment benefit payments....	497,642	-
Total contributions.....	533,642	-
Net investment income:		
Investment income.....	8,344	112
TOTAL ADDITIONS.....	541,986	112
<b>DEDUCTIONS:</b>		
Other postemployment benefit payments.....	497,642	-
NET INCREASE (DECREASE) IN NET POSITION.....	44,344	112
NET POSITION AT BEGINNING OF YEAR.....	312,766	7,211
NET POSITION AT END OF YEAR.....	\$ 357,110	\$ 7,323

See notes to basic financial statements.

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

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

**A. Reporting Entity**

The Town of Halifax is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

**Joint Ventures**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated and governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in the following joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

***Silver Lake Regional School District***

The Town is a participant in the Silver Lake Regional School District, which is located at 130 Pembroke Street, Kingston, MA 02364. The District is made up of the Towns of Halifax, Kingston, and Plympton and is governed by a nine-member school committee including three elected representatives of the Town of Halifax. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. The Town's fiscal year 2020 assessment totaled \$5,916,827 and the Town does not have an equity interest in the joint venture. Financial statements may be obtained from the joint venture by contacting them directly.

***Pilgrim Area Collaborative***

The Town is a participant in the Pilgrim Area Collaborative, which is located at 120 Center Street, Pembroke, MA 02359. The Town is assessed annually for the costs related to special education services. The Town's fiscal year 2020 payments totaled \$168,578 and the Town does not have an equity interest in the joint venture. Financial statements may be obtained from the joint venture by contacting them directly.

*North River Collaborative*

The Town is a participant in the North River Collaborative, which is located at 198 Spring Street, Rockland, MA 02370. The Town is assessed annually for the costs related to special education services. The Town's fiscal year 2020 payments totaled \$160,401 and the Town does not have an equity interest in the joint venture. Financial statements may be obtained from the joint venture by contacting them directly.

*Reads Collaborative*

The Town is a participant in the Reads Collaborative, which is located at E. Grove Street, Middleborough, MA 02346. The Town is assessed annually for the costs related to special education services. The Town's fiscal year 2020 payments totaled \$151,528 and the Town does not have an equity interest in the joint venture. Financial statements may be obtained from the joint venture by contacting them directly.

*South Shore Educational Collaborative*

The Town is a participant in the South Shore Educational Collaborative, which is located at 75 Abington Street, Hingham, MA 02043. The Town is assessed annually for the costs related to special education services. The Town's fiscal year 2020 payments totaled \$252,871 and the Town does not have an equity interest in the joint venture. Financial statements may be obtained from the joint venture by contacting them directly.

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

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees.

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

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

The *solid waste fund* is used to account for activity related to the Town's residential curbside pickup and recycling programs.

The *road repair fund* is used to account for activity related to roadway projects reimbursed by the Commonwealth in accordance with Massachusetts General Law Chapter 90, Section 34.

The *Town capital projects fund* is used to account for various governmental capital projects.

The *nonmajor governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

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

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

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

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

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

The following major proprietary fund is reported:

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

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

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities. This fund was established pursuant to the provisions of Massachusetts General Laws Chapter 32B, Section 20.

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

The *agency fund* is primarily used to account for public works and planning board performance bonds, police detail activity and student activity funds but also accounts for any asset that is held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### D. Cash and Investments

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

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

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

#### E. Fair Value Measurements

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

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

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

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

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

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

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

#### F. Accounts Receivable

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

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

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

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year and are normally due on November 1 and May 1. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. The Town has adopted a semi-annual payment system, under which the assessors make a preliminary tax commitment based on prior year's net tax, and it may not exceed 50% of that amount. After the Town sets the actual tax rate, prior to December 31<sup>st</sup>, the assessors make the actual tax commitment. Tax liens are processed within 30 days of the close of the following year end for all taxes that are considered delinquent at that time. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

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

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

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

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

##### ***User Fees***

User fees, which consist of water and solid waste charges, are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and solid waste liens are processed every year and included as a lien on the property owner's tax bill. Water and solid waste charges and liens are recorded as receivables in the year of the levy.



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

### ***Intergovernmental***

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

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

### ***Special Assessments***

Special assessments consist of septic repair betterments.

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

### **G. Inventories**

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

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

### **H. Capital Assets**

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

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

Capital assets (excluding land and construction in process) are depreciated on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives of capital assets being depreciated are as follows:

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

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

#### *Governmental Fund Financial Statements*

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

#### I. Deferred Outflows/Inflows of Resources

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has recorded deferred outflows of resources related to pensions and OPEB in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has recorded deferred inflows of resources related to pensions and OPEB in this category.

##### *Governmental Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

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

J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

K. Interfund Transfers and Operating Subsidy

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

*Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the statement of activities as “Transfers, net.”

*Fund Financial Statements*

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

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

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not factored into the calculation of the net investment of capital assets.

