



TOWN OF AVON, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Avon, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Avon, 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 as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Greenfield, Massachusetts
Ellsworth, Maine

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

Other Matters

Required Supplementary Information

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

Andover, Massachusetts
February 16, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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 two categories: governmental funds and fiduciary funds.

Governmental Funds

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. Fiduciary fund financial statements are reported using the flow of economic resources management 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.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (Other Than MD&A)

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$33,195,264, a change of \$(1,145,202), as further discussed on page 7.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$27,177,791, a change of \$14,465,537 in comparison to the prior year as further discussed on pages 7 through 9.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,265,616, a change of \$1,226,179 in comparison to the prior year, as discussed further on pages 7 and 8.

Government-Wide Financial Analysis

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

NET POSITION

	Governmental Activities	
	2020	2019
Current and other assets	\$ 31,172,494	\$ 28,838,688
Capital assets, net	<u>50,422,246</u>	<u>48,146,769</u>
Total assets	81,594,740	76,985,457
Deferred outflows of resources	4,985,357	7,260,014
Long-term liabilities	48,943,389	34,353,190
Other liabilities	<u>1,501,090</u>	<u>12,403,590</u>
Total liabilities	50,444,479	46,756,780
Deferred inflows of resources	2,940,354	3,148,225
Net position:		
Net investment in capital assets	34,593,722	34,656,056
Restricted	3,497,040	5,201,300
Unrestricted	<u>(4,895,498)</u>	<u>(5,516,890)</u>
Total net position	<u>\$ 33,195,264</u>	<u>\$ 34,340,466</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$33,195,264, a change of \$(1,145,202) in comparison to the prior year.

The largest portion of net position, \$34,593,722, reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$3,497,040, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(4,895,498), primarily resulting from unfunded pension and OPEB liabilities.

The following is a summary of condensed government-wide statement of changes in net position financial data for the current and prior fiscal years:

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,442,415	\$ 1,902,862
Operating grants and contributions	6,752,762	6,083,969
General revenues:		
Property taxes	21,215,363	20,364,552
Excise taxes	1,218,861	1,212,670
Penalties, interest, and other taxes	159,519	196,717
Grants and contributions not restricted to specific programs	847,339	861,178
Investment income	457,127	869,594
Other	<u>1,055,655</u>	<u>304,032</u>
Total revenues	33,149,041	31,795,574
Expenses		
General government	3,171,262	2,720,218
Public safety	6,201,068	5,558,894
Education	17,891,951	17,022,776
Public works	4,901,512	3,376,030
Health and human services	594,945	597,638
Culture and recreation	709,419	678,051
Interest on long-term debt	<u>824,086</u>	<u>673,281</u>
Total expenses	<u>34,294,243</u>	<u>30,626,888</u>
Change in net position	(1,145,202)	1,168,686
Net position - beginning of year	<u>34,340,466</u>	<u>33,171,780</u>
Net position - end of year	<u><u>\$ 33,195,264</u></u>	<u><u>\$ 34,340,466</u></u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(1,145,202). Key elements of this change are as follows:

Increase in net OPEB liability and related deferrals	\$ (751,949)
Change in accrued interest on long-term bonds	(313,021)
Other	<u>(80,232)</u>
Total	<u>\$ (1,145,202)</u>

The primary reasons for the decrease in net position relate to long-term liabilities, primarily the net OPEB liability and accrued interest on long-term debt. The decrease in net position related to OPEB is from the recognition of changes to the mortality assumptions and plan experience, while the increase in interest expense relates to the Town issuing \$14.9M in general obligation bonds during fiscal year 2020 and accruing the related interest through year end.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,265,616, while total fund balance was \$18,515,044. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of Total General Fund Expenditures*</u>
Unassigned fund balance	\$ 7,265,616	\$ 6,039,437	\$ 1,226,179	27.0%
Total fund balance	\$ 18,515,044	\$ 17,453,437	\$ 1,061,607	68.9%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$1,263,528.

The total fund balance of the general fund changed by \$1,061,607 during the current fiscal year. Key factors in this change are as follows:

General Fund

Use of free cash and overlay surplus as a funding source	\$ (1,587,027)
Revenues and transfers in greater than budget	828,386
Expenditures less than budget	1,681,011
Change in encumbrances	(92,741)
Change in stabilization accounts	<u>231,978</u>
Total	<u>\$ 1,061,607</u>

While the Town planned to use \$1.6M in free cash and overlay, the Town was largely able to regenerate it through positive budgetary results. Revenues and transfers in greater than budget was largely driven by the sale of abandoned property on Memorial Drive along with closing prior year grant balances for which expenditures were previously incurred in the general fund. Expenditures less than budget were largely driven by savings in health insurance due to premiums coming in lower than originally planned, coupled with savings from unfilled positions, decrease in capital related expenditures, and savings from programs canceled due to the COVID-19 pandemic in the last quarter of the fiscal year.

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>Fund Balance Classification</u>
Stabilization - general	\$ 2,728,399	\$ 2,653,352	\$ 75,047	Unassigned
Stabilization - MTBE	4,321,499	4,186,109	135,390	Committed
Stabilization - Police / Fire building	1,383,966	1,367,626	16,340	Committed
Stabilization - Butler school parking lot	362,710	358,740	3,970	Committed
Stabilization - Capital planning	101,408	100,177	1,231	Committed
Stabilization - Page Street water tank	<u>2,037</u>	<u>2,037</u>	<u>-</u>	Committed
Total	<u>\$ 8,900,019</u>	<u>\$ 8,668,041</u>	<u>\$ 231,978</u>	

Other Major Funds

The receipts reserved for appropriation fund accounts for proceeds that are earmarked by law and placed in a separate account for appropriation of particular purposes. At the end of the current fiscal year, fund balance of the receipts reserved for appropriation fund was \$800,802, a change of \$217,702 in comparison to the prior year. The primary reason for the change is the collection of ambulance fees for services provided greater than the budgetary support provided.

The police and fire building capital project fund accounts for all activity related to financing and renovations at the police and fire facilities. At the end of the current fiscal year, fund balance of the police and fire building capital project fund was \$4,239,313, a change of \$9,596,796 in comparison to the prior year. The primary reason for the change is the Town issued long-term general

obligations bonds and premiums to finance the related construction, which was spent down in the current year and will continue in fiscal year 2021.

Non-Major Governmental Funds

The non-major fund balance changed by \$3,589,432, primarily resulting from the Town issuing long-term general obligations bonds and premiums to finance the Brentwood area water main project, which was spent down in the current year and will continue in fiscal year 2021.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$6,392,078, relating to carryforwards of prior year encumbrances along with articles to be spent on debt service and prior year bills, funded by free cash.

Significant budget variations were previously discussed in the prior section.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental activities at year-end amounted to \$50,422,246 (net of accumulated depreciation), a change of \$2,275,477 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, infrastructure, and machinery equipment, and vehicles.

Governmental Additions

- \$ 954,536 for the Police and Fire building construction
- \$ 2,309,153 for the Brentwood area water main improvements
- \$ 300,000 for Butler School parking lot land
- \$ 243,102 for public safety vehicles, equipment, and software
- \$ 218,936 for Library renovations
- \$ 267,979 for other capital items

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$21,923,615, all of which was backed by the full faith and credit of the Town.

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

Requests for Information

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

Town Accountant
Town Hall
65 East Main Street
Avon, Massachusetts 02322

TOWN OF AVON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 20,944,012
Investments	7,019,407
Receivables, net of allowance for uncollectibles:	
Property taxes	616,748
Excises	168,093
User fees	101,906
Departmental and other	683,956
Intergovernmental	<u>1,249,643</u>
Total Current Assets	30,783,765
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	388,729
Capital assets being depreciated, net	38,155,411
Capital assets not being depreciated	<u>12,266,835</u>
Total Noncurrent Assets	<u>50,810,975</u>
Total Assets	81,594,740
Deferred Outflows of Resources	
Related to pensions	1,087,835
Related to OPEB	<u>3,897,522</u>
Total Deferred Outflows of Resources	4,985,357
Liabilities	
Current:	
Warrants payable	267,517
Accrued liabilities	832,575
Notes payable	400,000
Other current liabilities	998
Current portion of long-term liabilities:	
Bonds and loans payable	1,379,796
Compensated absences	<u>270,411</u>
Total Current Liabilities	3,151,297
Noncurrent:	
Bonds and loans payable, net of current portion	20,543,819
Compensated absences, net of current portion	811,234
Net pension liability	10,394,255
Net OPEB liability	<u>15,543,874</u>
Total Noncurrent Liabilities	47,293,182
Total Liabilities	<u>50,444,479</u>
Deferred Inflows of Resources	
Related to pensions	743,588
Related to OPEB	<u>2,196,766</u>
Total Deferred Inflows of Resources	2,940,354
Net Position	
Net investment in capital assets	34,593,722
Restricted for grants and other statutory restrictions	3,497,040
Unrestricted	<u>(4,895,498)</u>
Total Net Position	<u>\$ 33,195,264</u>

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

TOWN OF AVON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues
			Operating	Capital	
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	
Governmental Activities					
General government	\$ 3,171,262	\$ 43,663	\$ 115,879	\$ -	\$ (3,011,720)
Public safety	6,201,068	314,183	31,051	-	(5,855,834)
Education	17,891,951	93,324	6,451,240	-	(11,347,387)
Public works	4,901,512	872,137	114,005	-	(3,915,370)
Health and human services	594,945	111,756	40,587	-	(442,602)
Culture and recreation	709,419	7,352	-	-	(702,067)
Interest on long-term debt	824,086	-	-	-	(824,086)
Total Governmental Activities	<u>\$ 34,294,243</u>	<u>\$ 1,442,415</u>	<u>\$ 6,752,762</u>	<u>\$ -</u>	<u>(26,099,066)</u>
General Revenues:					
					21,215,363
					1,218,861
					159,519
					847,339
					457,127
					1,055,655
					<u>24,953,864</u>
					(1,145,202)
Net Position:					
					34,340,466
					<u>\$ 33,195,264</u>

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

TOWN OF AVON, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Receipts Reserved for Appropriation Fund	Police and Fire Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 12,163,983	\$ 1,200,802	\$ 4,239,313	\$ 3,339,914	\$ 20,944,012
Investments	6,724,985	-	-	294,422	7,019,407
Receivables:					
Property taxes	1,286,077	-	-	-	1,286,077
Excises	231,193	-	-	-	231,193
User fees	129,306	-	-	-	129,306
Departmental and other	-	683,956	-	-	683,956
Intergovernmental	100,282	-	-	-	100,282
Total Assets	<u>\$ 20,635,826</u>	<u>\$ 1,884,758</u>	<u>\$ 4,239,313</u>	<u>\$ 3,634,336</u>	<u>\$ 30,394,233</u>
Liabilities					
Warrants payable	\$ 255,813	\$ -	\$ -	\$ 11,704	\$ 267,517
Accrued liabilities	341,944	-	-	-	341,944
Notes payable	-	400,000	-	-	400,000
Other liabilities	998	-	-	-	998
Total Liabilities	598,755	400,000	-	11,704	1,010,459
Deferred Inflows of Resources					
Unavailable revenues	1,522,027	683,956	-	-	2,205,983
Fund Balances					
Restricted	46,386	-	4,239,313	3,868,056	8,153,755
Committed	10,955,630	800,802	-	-	11,756,432
Assigned	247,412	-	-	-	247,412
Unassigned	7,265,616	-	-	(245,424)	7,020,192
Total Fund Balances	<u>18,515,044</u>	<u>800,802</u>	<u>4,239,313</u>	<u>3,622,632</u>	<u>27,177,791</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,635,826</u>	<u>\$ 1,884,758</u>	<u>\$ 4,239,313</u>	<u>\$ 3,634,336</u>	<u>\$ 30,394,233</u>

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

TOWN OF AVON, MASSACHUSETTS

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

Total governmental fund balances	\$ 27,177,791
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	50,422,246
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,834,883
Long-term receivables for CDBG deferred loans are not financial resources and, therefore, are not reported in the funds.	1,149,361
Deferred outflows of resources related to pensions to be recognized as an increase to pension expense in future periods.	1,087,835
Deferred outflows of resources related to OPEB to be recognized as an increase to OPEB expense in future periods.	3,897,522
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(21,923,615)
Compensated absences	(1,081,645)
Net pension liability	(10,394,255)
Net OPEB liability	(15,543,874)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(490,631)
Deferred inflows of resources related to pensions to be recognized as a decrease to pension expense in future periods.	(743,588)
Deferred inflows of resources related to OPEB to be recognized as a decrease to OPEB expense in future periods.	(2,196,766)
Net position of governmental activities	<u><u>\$ 33,195,264</u></u>