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

Net position has been “restricted for” the following:

“Gifts and grants” – represents amounts held for school and other Town grants and gift funds.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position

and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

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

The governmental fund balance classifications are as follows:

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

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

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

"Assigned" fund balance includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed.

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

#### M. Long-term Debt

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

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

##### *Governmental Fund Financial Statements*

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

#### N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plymouth

County Regional Retirement Association and additions to/deductions from the Association's fiduciary net position have been determined on the same basis as they are reported by the Association. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at market value.

#### O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary fund operations is voluntarily assigned and transferred to the general fund.

#### P. Compensated Absences

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

#### *Government-Wide Financial Statements*

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

#### *Governmental Fund Financial Statements*

Compensated absences are reported in the governmental funds only if they have matured, i.e. unused reimbursable leave still outstanding following a retirement or resignation. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

#### Q. Use of Estimates

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

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

#### R. Total Column

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$10,335,170 and the bank balance totaled \$10,452,902. Of the bank balance, \$1,322,064 was covered by Federal Depository Insurance, \$4,172,676 was covered by the Depositors Insurance Fund insurance, \$4,460,391 was collateralized, and \$497,771 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Town's investment policy addresses custodial credit risk of deposits by limiting unsecured bank deposits to 5% of an institution's assets and no more than 25% of the Town's deposits.

Investments

As of June 30, 2020, the Town had the following investments:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
Debt securities:				
U.S. treasury bonds.....	\$ 230,529	\$ 80,259	\$ 150,270	\$ -
Government sponsored enterprises.....	145,644	-	120,605	25,039
Corporate bonds.....	405,919	40,259	365,660	-
Total debt securities.....	782,092	\$ 120,518	\$ 636,535	\$ 25,039
Other investments:				
Equity securities.....	220,438			
Fixed income mutual funds.....	135,154			
Money market mutual funds.....	217,485			
Total investments.....	\$ 1,355,169			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$230,529 in United States Treasury bonds, \$145,644 in Government Sponsored Enterprises, \$405,919 in Corporate Bonds and \$220,438 in Equity Securities are subject to custodial credit risk. The Town's investment policy addresses custodial credit risk of investments by requiring a review the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates, which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the market interest rates. The Town manages interest rate risk by managing the duration of its investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk. Equity securities and equity mutual funds are not rated as to credit risk. The Town's investment policy addresses credit risk by placing no limit on investments in U.S. Government Obligations. Other investments are limited to investment grade securities with a high concentration in securities rated A or better. The Town may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit on the investment amount.

The credit ratings of the Town's fixed income investments are as follows:

<u>Quality Rating</u>	<u>U.S. Treasury Bonds</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ -	\$ 10,076
AA.....	230,529	-	-
AA+.....	-	145,644	-
A+.....	-	-	55,882
A-.....	-	-	161,474
BBB.....	-	-	75,149
BBB+.....	-	-	103,338
Total.....	\$ <u>230,529</u>	\$ <u>145,644</u>	\$ <u>405,919</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. The Town will minimize the concentration of credit risk by diversifying the investment portfolio, so that the impact of potential losses from any one type of security or issuer will be minimized. The Town has investments in one entity, Well Fargo corporate bonds, that exceeds 5% of the total investments.

Fair Value of Investments

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

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

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 230,529	\$ 230,529	\$ -	\$ -
Government sponsored enterprises.....	145,644	145,644	-	-
Corporate bonds.....	405,919	-	405,919	-
Total debt securities.....	782,092	376,173	405,919	-
<u>Other investments:</u>				
Equity securities.....	220,438	220,438	-	-
Fixed income mutual funds.....	135,154	135,154	-	-
Money market mutual funds.....	217,485	217,485	-	-
Total other investments.....	573,077	573,077	-	-
Total investments measured at fair value.....	\$ 1,355,169	\$ 949,250	\$ 405,919	\$ -

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



**NOTE 3 – RECEIVABLES**

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 757,930	\$ (65,984)	\$ 691,946
Tax liens.....	1,395,179	-	1,395,179
Motor vehicle and other excise taxes.....	197,837	(51,261)	146,576
User charges.....	105,840	-	105,840
Departmental and other.....	1,421,765	(575,182)	846,583
Intergovernmental - other.....	1,722,965	-	1,722,965
Total.....	\$ <u>5,601,516</u>	\$ <u>(692,427)</u>	\$ <u>4,909,089</u>

At June 30, 2020, receivables for the water enterprise fund consists of \$281,989 of user charges and \$55 of tax liens.

Governmental funds report *unavailable revenue* in connection with receivables for revenues and advance collections that are not considered to be available to liquidate liabilities of the current period.