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

TOWN OF AVON, MASSACHUSETTS

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

	General Fund	Receipts Reserved for Appropriation Fund	Police and Fire Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 21,139,222	\$ -	\$ -	\$ -	\$ 21,139,222
Excise taxes	1,229,074	-	-	-	1,229,074
Penalties, interest, and other taxes	159,519	-	-	-	159,519
Water user charges	621,249	-	-	-	621,249
Departmental	487,274	417,678	-	109,466	1,014,418
Intergovernmental	4,360,438	31,051	-	1,796,110	6,187,599
Investment income	451,629	-	-	5,498	457,127
Miscellaneous	442,045	12,907	-	273,339	728,291
Total Revenues	28,890,450	461,636	-	2,184,413	31,536,499
Expenditures					
Current:					
General government	2,537,111	-	-	258,270	2,795,381
Public safety	4,302,210	-	954,536	44,209	5,300,955
Education	11,125,933	-	-	1,663,265	12,789,198
Public works	2,423,181	-	-	2,443,271	4,866,452
Health and human services	381,839	85,943	-	76,050	543,832
Culture and recreation	720,038	-	-	17,068	737,106
Pension and other fringe benefits	4,562,250	-	-	-	4,562,250
Debt service:					
Principal	1,097,631	-	-	-	1,097,631
Interest and debt service costs	501,092	-	-	92,338	593,430
Intergovernmental	484,388	-	-	-	484,388
Total Expenditures	28,135,673	85,943	954,536	4,594,471	33,770,623
Excess (Deficiency) of Revenues Over (Under) Expenditures	754,777	375,693	(954,536)	(2,410,058)	(2,234,124)
Other Financing Sources (Uses)					
Issuance of general obligation bonds	-	-	9,445,825	5,524,175	14,970,000
Premiums on general obligation bonds	-	-	1,154,175	575,486	1,729,661
Transfers in	353,884	-	-	201,512	555,396
Transfers out	(47,054)	(157,991)	(48,668)	(301,683)	(555,396)
Total Other Financing Sources (Uses)	306,830	(157,991)	10,551,332	5,999,490	16,699,661
Change in fund balance	1,061,607	217,702	9,596,796	3,589,432	14,465,537
Fund Balance, at Beginning of Year	17,453,437	583,100	(5,357,483)	33,200	12,712,254
Fund Balance, at End of Year	\$ 18,515,044	\$ 800,802	\$ 4,239,313	\$ 3,622,632	\$ 27,177,791

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

TOWN OF AVON, MASSACHUSETTS

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

Net changes in fund balances - Total governmental funds \$ 14,465,537

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:

Capital outlay purchases	4,293,706
Loss on disposal of assets	(109,037)
Depreciation	(1,909,192)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, excises, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (916,210)

The issuance of long-term debt (e.g. bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of general obligation bonds	(14,970,000)
Premiums received on general obligation bonds	(1,729,661)
Repayments of general obligation bonds and direct debt	1,097,631

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:

Change in compensated absences	(322,139)
Change in pension expense	(63,232)
Change in OPEB expense	(751,949)
Change in accrued interest	(313,021)
Current year amortization of bond premiums	82,365

Change in net position of governmental activities \$ (1,145,202)

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

TOWN OF AVON, MASSACHUSETTS

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2020

	Private Purpose <u>Trust Fund</u>	Other Post Employment Benefits <u>Trust Fund</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ 50,889	\$ 6,705	\$ 122,477
Investments:			
Fixed income mutual funds	-	453,473	-
Equity mutual funds	-	1,048,635	-
Corporate equities	-	72,686	-
Total Investments	-	1,574,794	-
Total Assets	50,889	1,581,499	122,477
Liabilities			
Held for student activities	-	-	62,219
Other liabilities	-	-	60,258
Total Liabilities	-	-	\$ 122,477
Net Position			
Restricted for scholarships	50,889	-	
Restricted for OPEB	-	1,581,499	
Total Net Position	\$ 50,889	\$ 1,581,499	

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

TOWN OF AVON, MASSACHUSETTS

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

	Private Purpose <u>Trust Fund</u>	Other Post Employment Benefits <u>Trust Fund</u>
Additions		
Contributions:		
Employers	\$ -	\$ 1,054,433
Total contributions	-	1,054,433
Investment Income:		
Interest income	630	-
Increase in fair value of investments	-	48,493
Net investment income	630	48,493
Total Additions	630	1,102,926
Deductions		
Benefit payments to plan members and beneficiaries	-	820,302
Other	5,585	-
Total Deductions	5,585	820,302
Net Increase (Decrease)	(4,955)	282,624
Net position restricted for scholarships and OPEB		
Beginning of year	55,844	1,298,875
End of year	\$ 50,889	\$ 1,581,499

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

TOWN OF AVON, MASSACHUSETTS

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported in a separate column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Receipts Reserved for Appropriation Fund* is used to account for proceeds that are earmarked by law and placed in a separate account for appropriation of specific purposes.
- The *Police and Fire Building Capital Project Fund* is used to account for all expenditures and revenues related to the police facility/fire station renovations.

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

The Town reports the following fiduciary funds:

- The *Private Purpose Trust Fund* accounts for resources legally held in trust for the benefit of persons and organization other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- The *Other Post-Employment Benefits (OPEB) Trust Fund* is used to accumulate funds for future payments of other post-employment benefits for retirees such as health and life insurance.
- The *Agency Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. This fund is primarily used for private public safety details, student activity funds, and developer escrow funds. Agency Funds report only assets and liabilities and, therefore, have no measurement focus.

Cash and Investments

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

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

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

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. Municipalities having such funds in the custody of the treasurer in an aggregate amount in excess of two hundred and fifty thousand dollars may also invest such 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; provided, that not more than fifteen percent of any such trust funds shall be invested in bank stocks and

insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company.

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

Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$1,133,586. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

Capital Assets

Capital assets, which include land, construction in progress, building and improvements, machinery and equipment, vehicles, and infrastructure (e.g., roads, utility mains, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets (excluding land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Improvements other than buildings	40
Machinery and equipment	5 - 10
Vehicles	5 - 10
Infrastructure	40 - 50

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation benefits. Amounts related to sick-pay benefits are capped at 35% with a max accrual of 150 days for management, police union, and AFSME members hired after 2014. All vested vacation and sick pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements long-term debt, and other long-term obligations, are reported as liabilities in the Statement of Net Position. The general fund typically repays these obligations.

Fund Equity

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

Fund Balance

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

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

Net Position

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of

the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information (Town)

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

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

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

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

Excess of Expenditures over Appropriations

There were no expenditures exceeding appropriations during the current fiscal year.

Deficit Fund Equity

The Town reported various special revenue funds reflecting individual deficit account balances as of June 30, 2020. It is anticipated that the deficits in these funds will be eliminated through future intergovernmental and departmental revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

Town (Excluding OPEB Trust Funds)

State statutes (MGL Chapter 44, Section 55) place certain limitations on the nature of deposits and investments available to the Town. Deposits, including demand deposits,

money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase and investments with national banks.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town's policy related to custodial credit risk 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.

As of June 30, 2020, \$1,578,392 of the Town's bank balance of \$21,575,512, was exposed to custodial credit risk as uninsured and uncollateralized, and \$19,997,120 was collateralized by the Federal Deposit Insurance Corporation (FDIC), Depositors Insurance Fund (DIF), the Share Insurance Fund (SIF), or specific collateralization arrangements.

Investment Summary

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

<u>Investment Type</u>	<u>Amount</u>
U.S. Treasury notes	\$ 763,310
Corporate bonds	1,097,075
Federal agency securities	823,161
Corporate equities	3,502,513
Fixed income mutual funds	248,281
Market-linked certificates of deposit	<u>585,067</u>
Total Investments	<u>\$ 7,019,407</u>

Custodial Credit Risk – Investments

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

As of June 30, 2020, \$3,923,456 was subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
U.S. Treasury notes	\$ 269,352	\$ 269,352
Corporate bonds	204,286	204,286
Federal agency securities	266,366	266,366
Corporate equities	<u>3,183,452</u>	<u>3,183,452</u>
Total	<u>\$ 3,923,456</u>	<u>\$ 3,923,456</u>

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's policy related to credit risk is to purchase investment grade securities with a high concentration in securities rates in the "A" category or better.

As of June 30, 2020, the credit quality ratings, as rated by S&P Global Ratings, of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>							
		<u>AAA</u>	<u>AA+</u>	<u>AA-</u>	<u>A+</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 1,097,075	\$ -	\$ -	\$ 339,107	\$ 184,298	\$ 519,971	\$ 27,816	\$ 25,883	\$ -
Federal agency securities	823,161	-	823,161	-	-	-	-	-	-
Fixed income mutual funds	248,281	79,463	-	-	-	-	-	-	168,818
Market-linked certificates of deposit	<u>585,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585,067</u>
Total	<u>\$ 2,753,584</u>	<u>\$ 79,463</u>	<u>\$ 823,161</u>	<u>\$ 339,107</u>	<u>\$ 184,298</u>	<u>\$ 519,971</u>	<u>\$ 27,816</u>	<u>\$ 25,883</u>	<u>\$ 753,885</u>

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town's policy related to concentration of credit risk is to diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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

Interest Rate Risk – Investments of Debt Securities

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		Less <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury notes	\$ 763,310	\$ 313,457	\$ 337,904	\$ 111,949
Corporate bonds	1,097,075	146,157	925,036	25,882
Federal agency securities	823,161	-	616,459	206,702
Fixed income mutual funds	248,281	-	248,281	-
Market-linked certificates of deposit	<u>585,067</u>	<u>156,235</u>	<u>428,832</u>	<u>-</u>
Total	\$ <u>3,516,894</u>	\$ <u>615,849</u>	\$ <u>2,556,512</u>	\$ <u>344,533</u>

Foreign Currency Risk - Investments

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

Fair Value

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

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

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

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

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
U.S. Treasury notes	\$ 763,310	\$ 763,310	\$ -	\$ -
Corporate bonds	1,097,075	-	1,097,075	-
Federal agency securities	823,161	-	823,161	-
Corporate equities	3,502,513	3,502,513	-	-
Fixed income mutual funds	248,281	-	248,281	-
Market-linked certificates of deposit	585,067	-	585,067	-
Total	\$ 7,019,407			

U.S. Treasury notes and corporate equities securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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

4. Investments – OPEB Trust Fund

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

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

<u>Investment Type</u>	<u>Amount</u>
Fixed income mutual funds	\$ 453,473
Equity mutual funds	1,048,635
Corporate equities	<u>72,686</u>
Total Investments	<u>\$ 1,574,794</u>

Custodial Credit Risk

As of June 30, 2020, none of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure because the related securities are registered in the name of the Town.

Credit Risk – Investments of Debt Securities

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

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>			
		<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>B</u>
Fixed income mutual funds	\$ 453,473	\$ 78,464	\$ 279,252	\$ 35,064	\$ 60,693

Concentration of Credit Risk

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure. The Town had the following investments exceeding 5% of total investments:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of total Investments</u>
Alger focus equity class Z	\$ 172,443	11%
Guggenheim total return bond fund	121,528	8%
Carillon eagle growth fund	165,786	11%
First eagle overseas class I	108,952	7%
American century mid cap value class I	<u>106,368</u>	7%
Total	<u>\$ 675,077</u>	

Interest Rate Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		Less			
		<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ 453,473	\$ 65,266	\$ 72,050	\$ 194,629	\$ 121,528

Fair Value

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

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Fixed income mutual funds	\$ 453,473	-	453,473	-
Equity mutual funds	1,048,635	1,048,635	-	-
Corporate equities	<u>72,686</u>	<u>72,686</u>	-	-
Total	<u>\$ 1,574,794</u>			

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

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

5. Property Taxes and Motor Vehicle Excise Receivable

Real estate and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also, by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis financial statements accordingly.

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

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

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2.50% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2.50% of the prior year's levy plus the taxes on property newly added to the tax rolls.

The day after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

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

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long-Term Portion
Real estate taxes	\$ 581,268	\$ (58,200)	\$ 523,068	\$ -
Personal property taxes	123,774	(77,600)	46,174	-
Tax liens	485,929	(97,200)	-	388,729
Tax foreclosures	<u>95,106</u>	<u>(47,600)</u>	<u>47,506</u>	<u>-</u>
Total property taxes	<u>\$ 1,286,077</u>	<u>\$ (280,600)</u>	<u>\$ 616,748</u>	<u>\$ 388,729</u>
Motor vehicle excise	<u>\$ 231,193</u>	<u>\$ (63,100)</u>	<u>\$ 168,093</u>	

6. User Fees Receivable

The Town provides water services for its residents and commercial users. Bills are sent semi-annually based on usage.

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

User Fees Receivables	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water user charges	\$ 129,306	\$ (27,400)	\$ 101,906

7. Departmental and Other Receivables

This balance represents amounts owed to the Town for ambulance services provided and septic loans issued under the Title V program.

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Ambulance services	\$ 1,099,350	\$ (549,700)	\$ 549,650
Septic loans	<u>134,306</u>	<u>-</u>	<u>134,306</u>
Total	<u>\$ 1,233,656</u>	<u>\$ (549,700)</u>	<u>\$ 683,956</u>

8. Intergovernmental Receivables

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

9. Interfund Transfers In and (Out)

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2020.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 353,884	\$ 47,054
Receipts Reserve for Appropriation Fund	-	157,991
Police and Fire Building Capital Project Fund	-	48,668
Nonmajor Governmental Funds:		
Federal Grants	-	18,343
State Grants	-	171,322
Revolving Funds	154,458	-
FEMA	-	6,228
Sick and Vacation Buyback	47,054	-
Brentwood Capital Project	<u>-</u>	<u>105,790</u>
Total	<u>\$ 555,396</u>	<u>\$ 555,396</u>

The majority of the transfer into the general fund is attributable to receipts collected in the ambulance fund from services provided transfers to the general fund to support fire department operations, along with closing prior year grant balances for which

expenditures were previously incurred in the general fund. The \$154,458 transfer into the revolving funds was to move excess bond premiums that will be restricted for future capital expenditures.

Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

10. Capital Assets

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

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,435,789	\$ 6,694,268	\$ -	\$ 29,130,057
Improvements other than buildings	337,270	3,582	-	340,852
Infrastructure	31,956,618	-	-	31,956,618
Machinery, equipment, and vehicles	<u>6,271,812</u>	<u>496,113</u>	<u>(294,269)</u>	<u>6,473,656</u>
Total capital assets, being depreciated	61,001,489	7,193,963	(294,269)	67,901,183
Less accumulated depreciation for:				
Buildings and improvements	(10,207,278)	(713,232)	-	(10,920,510)
Improvements other than buildings	(304,017)	(5,301)	-	(309,318)
Infrastructure	(13,124,682)	(746,219)	-	(13,870,901)
Machinery, equipment, and vehicles	<u>(4,385,835)</u>	<u>(444,440)</u>	<u>185,232</u>	<u>(4,645,043)</u>
Total accumulated depreciation	<u>(28,021,812)</u>	<u>(1,909,192)</u>	<u>185,232</u>	<u>(29,745,772)</u>
Total capital assets, being depreciated, net	32,979,677	5,284,771	(109,037)	38,155,411
Capital assets, not being depreciated:				
Land	6,749,529	300,000	-	7,049,529
Construction in progress	<u>8,417,563</u>	<u>2,727,876</u>	<u>(5,928,133)</u>	<u>5,217,306</u>
Total capital assets, not being depreciated	<u>15,167,092</u>	<u>3,027,876</u>	<u>(5,928,133)</u>	<u>12,266,835</u>
Governmental activities capital assets, net	<u>\$ 48,146,769</u>	<u>\$ 8,312,647</u>	<u>\$ (6,037,170)</u>	<u>\$ 50,422,246</u>

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

Governmental Activities	
General government	\$ 19,850
Public safety	455,243
Education	542,775
Public works	858,639
Health and human services	2,877
Culture and recreation	<u>29,808</u>
Total governmental activities	<u>\$ 1,909,192</u>

11. Deferred Outflows of Resources

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

12. Warrants Payable

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

13. Accrued Liabilities

Accrued liabilities represent other fiscal year 2020 expenditures paid in fiscal year 2021.

14. Tax Refunds Payable

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

15. Notes Payable

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

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Beginning Balance at 06/30/19</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Ending Balance at 06/30/20</u>
Massachusetts Clean Water Trust Loan	2.00%	8/5/2015	Upon completion	\$ 191,500	\$ 208,500	\$ -	\$ 400,000
Police Facility/Fire Station Renovations	3.00%	12/21/2018	9/26/2019	5,500,000	-	(5,500,000)	-
Brentwood Area Improvements	3.00%	12/21/2018	9/26/2019	6,000,000	-	(6,000,000)	-
Total				<u>\$ 11,691,500</u>	<u>\$ 208,500</u>	<u>\$ (11,500,000)</u>	<u>\$ 400,000</u>

16. Long-Term Debt and Changes in Other Long-Term Liabilities

Long-Term Debt Supporting Activities

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

<u>Governmental Activities</u>				Amount Outstanding as of 6/30/20
<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
2006 General Obligation School bonds	5,861,000	03/01/26	3.70 - 5.00%	\$ 1,740,000
2007 Municipal Purposes	3,802,000	10/01/27	4.00 - 5.00%	1,325,000
2010 Municipal Purposes	6,613,000	12/01/23	2.00 - 4.00%	2,005,000
2020 Municipal Purposes	14,970,000	09/15/39	2.50 - 5.00%	<u>14,970,000</u>
Total general obligation bonds				20,040,000
<u>Loans - Direct Borrowings</u>				
MWPAT - Septic Management (98-1027)	200,000	08/01/20	4.50 - 5.63%	10,200
MWPAT - Drinking water (DW01-17)	1,204,535	08/01/22	3.00 - 5.25%	221,487
MWPAT - (98-1027)	54,000	07/15/22	0.00%	<u>4,632</u>
Total loans - direct borrowings				<u>236,319</u>
Total governmental activities				<u>\$ 20,276,319</u>

Future Debt Service

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

	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>		<u>Total</u>	
<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2021	\$ 1,215,000	\$ 1,035,752	\$ 82,431	\$ 7,608	\$ 1,297,431	\$ 1,043,360
2022	1,495,000	705,256	76,944	5,655	1,571,944	710,911
2023	1,520,000	639,429	76,944	1,885	1,596,944	641,314
2024	1,550,000	572,230	-	-	1,550,000	572,230
2025	1,075,000	513,615	-	-	1,075,000	513,615
2026	1,105,000	463,581	-	-	1,105,000	463,581
2027	850,000	411,925	-	-	850,000	411,925
2028	885,000	370,116	-	-	885,000	370,116
2029	755,000	333,241	-	-	755,000	333,241
2030	795,000	291,151	-	-	795,000	291,151
2031 - 2035	4,250,000	958,575	-	-	4,250,000	958,575
2036 - 2040	4,545,000	310,560	-	-	4,545,000	310,560
Total	<u>\$ 20,040,000</u>	<u>\$ 6,605,431</u>	<u>\$ 236,319</u>	<u>\$ 15,148</u>	<u>\$ 20,276,319</u>	<u>\$ 6,620,579</u>

Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable	\$ 6,035,000	\$ 14,970,000	\$ (965,000)	\$ 20,040,000	\$ (1,215,000)	\$ 18,825,000
Loans payable (direct borrowings)	368,950	-	(132,631)	236,319	(82,431)	153,888
Unamortized bond premiums	-	1,729,661	(82,365)	1,647,296	(82,365)	1,564,931
Subtotal	6,403,950	16,699,661	(1,179,996)	21,923,615	(1,379,796)	20,543,819
Compensated absences	759,506	398,090	(75,951)	1,081,645	(270,411)	811,234
Net pension liability	12,028,077	-	(1,633,822)	10,394,255	-	10,394,255
Net OPEB liability	15,161,657	382,217	-	15,543,874	-	15,543,874
Total	<u>\$ 34,353,190</u>	<u>\$ 17,479,968</u>	<u>\$ (2,889,769)</u>	<u>\$ 48,943,389</u>	<u>\$ (1,650,207)</u>	<u>\$ 47,293,182</u>

All long-term liabilities are repaid with revenues from the general fund.

Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2020 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
5/16/2017	Brentwood Public Works	\$ 3,730,000
6/9/2015	Police Facility/ Fire Station Renovations	<u>700,000</u>
	Total	<u>\$ 4,430,000</u>

17. Deferred Inflows of Resources

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

considered available to liquidate liabilities of the current year. The following is a summary of other deferred inflows of resources as of June 30, 2020:

	Fund Basis	
	Governmental Funds	
		Receipts Reserved for Appropriation
	<u>General Fund</u>	<u>Fund</u>
Unavailable revenues:		
Property taxes	\$ 1,061,246	\$ -
Motor vehicle excise	231,193	-
Water user fees	129,306	-
MWPAT subsidies	100,282	-
Ambulance charges	-	549,650
Title V loans	-	134,306
Total	<u>\$ 1,522,027</u>	<u>\$ 683,956</u>

18. Governmental Funds - Balances

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

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

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

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund restrictions for debt service, various special revenue funds, capital project funds, and expendable trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund articles for non-lapsing appropriations,

specific purpose stabilization funds for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and ambulance receipts reserved. Appropriations for these funds, or made from these funds, are established through Town Meeting vote. A similar action is needed to modify or rescind a commitment.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources in the subsequent budgetary period.