At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Solid Waste Fund	Road Repair Fund	Other Governmental Funds	Total
<u>Receivables:</u>					
Real estate and personal property taxes.....	\$ 463,460	\$ -	\$ -	\$ -	\$ 463,460
Tax liens.....	1,395,179	-	-	-	1,395,179
Motor vehicle and other excise taxes.....	146,576	-	-	-	146,576
User charges.....	-	-	-	105,840	105,840
Departmental and other.....	753,472	93,111	-	-	846,583
Intergovernmental - highway improvements..	-	-	718,791	-	718,791
Intergovernmental - other.....	82,539	-	-	132,174	214,713
Total.....	\$ <u>2,841,226</u>	\$ <u>93,111</u>	\$ <u>718,791</u>	\$ <u>238,014</u>	\$ <u>3,891,142</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,683,770	\$ -	\$ -	\$ 3,683,770
Construction in progress.....	81,668	-	(81,668)	-
Total capital assets not being depreciated....	3,765,438	-	(81,668)	3,683,770
<u>Capital assets being depreciated:</u>				
Buildings and related improvements.....	17,978,786	2,043,646	-	20,022,432
Improvements other than buildings.....	1,408,018	-	-	1,408,018
Equipment, machinery & vehicles.....	4,755,004	470,169	(235,768)	4,989,405
Infrastructure.....	29,366,071	-	-	29,366,071
Total capital assets being depreciated.....	53,507,879	2,513,815	(235,768)	55,785,926
<u>Less accumulated depreciation for:</u>				
Buildings and related improvements.....	(9,908,351)	(600,648)	-	(10,508,999)
Improvements other than buildings.....	(960,591)	(67,310)	-	(1,027,901)
Equipment, machinery & vehicles.....	(2,643,504)	(350,876)	183,306	(2,811,074)
Infrastructure.....	(18,017,186)	(762,702)	-	(18,779,888)
Total accumulated depreciation.....	(31,529,632)	(1,781,536)	183,306	(33,127,862)
Total capital assets being depreciated, net.....	21,978,247	732,279	(52,462)	22,658,064
Total governmental activities capital assets, net.....	\$ 25,743,685	\$ 732,279	\$ (134,130)	\$ 26,341,834
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 626,301	\$ -	\$ -	\$ 626,301
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	47,853	-	-	47,853
Equipment, machinery & vehicles.....	381,559	32,480	-	414,039
Infrastructure.....	13,694,476	-	-	13,694,476
Total capital assets being depreciated.....	14,123,888	32,480	-	14,156,368
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(37,839)	(960)	-	(38,799)
Equipment, machinery & vehicles.....	(353,806)	(12,177)	-	(365,983)
Infrastructure.....	(5,823,172)	(224,472)	-	(6,047,644)
Total accumulated depreciation.....	(6,214,817)	(237,609)	-	(6,452,426)
Total capital assets being depreciated, net.....	7,909,071	(205,129)	-	7,703,942
Total water activities capital assets, net.....	\$ 8,535,372	\$ (205,129)	\$ -	\$ 8,330,243

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

**Governmental Activities:**

General government.....	\$	29,577
Public safety.....		269,460
Education.....		464,987
Public works.....		1,004,002
Health and human services.....		1,250
Culture and recreation.....		12,260
Total depreciation expense - governmental activities.....	\$	<u>1,781,536</u>

**Business-Type Activities:**

Water operations.....	\$	<u>237,609</u>
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**NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES**

There are no interfund balances, receivables, or payables reported at June 30, 2020.

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

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 31,478	\$ 31,478
Nonmajor governmental funds.....	31,612	-	31,612
Solid waste fund.....	14,450	-	14,450
Total.....	\$ <u>46,062</u>	\$ <u>31,478</u>	\$ <u>77,540</u>

Transfers represent various items voted to fund the 2020 budget, voted transfers to nonmajor governmental funds and the close out of various old balances.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the year ended June 30, 2020, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
<b>Governmental Funds:</b>							
BAN	Fire Suppression.....	2.50%	05/21/20	\$ 1,833,000	\$ -	\$ (1,833,000)	\$ -
	Fire Suppression.....	2.00%	01/29/21	-	1,833,000	(1,605,000)	228,000
Total Governmental Funds.....				<u>\$ 1,833,000</u>	<u>\$ 1,833,000</u>	<u>\$ (3,438,000)</u>	<u>\$ 228,000</u>

On November 5, 2020, the Town issued \$1,605,000 of long-term bonds. The proceeds of these bonds were used to permanently finance \$1,605,000 of bond anticipation notes (BANs) issued during 2020 and due on January 29, 2021. Accordingly, these BANs have been presented as long-term debt in the financial statements. The remaining balance of \$228,000 of BANs were paid down with available funds at the due date.