Unassigned

Represents amounts that are available to be spent in future periods, the Town's general stabilization account, and deficit balances in other governmental funds.

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

	General Fund	Receipts Reserved for Appropriation Fund	Police and Fire Building Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted					
For future debt	\$ 46,386	\$ -	\$ -	\$ -	\$ 46,386
Special Revenue Funds:					
School choice	-	-	-	613,026	613,026
CDBG federal grant	-	-	-	178,447	178,447
Tax title collection revolving fund	-	-	-	100,000	100,000
Other special revenue funds	-	-	-	768,616	768,616
HL Blanchard library trust fund	-	-	-	323,944	323,944
Other trust funds	-	-	-	28,245	28,245
Capital Project Funds	-	-	4,239,313	1,855,778	6,095,091
Total Restricted	46,386	-	4,239,313	3,868,056	8,153,755
Committed					
MTBE stabilization	4,321,499	-	-	-	4,321,499
Police/Fire building stabilization	1,383,966	-	-	-	1,383,966
Butler School parking stabilization	362,710	-	-	-	362,710
Capital planning stabilization	101,408	-	-	-	101,408
Page Street water tank stabilization	2,037	-	-	-	2,037
For future articles:					
State mandated recertification	35,000	-	-	-	35,000
For ongoing articles:					
General government	1,953,145	-	-	-	1,953,145
Public safety	191,231	-	-	-	191,231
Education	771,598	-	-	-	771,598
Public works	1,711,108	-	-	-	1,711,108
Health and human services	37,500	-	-	-	37,500
Culture and recreation	84,428	-	-	-	84,428
Ambulance operations	-	615,094	-	-	615,094
Other receipts reserved	-	185,708	-	-	185,708
Total Committed	10,955,630	800,802	-	-	11,756,432
Assigned					
For encumbrances:					
General government	11,953	-	-	-	11,953
Public safety	8,549	-	-	-	8,549
Education	168,326	-	-	-	168,326
Public works	14,854	-	-	-	14,854
Health and human services	211	-	-	-	211
Culture and recreation	16,819	-	-	-	16,819
Employee benefits	26,700	-	-	-	26,700
Total Assigned	247,412	-	-	-	247,412
Unassigned					
Operating fund	4,537,217	-	-	-	4,537,217
General stabilization fund	2,728,399	-	-	-	2,728,399
Deficit balances	-	-	-	(245,424)	(245,424)
Total Unassigned	7,265,616	-	-	(245,424)	7,020,192
Total Fund Balance	\$ 18,515,044	\$ 800,802	\$ 4,239,313	\$ 3,622,632	\$ 27,177,791

19. Stabilization Arrangements

The Town's stabilization accounts, a component of both committed and unassigned fund balance based on purpose, are authorized in accordance with Massachusetts General Law Chapter 40, section 5B. the creation of, appropriation into, and appropriation from the stabilization accounts requires two-thirds approval at Town Meeting. The following is a summary of balances at June 30, 2020 along with the purpose of each account:

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	Fund Balance <u>Classification</u>
Stabilization - general	\$ 2,728,399	\$ 2,653,352	\$ 75,047	Unassigned
Stabilization - MTBE	4,321,499	4,186,109	135,390	Committed
Stabilization - Police / Fire building	1,383,966	1,367,626	16,340	Committed
Stabilization - Butler school parking lot	362,710	358,740	3,970	Committed
Stabilization - Capital planning	101,408	100,177	1,231	Committed
Stabilization - Page Street water tank	<u>2,037</u>	<u>2,037</u>	<u>-</u>	Committed
Total	<u>\$ 8,900,019</u>	<u>\$ 8,668,041</u>	<u>\$ 231,978</u>	

The *general stabilization account* is used for any designated purpose(s) authorized at Town Meeting. This account was established by Annual Town Meeting vote in March 1970.

The *MTBE stabilization account* is used to fund current and future water supply cleanup or remediation projects. Initial funding was received from a methyl-tertiary-butyl-ether (MTBE) class-action lawsuit. This account was established by Special Town Meeting vote in May 2009.

The *police/fire building stabilization account* is used to fund the construction of a joint public safety building. This account was established by Special Town Meeting vote in November 2011.

The *butler school parking lot stabilization account* is used to fund traffic, parking, and related safety concerns at the Ralph D. Butler elementary school. This account was established by Annual Town Meeting vote in May 2017.

The *capital planning lot stabilization account* is used to fund various Town capital expenditures. This account was established by Special Town Meeting vote in January 2019.

The *page street water tank stabilization account* is used to fund the rehabilitation or reconstruction of the Page Street water tank and appurtenances. This account was established by Annual Town Meeting vote in May 2018.

20. Norfolk County Retirement System

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

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) and Avon Housing Authority are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The Norfolk County Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 480 Neponset Street #15, Canton, Massachusetts 02021.

Participant Contributions

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

Before January 1, 1975	5.00%
January 1, 1975 - December 31, 1983	7.00%
January 1, 1984 - June 30, 1996	8.00%
Beginning July 1, 1996	9.00%
1979 - present	Additional 2.00% of salary in excess of \$30,000
Group 1 members hired on or after April 2, 2012	6.00% with 30 or more years of creditable service

Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement. A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively.

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town’s contribution to the System for the year ended June 30, 2020 was \$1,326,058, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2020, the Town reported a liability of \$10,394,255 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Town's proportion was 1.7704%, which was a decrease of 0.0777% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,455,858. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 890,589	\$ -
Changes of assumptions	190,655	-
Net difference between projected and actual earnings on pension plan investments	-	(292,763)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>6,591</u>	<u>(450,825)</u>
Total	\$ <u>1,087,835</u>	\$ <u>(743,588)</u>

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

<u>Fiscal Year</u>	
2021	\$ 288,830
2022	117,075
2023	225,975
2024	<u>(287,633)</u>
Total	\$ <u>344,247</u>

Actuarial Assumptions

The total pension liability measured as of December 31, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2020
Actuarial cost method	Entry age normal cost method
Inflation Rate	3.00% annually
Salary increases	3.50% - 5.50%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Post-retirement cost-of-living adjustment	3.00% of first \$18,000
Mortality Rates	RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of the 2015 experience study conducted by the System's actuary.