## NOTE 7 – LONG-TERM DEBT

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

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

### Bond Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Landfill Capping.....	2023	\$ 1,375,000	3.8-4.0%	\$ 270,000
School Fire Suppression.....	2039	195,000	3.0-5.0%	185,000
School Roof Repair.....	2039	3,695,000	3.0-5.0%	3,505,000
School Fire Suppression.....	2036	1,605,000	2.0-5.0%	1,605,000
Subtotal General Obligation Bonds Payable.....				<u>5,565,000</u>
Massachusetts Clean Water Trust, Septic Betterment ....	2021	197,403	0.00	10,200
Massachusetts Clean Water Trust, Pool Program.....	2026	200,000	0.00	60,000
Subtotal Direct Borrowing Payable.....				<u>70,200</u>
Add: Unamortized premium on bonds.....				<u>95,620</u>
Total Bonds Payable, net.....				<u>\$ 5,730,820</u>

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

Year	General Obligation Bonds			Direct Borrowings	
	Principal	Interest	Total	Principal	Total
2021.....\$	290,000	\$ 152,882	\$ 442,882	\$ 20,200	\$ 463,082
2022.....	405,000	140,169	545,169	10,000	555,169
2023.....	400,000	126,456	526,456	10,000	536,456
2024.....	310,000	116,600	426,600	10,000	436,600
2025.....	310,000	110,600	420,600	10,000	430,600
2026.....	310,000	102,600	412,600	10,000	422,600
2027.....	310,000	92,600	402,600	-	402,600
2028.....	310,000	84,600	394,600	-	394,600
2029.....	310,000	78,600	388,600	-	388,600
2030.....	305,000	71,600	376,600	-	376,600
2031.....	305,000	63,600	368,600	-	368,600
2032.....	305,000	55,600	360,600	-	360,600
2033.....	305,000	47,600	352,600	-	352,600
2034.....	300,000	39,600	339,600	-	339,600
2035.....	300,000	31,600	331,600	-	331,600
2036.....	300,000	23,600	323,600	-	323,600
2037.....	200,000	15,600	215,600	-	215,600
2038.....	200,000	7,600	207,600	-	207,600
2039.....	90,000	1,800	91,800	-	91,800
Total.....	\$ 5,565,000	\$ 1,363,307	\$ 6,928,307	\$ 70,200	\$ 6,998,507

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

Purpose	Amount
Halifax Elem. School Roof & Repairs.....	\$ 3,499,955
Halifax Elementary School Fire Suppression.....	5,056
Popes Tavern Renovation & Expansion.....	1,895,998
Total.....	\$ 5,401,009

**Changes in Long-term Liabilities** – During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 4,250,000	\$ 1,605,000	\$ (290,000)	\$ -	\$ -	\$ 5,565,000	\$ 290,000
Add: unamortized premium on bonds.....	112,252	-	-	-	(16,632)	95,620	10,260
From direct borrowings and placements.....	90,600	-	(20,400)	-	-	70,200	20,200
Total bonds payable.....	4,452,852	1,605,000	(310,400)	-	(16,632)	5,730,820	320,460
Landfill closure and monitoring.....	340,000	-	-	-	(20,000)	320,000	20,000
Compensated absences.....	917,668	-	-	27,817	-	945,485	94,549
Net pension liability.....	10,892,795	-	-	3,462,176	(4,085,523)	10,269,448	-
Other postemployment benefits.....	12,583,179	-	-	1,376,524	(532,626)	13,427,077	-
Total governmental activity long-term liabilities.....	\$ 29,186,494	\$ 1,605,000	\$ (310,400)	\$ 4,866,517	\$ (4,654,781)	\$ 30,692,830	\$ 435,009
<b>Business-Type Activities:</b>							
Compensated absences.....	\$ 7,096	\$ -	\$ -	\$ -	\$ 721	\$ 7,817	\$ 782
Net pension liability.....	695,285	-	-	220,990	(260,778)	655,497	-
Other postemployment benefits.....	190,887	-	-	14,126	(1,016)	203,997	-
Total business-type activity long-term liabilities.....	\$ 893,268	\$ -	\$ -	\$ 235,116	\$ (261,073)	\$ 867,311	\$ 782

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. These categories of fund balance are further discussed in Note 1.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The Town's highest level of decision making authority is the Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with Statement No. 54, the stabilization fund has been reported in the general fund. At year end the balance of the general Town stabilization fund is \$844,000. The stabilization funds are reported as unassigned fund balance within the general fund.