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.50%	6.60%
International equity	15.50%	8.00%
Fixed income	20.50%	3.80%
Real estate	9.50%	8.20%
Private equity	10.00%	9.10%
Hedge funds	11.50%	7.20%
Real assets	2.50%	9.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 13,500,103	\$ 10,394,255	\$ 7,755,220

Pension Plan Fiduciary Net Position

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

21. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

<u>Membership Date</u>	<u>% of Compensation</u>
Before January 1, 1975	5.00%
January 1, 1975 - December 31, 1983	7.00%
January 1, 1984 - June 30, 1996	8.00%
Beginning July 1, 1996	9.00%
Beginning July 1, 2001	11.00% (for teachers who were hired after July 1, 2001 and accept the provisions of Chapter 114 of the Acts of 2000)
1979 - present	Additional 2.00% of salary in excess of \$30,000

Actuarial Assumptions

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

- (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

Mortality rates were as follows:

Pre-retirement	RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
Post-retirement	RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
Disability	RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

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

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

Discount Rate

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

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (amounts in thousands):

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

Special Funding Situation

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

Town Proportions

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability that is associated with the Town was \$22,067,189 based on a proportionate share of 0.087520%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$1,263,528 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$2,676,030 as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund

has been established to fund future OPEB costs. In fiscal year 2010, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	142
Active employees	<u>228</u>
Total	<u><u>370</u></u>

Investments

The OPEB trust fund investments consist of fixed income mutual funds, equity mutual funds, and corporate equities.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual entry age normal
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.98%, net of OPEB plan investment expense
Municipal bond rate	2.66%
Discount rate	6.25%
Healthcare cost trend rates	4.50% for 2020 and later years
Retirees' share of benefit-related costs	25.00% of premiums for HMO plans, 50% of premiums for all other medical plans; 50% of premiums for life insurance
Mortality Rates:	
Pre-retirement mortality	RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016 for males and females
Post-retirement mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females
Disabled mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward 1

The actuarial assumptions used in the valuation were based on the results of the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

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

return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	28.75%	4.80%
Domestic equity - small/mid cap	14.25%	5.29%
International equity - developed market	11.50%	5.45%
International equity - emerging market	5.75%	6.42%
Domestic fixed income	18.25%	2.05%
International fixed income	5.00%	3.00%
Alternatives	16.50%	6.50%
Real estate	0.00%	6.25%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.98% through fiscal year 2065 and a municipal bond rate of 2.66% thereafter based on the S&P Municipal Bond 20-Year High Grade Index (SAPIHG) as of June 30, 2020.

Net OPEB Liability

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

Total OPEB liability	\$ 17,125,373
Plan fiduciary net position	<u>1,581,499</u>
Net OPEB liability	<u>\$ 15,543,874</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.23%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 16,460,532	\$ 1,298,875	\$ 15,161,657
Changes for the year:			
Service cost	495,808	-	495,808
Interest	1,034,525	-	1,034,525
Contributions - employer	-	1,054,433	(1,054,433)
Net investment income	-	48,493	(48,493)
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(45,190)	-	(45,190)
Changes of assumptions	-	-	-
Changes in other inputs	-	-	-
Benefit payments	<u>(820,302)</u>	<u>(820,302)</u>	<u>-</u>
Net Changes	<u>664,841</u>	<u>282,624</u>	<u>382,217</u>
Balances, end of year	\$ <u>17,125,373</u>	\$ <u>1,581,499</u>	\$ <u>15,543,874</u>

There were no changes of benefit terms or other assumptions and inputs.

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

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

1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
\$ 17,615,542	\$ 15,543,874	\$ 13,770,495

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

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

1% Decrease (3.50%)	Current Healthcare Cost Trend Rates (4.50%)	1% Increase (5.50%)
<u>\$ 13,621,916</u>	<u>\$ 15,543,875</u>	<u>\$ 17,866,768</u>

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$1,806,382. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 1,455,300	\$ (1,949,894)
Changes of assumptions	2,379,290	(246,872)
Net difference between projected and actual earnings on OPEB plan investments	<u>62,932</u>	<u>-</u>
Total	<u>\$ 3,897,522</u>	<u>\$ (2,196,766)</u>

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

Year Ended June 30:

2021	\$ 374,742
2022	365,143
2023	361,514
2024	348,793
2025	<u>250,564</u>
Total	<u>\$ 1,700,756</u>

23. Commitments and Contingencies

COVID-19

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

Outstanding Legal Issues

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

Abatements

There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town management, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

Grants

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

Encumbrances

At year-end the Town's general fund has \$247,412 in encumbrances that will be honored in the next fiscal year.

24. 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; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in the Massachusetts Interlocal Insurance Association, a municipal joint purchase group formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Town both contribute to the

Association on a 75% (Town) 25% (Employee) basis. The Town budgets annually in the general fund for its estimated share of contributions.

Debt

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

<u>Purpose</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General Obligation Refunding Bonds	\$ 1,715,000	4.00%	07/22/20	10/01/27

25. New Pronouncements

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

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

TOWN OF AVON, MASSACHUSETTS

Required Supplementary Information
General Fund
Schedule of Revenues and Other Sources, and Expenditures and Other Uses -
Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 21,147,680	\$ 21,147,680	\$ 21,139,222	\$ (8,458)
Excise taxes	1,145,800	1,145,800	1,229,074	83,274
Penalties, interest, and other taxes	256,914	256,914	159,519	(97,395)
Water user charges	575,000	575,000	621,249	46,249
Departmental	451,196	451,196	487,274	36,078
Intergovernmental	2,992,780	2,992,780	3,054,238	61,458
Investment income	153,000	153,000	219,651	66,651
Miscellaneous	-	-	442,045	442,045
Total Revenues	<u>26,722,370</u>	<u>26,722,370</u>	<u>27,352,272</u>	<u>629,902</u>
Expenditures				
General government	2,340,826	4,990,754	4,502,209	488,545
Public safety	4,382,484	4,871,143	4,501,990	369,153
Education	9,792,647	10,944,470	10,802,329	142,141
Public works	2,182,784	4,207,894	4,149,143	58,751
Health and human services	437,412	476,461	419,550	56,911
Culture and recreation	805,096	925,247	821,285	103,962
Pension and other fringe benefits	5,196,512	5,096,816	4,588,950	507,866
Debt service	1,573,120	1,573,120	1,556,051	17,069
Intergovernmental	421,001	421,001	484,388	(63,387)
Total Expenditures	<u>27,131,882</u>	<u>33,506,906</u>	<u>31,825,895</u>	<u>1,681,011</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(409,512)	(6,784,536)	(4,473,623)	2,310,913
Other Financing Sources (Uses)				
Transfers in	155,400	155,400	353,884	198,484
Transfers out	(30,000)	(47,054)	(47,054)	-
Use of free cash (unassigned fund balance) for:				
Debt service	-	1,300,000	-	(1,300,000)
Capital items	243,000	243,000	-	(243,000)
Historical survey	20,000	20,000	-	(20,000)
Staffing/compensation study	20,000	20,000	-	(20,000)
Prior year bills	1,112	4,027	-	(4,027)
Use of prior year carryforwards	-	5,089,163	5,089,163	-
Total Other Financing Sources (Uses)	<u>409,512</u>	<u>6,784,536</u>	<u>5,395,993</u>	<u>(1,388,543)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,370</u>	<u>\$ 922,370</u>

See Independent Auditor's Report.