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

	General	Solid Waste Fund	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Restricted for:					
Town Capital Projects.....\$	- \$	- \$	1,596,777 \$	- \$	1,596,777
Solid Waste.....	-	300,383	-	-	300,383
School Lunch.....	-	-	-	34,386	34,386
Receipts Reserved for Appropriation.....	-	-	-	67,980	67,980
Revolving Funds.....	-	-	-	240,760	240,760
Gifts and Grants.....	-	-	-	90,665	90,665
Other Special Revenue.....	-	-	-	19,922	19,922
Title V Assessment.....	-	-	-	236,130	236,130
Federal and State Grant Funds.....	-	-	-	554,249	554,249
Permanent Funds Subtype.....	-	-	-	504,693	504,693
Fund Balance Reserved for Bond Premium...	1,786	-	-	-	1,786
Assigned to:					
Encumbrances:					
General government.....	356,830	-	-	-	356,830
Public safety.....	37,662	-	-	-	37,662
Education.....	190,625	-	-	-	190,625
Public works.....	678,028	-	-	-	678,028
Health and human services.....	6,398	-	-	-	6,398
Culture and recreation.....	118	-	-	-	118
Employee benefits.....	726	-	-	-	726
Unassigned.....	3,957,151	-	-	-	3,957,151
Total Fund Balances.....	\$ 5,229,324	\$ 300,383	\$ 1,596,777	\$ 1,748,785	\$ 8,875,269

## NOTE 9 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees, unemployment claims and natural disasters. The Town carries commercial insurance for all risks except health insurance and unemployment claims.

The Town belongs to the Mayflower Municipal Health Group (“Group”) a joint purchasing group, formed pursuant to Massachusetts General law Chapter 32B, Section 12 to provide health insurance benefits. The Town pays premiums to the Group based on a 50\50 Town/Employee split. The Town budgets annually, in the general fund for its share of contributions. The Group maintains reinsurance coverage for claims in excess of \$300,000, per participant per lifetime. Additional information can be obtained by contacting the Group’s treasurer at Mayflower Municipal Health Group, PO Box 3390, Plymouth, MA 02361.

The Town is self-insured for its unemployment compensation claims. The Town has determined that any associated liability is immaterial as of June 30, 2020.

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

The Town is a member of the Plymouth County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the member units. The Association is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The Association issues a publicly available audited financial report. That report may be obtained by contacting the Association located at 10 Cordage Circle, Suite 234, Plymouth, Massachusetts 02360 or by visiting [www.pcr-ma.org/](http://www.pcr-ma.org/) or [www.mass.gov/perac](http://www.mass.gov/perac).

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

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$1,494,598 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$12,324,814 as of the measurement date.

*Benefits Provided*

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

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the



pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the Association at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the PCRA a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended June 30, 2020, which was \$1,181,789 or 24.63% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

### *Pension Liabilities*

At June 30, 2020, the Town reported a liability of \$10,924,945 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 1.60%; as compared to its proportion measured at December 31, 2018 of 1.58%.

### *Pension Expense*

For the year ended June 30, 2020, the Town recognized pension expense of \$1,656,457. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$1,581,846 and deferred inflows of resources related to pensions of \$454,240.

The balances of deferred outflows and inflows at June 30, 2020, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,237,471	\$ -	\$ 1,237,471
Net difference between projected and actual earnings.....	-	(229,345)	(229,345)
Changes in assumptions.....	170,399	(35,514)	134,885
Changes in proportion and proportionate share of contributions...	173,976	(189,381)	(15,405)
Total deferred outflows/(inflows) of resources.....	\$ 1,581,846	\$ (454,240)	\$ 1,127,606

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

Year ended June 30:

2021.....	\$	460,439
2022.....		413,104
2023.....		478,918
2024.....		<u>(224,855)</u>
Total.....	\$	<u>1,127,606</u>

### Actuarial Assumptions

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

Valuation date..... January 1, 2020

Actuarial cost method..... Individual Entry Age Normal Cost Method.

Asset valuation method..... Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.

Projected salary increases..... 3.75% per year.

Cost of living adjustments..... 3.0% of the first \$16,000 of retirement income. Previously \$14,000.

Rates of disability..... For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).

Mortality Rates..... It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

Investment rate of return/Discount rate.. 7.875% nominal rate, net of investment expense.

*Investment policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	26.00%	7.40%
International developed equity....	6.00%	7.90%
Emerging markets equity.....	10.00%	9.10%
Global equity.....	10.00%	7.80%
Core bonds.....	9.00%	3.00%
Value-added fixed income.....	6.00%	4.90%
Hedge funds.....	4.00%	4.00%
Real estate.....	10.00%	7.50%
Private equity.....	13.00%	9.40%
Real assets.....	6.00%	7.50%
Total.....	<u>100.00%</u>	

*Rate of return*

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability, calculated using the discount rate of 7.875%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1-percentage-point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Current Discount (7.875%)	1% Increase (8.875%)
The Town's proportionate share of the net pension liability .....	\$ 13,836,991	\$ 10,924,945	\$ 8,388,485

*Changes in Assumptions* – None.

*Changes in Plan Provisions* – The cost of living adjustment assumption was updated from 3.0% of the first \$14,000 of retirement income to 3.0% of the first \$16,000 of retirement income.

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

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

*Funding Policy* – The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining percentage of their premium costs. For 2020, the Town's contribution to the plan totaled \$533,642. The Town's average contribution rate was 5.44% of covered-employee payroll.

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

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. The Town has pre-funded future OPEB liabilities by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$357,110.

*Investment policy* – The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan's assets are managed

on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

*Plan Membership* – The following table represents the Plan's membership at June 30, 2020:

Active members.....	130
Inactive members currently receiving benefits.....	<u>119</u>
Total.....	<u><u>249</u></u>

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

Total OPEB liability.....	\$	13,988,184
Less: OPEB plan's fiduciary net position.....		<u>(357,110)</u>
Net OPEB liability.....	\$	<u><u>13,631,074</u></u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		2.55%

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

Valuation date.....	July 1, 2018
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market Value of Assets as of the Measurement Date, June 30, 2020.
Investment rate of return.....	6.72%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Discount rate.....	4.00%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50%, as of June 30, 2020 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2020 and for future periods.

## Mortality rates:

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

**Rate of return** – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 4.47% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.97%.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	20.00%	4.80%
Domestic equity - small/mid cap.....	10.00%	5.29%
International equity - developed market.....	10.00%	5.45%
International equity - emerging market.....	5.00%	6.42%
Domestic fixed income.....	25.00%	2.05%
International fixed income.....	10.00%	3.00%
Alternatives.....	20.00%	6.50%
Real estate.....	0.00%	6.25%
Total.....	100.00%	

**Discount rate** – The discount rate used to measure the total OPEB liability was 4.00% as of June 30, 2020 which decreased from 4.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to the projected future benefits payments and a yield or index rate for 20 year, tax exempt general

obligation municipal bonds with an average rate of AA/Aa or higher, which was based on the S&P Municipal Bond 20 – Year High Grade Index as of June 30, 2020, was applied to all periods thereafter.

### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 13,086,832	\$ 312,766	\$ 12,774,066
Changes for the year:			
Service cost.....	461,151	-	461,151
Interest.....	565,324	-	565,324
Net investment income.....	-	8,344	(8,344)
Changes in assumptions.....	438,301	-	438,301
Differences between expected and actual experience..	(65,782)	-	(65,782)
Employer contributions to trust.....	-	533,642	(533,642)
Benefit payments.....	(497,642)	(497,642)	-
Net change.....	901,352	44,344	857,008
Balances at June 30, 2020.....	\$ 13,988,184	\$ 357,110	\$ 13,631,074

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 4.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current rate.

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability.....	\$ 15,865,812	\$ 13,631,074	\$ 11,855,386

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend** – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 4.50%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 11,636,982	\$ 13,631,074	\$ 16,187,297

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended June 30, 2020, the Town recognized OPEB expense of \$707,612. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 580,270	\$ (3,392,262)	\$ (2,811,992)
Net difference between projected and actual earnings.....	15,062	-	15,062
Changes in assumptions.....	912,412	-	912,412
Total deferred outflows/(inflows) of resources.....	\$ 1,507,744	\$ (3,392,262)	\$ (1,884,518)

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

Measurement date year ended June 30:

2021.....	\$ (296,657)
2022.....	(708,239)
2023.....	(780,978)
2024.....	(114,343)
2025.....	15,699
Total.....	\$ (1,884,518)

*Changes of Assumptions* – The discount rate has been changed from 4.25% to 4.00%, and the inflation rate has been changed from 2.75% to 2.50%.

*Changes in Plan Provisions* – None.

## NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2020, \$320,000 has been reported on the Town's statement of net position as an estimated liability for post-closure monitoring costs of the landfill, through 2036. Actual costs may change due to regulatory authorities, changing technology, and inflation.



**NOTE 13 – COMMITMENTS**

The Town is currently authorized to commit and expend \$3.5 million related to the elementary school project, and \$1.9 million to complete the Popes Tavern renovation and expansion project.

**NOTE 14 – CONTINGENCIES**

The Town participates in a number of federal award programs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

**NOTE 15 – COVID-19**

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

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

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 8, 2021, which is the date the financial statements were available to be issued.

**NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2020, the following GASB pronouncement was implemented:

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

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

## ***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 16,916,016	\$ 16,916,016	\$ 16,916,016	\$ 16,893,047	\$ -	\$ (22,969)
Motor vehicle and other excise taxes.....	-	1,249,000	1,249,000	1,249,000	1,162,323	-	(86,677)
Charges for services.....	-	477,490	477,490	477,490	650,997	-	173,507
Penalties and interest on taxes.....	-	175,000	175,000	175,000	230,910	-	55,910
Licenses and permits.....	-	125,000	125,000	125,000	144,120	-	19,120
Intergovernmental - other.....	-	4,260,612	4,260,612	4,260,612	4,440,098	-	179,486
Departmental and other.....	-	60,700	60,700	60,700	374,612	-	313,912
Investment income.....	-	8,000	8,000	8,000	23,545	-	15,545
TOTAL REVENUES.....	-	23,271,818	23,271,818	23,271,818	23,919,652	-	647,834
<b>EXPENDITURES:</b>							
Current:							
General government.....	346,626	1,759,246	2,105,872	2,170,417	1,612,792	356,830	200,795
Public safety.....	49,465	3,515,200	3,564,665	3,573,690	3,368,027	37,662	168,001
Education.....	86,880	13,277,336	13,364,216	13,331,846	12,909,769	190,625	231,452
Public works.....	989,969	1,412,250	2,402,219	2,394,019	1,566,934	678,028	149,057
Health and human services.....	5,750	577,649	583,399	596,546	523,344	6,398	66,804
Culture and recreation.....	50	393,156	393,206	393,206	363,986	118	29,102
Pension benefits.....	-	1,181,789	1,181,789	1,181,789	1,165,882	-	15,907
Employee benefits.....	5,360	1,483,270	1,488,630	1,487,483	1,430,573	726	56,184
State and county charges.....	36,748	192,121	228,869	228,869	234,246	-	(5,377)
Debt service:							
Principal.....	172,159	117,841	290,000	290,000	290,000	-	-
Interest.....	-	327,738	327,738	327,738	292,908	-	34,830
TOTAL EXPENDITURES.....	1,693,007	24,237,596	25,930,603	25,975,603	23,758,461	1,270,387	946,755
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,693,007)	(965,778)	(2,658,785)	(2,703,785)	161,191	(1,270,387)	1,594,589
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in.....	-	130,233	130,233	130,233	184,562	-	54,329
Transfers out.....	-	(197,383)	(197,383)	(197,383)	(335,506)	-	(138,123)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(67,150)	(67,150)	(67,150)	(150,944)	-	(83,794)
NET CHANGE IN FUND BALANCE.....	(1,693,007)	(1,032,928)	(2,725,935)	(2,770,935)	10,247	(1,270,387)	1,510,795
BUDGETARY FUND BALANCE, Beginning of year.....	-	4,277,515	4,277,515	4,277,515	4,277,515	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (1,693,007)	\$ 3,244,587	\$ 1,551,580	\$ 1,506,580	\$ 4,287,762	\$ (1,270,387)	\$ 1,510,795

See notes to required supplementary information.

# ***Pension Plan Schedules***

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

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

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT ASSOCIATION**

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2019.....	1.601%	\$ 10,924,945	\$ 4,704,986	232.20%	43.07%
December 31, 2018.....	1.576%	11,588,080	5,064,885	228.79%	56.11%
December 31, 2017.....	1.631%	8,888,119	5,210,403	170.58%	65.56%
December 31, 2016.....	1.595%	10,103,681	5,010,003	201.67%	58.32%
December 31, 2015.....	2.150%	13,619,585	5,333,530	255.36%	56.80%
December 31, 2014.....	2.150%	12,517,560	5,140,752	243.50%	58.90%

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT ASSOCIATION**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2020.....	\$ 1,181,789	\$ (1,181,789)	\$ -	\$ 4,799,086	24.63%
June 30, 2019.....	1,145,686	(1,145,686)	-	5,166,183	22.18%
June 30, 2018.....	1,129,620	(1,129,620)	-	5,314,611	21.25%
June 30, 2017.....	1,090,406	(1,090,406)	-	5,110,203	21.34%
June 30, 2016.....	1,287,561	(1,287,561)	-	5,440,201	23.67%
June 30, 2015.....	1,191,129	(1,191,129)	-	5,243,567	22.72%

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

See notes to required supplementary information.

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

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

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2020.....	\$ 12,324,814	\$ 1,494,598	53.95%
2019.....	11,883,654	1,204,236	54.84%
2018.....	11,498,205	1,200,101	54.25%
2017.....	11,561,285	1,179,327	52.73%
2016.....	10,743,539	871,396	55.38%
2015.....	8,315,860	577,737	61.64%

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

See notes to required supplementary information.



# ***Other Postemployment Benefits Plan Schedules***

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

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

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

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

	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
<b>Total OPEB Liability</b>					
Service Cost.....	\$ 641,713	\$ 690,747	\$ 519,257	\$ 425,597	\$ 461,151
Interest.....	489,214	590,174	863,534	725,097	565,324
Differences between expected and actual experience....	2,564,102	(55,834)	(871,730)	(5,376,838)	(65,782)
Changes of assumptions.....	-	-	(3,235,973)	904,704	438,301
Benefit payments.....	(368,764)	(388,896)	(427,943)	(449,805)	(497,642)
Net change in total OPEB liability.....	3,326,265	836,191	(3,152,855)	(3,771,245)	901,352
Total OPEB liability - beginning.....	15,848,476	19,174,741	20,010,932	16,858,077	13,086,832
Total OPEB liability - ending (a).....	<u>\$ 19,174,741</u>	<u>\$ 20,010,932</u>	<u>\$ 16,858,077</u>	<u>\$ 13,086,832</u>	<u>\$ 13,988,184</u>
<b>Plan fiduciary net position</b>					
Employer contributions.....	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 36,000
Employer contributions for OPEB payments.....	368,764	388,896	427,943	449,805	497,642
Net investment income.....	3,260	15,408	1,712	11,212	8,344
Benefit payments.....	(368,764)	(388,896)	(427,943)	(449,805)	(497,642)
Net change in plan fiduciary net position.....	38,260	50,408	36,712	46,212	44,344
Plan fiduciary net position - beginning of year.....	141,174	179,434	229,842	266,554	312,766
Plan fiduciary net position - end of year (b).....	<u>\$ 179,434</u>	<u>\$ 229,842</u>	<u>\$ 266,554</u>	<u>\$ 312,766</u>	<u>\$ 357,110</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u><b>\$ 18,995,307</b></u>	<u><b>\$ 19,781,090</b></u>	<u><b>\$ 16,591,523</b></u>	<u><b>\$ 12,774,066</b></u>	<u><b>\$ 13,631,074</b></u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.94%	1.15%	1.58%	2.39%	2.55%
Covered-employee payroll.....	\$ 8,249,689	\$ 8,249,689	\$ 8,497,180	\$ 9,527,659	\$ 9,813,489
Net OPEB liability as a percentage of covered-employee payroll.....	230.25%	239.78%	195.26%	134.07%	138.90%

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

See notes to required supplementary information.

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

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2020.....	\$ 1,219,119	\$ (533,642)	\$ 685,477	\$ 9,813,489	5.44%
June 30, 2019.....	1,155,872	(484,805)	671,067	9,527,659	5.09%
June 30, 2018.....	1,650,114	(462,943)	1,187,171	8,497,180	5.45%
June 30, 2017.....	1,670,569	(423,896)	1,246,673	8,249,689	5.14%
June 30, 2016.....	1,634,432	(423,896)	1,210,536	8,249,689	5.14%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	2.52%
June 30, 2019.....	3.95%
June 30, 2018.....	5.07%
June 30, 2017.....	7.84%
June 30, 2016.....	2.31%

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

See notes to required supplementary information.

**NOTE A – BUDGETARY BASIS OF ACCOUNTING****A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Board of Selectmen prepares the budget for all Town Departments except for School, which is prepared by the School Committee. The budget, is then presented, at Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations among departments require the approval of Town Meeting. Transfers within departments and between certain categories of expenditures can be made with Board of Selectmen and School Committee approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board of Selectmen and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 approved budget authorized approximately \$26.1 million in appropriations and other amounts to be raised. Included in this amount were carryforwards from prior years. During 2020, \$45,000 of supplemental appropriations were approved by Town Meeting increasing the final budget.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Budgetary - GAAP Reconciliation**

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) is followed, which differs from the GAAP basis of accounting.

A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$ 10,247
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP .....	240,927
<u>Basis of accounting differences:</u>	
Tax refunds payable.....	(41,600)
Net change in recording 60-day receipts accrual.....	117,258
Recognition of revenue for on-behalf payments.....	1,494,598
Recognition of expenditures for on-behalf payments.....	<u>(1,494,598)</u>
Net change in fund balance - GAAP basis.....	\$ <u>326,832</u>

## NOTE B – PENSION PLAN

### *Pension Plan Schedules*

#### A. Schedule of the Town's Proportionate Share of the Net Pension Liability

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

#### B. Schedule of Town's Contributions

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

#### C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

D. Changes in Assumptions:

None.

E. Changes in Plan Provisions:

The cost of living adjustment assumption was updated from 3.0% of the first \$14,000 of retirement income to 3.0% of the first \$16,000 of retirement income.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare Plan. The Plan provides lifetime healthcare and prescription drug coverage for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members.

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

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

B. Schedule of the Town's Contributions

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

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

Valuation date.....	July 1, 2018
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market Value of Assets as of the Measurement Date, June 30, 2020.
Investment rate of return.....	6.72%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Discount rate.....	4.00%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50%, as of June 30, 2020 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2020 and for future periods.
Mortality rates:	
Pre-Retirement Mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Teacher: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement Mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teacher: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled Mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward one year. Teacher: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

### C. Schedule of Investment Returns

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



D. Changes of Assumptions

The discount rate has been changed from 4.25% to 4.00%, and the inflation rate has been changed from 2.75% to 2.5%.

E. Changes in Provisions

None.

***Report on Internal Control over  
Financial Reporting and on Compliance***



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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Halifax, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Halifax, Massachusetts, (the "Town") 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, and have issued our report thereon dated March 8, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Powers + Sullivan, LLC*

March 8, 2021