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

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 28,890,450	\$ 28,135,673	\$ 306,830
To record the use of prior year carryforwards as a funding source	-	4,996,422	-
Add end-of-year appropriation carryforwards to expenditures	-	-	5,089,163
To reverse the effect of non- budgeted State contributions for teachers retirement	(1,263,528)	(1,263,528)	-
To reverse unbudgeted stabilization activity	(231,978)	-	-
To reverse gross-up of MWPAT debt service subsidy	<u>(42,672)</u>	<u>(42,672)</u>	<u>-</u>
Budgetary Basis	\$ <u>27,352,272</u>	\$ <u>31,825,895</u>	\$ <u>5,395,993</u>

See Independent Auditor's Report.

TOWN OF AVON, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

Norfolk County Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	1.7704%	\$ 10,394,255	\$ 5,839,940	177.99%	64.60%
June 30, 2019	December 31, 2018	1.8481%	\$ 12,028,077	\$ 5,435,819	221.27%	58.30%
June 30, 2018	December 31, 2017	1.8454%	\$ 10,205,142	\$ 5,252,001	194.31%	63.50%
June 30, 2017	December 31, 2016	1.8000%	\$ 9,836,994	\$ 4,843,424	203.10%	58.60%
June 30, 2016	December 31, 2015	1.8000%	\$ 10,236,116	\$ 5,039,939	203.10%	58.60%
June 30, 2015	December 31, 2014	1.9000%	\$ 10,088,807	\$ 3,183,593	316.90%	60.10%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.087520%	\$ -	\$ 22,067,189	\$ 22,067,189	\$ 6,368,960	0.00%	53.95%
June 30, 2019	June 30, 2018	0.087483%	\$ -	\$ 20,743,457	\$ 20,743,457	\$ 6,143,814	0.00%	54.84%
June 30, 2018	June 30, 2017	0.084340%	\$ -	\$ 19,301,493	\$ 19,301,493	\$ 5,727,081	0.00%	54.25%
June 30, 2017	June 30, 2016	0.084159%	\$ -	\$ 18,816,121	\$ 18,816,121	\$ 5,535,689	0.00%	52.73%
June 30, 2016	June 30, 2015	0.082999%	\$ -	\$ 17,006,148	\$ 17,006,148	\$ 5,261,214	0.00%	55.38%
June 30, 2015	June 30, 2014	0.081573%	\$ -	\$ 12,967,154	\$ 12,967,154	\$ 5,001,644	0.00%	61.64%

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

See Independent Auditors' Report.

TOWN OF AVON, MASSACHUSETTS

Required Supplementary Information Schedule of Pension Contributions (Unaudited)

Norfolk County Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</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	December 31, 2019	\$ 1,326,058	\$ 1,326,058	\$ -	\$ 5,598,894	23.68%
June 30, 2019	December 31, 2018	\$ 1,292,888	\$ 1,292,888	\$ -	\$ 5,435,819	23.78%
June 30, 2018	December 31, 2017	\$ 1,181,256	\$ 1,181,256	\$ -	\$ 5,252,001	22.49%
June 30, 2017	December 31, 2016	\$ 1,047,572	\$ 1,047,572	\$ -	\$ 4,843,424	21.63%
June 30, 2016	December 31, 2015	\$ 1,048,497	\$ 1,048,497	\$ -	\$ 5,039,939	20.80%
June 30, 2015	December 31, 2014	\$ 1,092,255	\$ 1,092,255	\$ -	\$ 3,183,593	34.31%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</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	June 30, 2019	\$ 1,263,528	\$ 1,263,528	\$ -	\$ 6,368,960	19.84%
June 30, 2019	June 30, 2018	\$ 1,150,218	\$ 1,150,218	\$ -	\$ 6,143,814	18.72%
June 30, 2018	June 30, 2017	\$ 1,042,031	\$ 1,042,031	\$ -	\$ 5,727,081	18.19%
June 30, 2017	June 30, 2016	\$ 946,433	\$ 946,433	\$ -	\$ 5,535,689	17.10%
June 30, 2016	June 30, 2015	\$ 848,189	\$ 848,189	\$ -	\$ 5,261,214	16.12%
June 30, 2015	June 30, 2014	\$ 764,650	\$ 764,650	\$ -	\$ 5,001,644	15.29%

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See Independent Auditors' Report.

TOWN OF AVON, MASSACHUSETTS

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability				
Service cost	\$ 495,808	\$ 476,615	\$ 402,652	\$ 392,206
Interest	1,034,525	1,020,808	1,461,564	923,658
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(45,190)	(2,890,532)	-	-
Changes of assumptions	-	3,596,318	(432,026)	-
Benefit payments, including refunds of member contributions	<u>(820,302)</u>	<u>(765,781)</u>	<u>(728,794)</u>	<u>(695,551)</u>
Net change in total OPEB liability	664,841	1,437,428	703,396	620,313
Total OPEB liability - beginning	<u>16,460,532</u>	<u>15,023,104</u>	<u>14,319,708</u>	<u>13,699,395</u>
Total OPEB liability - ending (a)	17,125,373	16,460,532	15,023,104	14,319,708
Plan fiduciary net position				
Contributions - employer	1,054,433	963,445	848,794	792,342
Net investment income	48,493	67,076	44,979	62,632
Benefit payments, including refunds of member contributions	<u>(820,302)</u>	<u>(765,781)</u>	<u>(728,794)</u>	<u>(695,551)</u>
Net change in plan fiduciary net position	282,624	264,740	164,979	159,423
Plan fiduciary net position - beginning	<u>1,298,875</u>	<u>1,034,135</u>	<u>869,156</u>	<u>709,733</u>
Plan fiduciary net position - ending (b)	<u>1,581,499</u>	<u>1,298,875</u>	<u>1,034,135</u>	<u>869,156</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 15,543,874</u>	<u>\$ 15,161,657</u>	<u>\$ 13,988,969</u>	<u>\$ 13,450,552</u>

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

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

See Independent Auditors' Report.

TOWN OF AVON, MASSACHUSETTS

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 17,125,373	\$ 16,460,532	\$ 15,023,104	\$ 14,319,708
Plan fiduciary net position	<u>1,581,499</u>	<u>1,298,875</u>	<u>1,034,135</u>	<u>869,156</u>
Net OPEB liability	<u>\$ 15,543,874</u>	<u>\$ 15,161,657</u>	<u>\$ 13,988,969</u>	<u>\$ 13,450,552</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.23%	7.89%	6.88%	6.07%
Covered employee payroll	\$ 13,538,318	\$ 13,143,998	\$ 11,509,679	\$ 11,174,445
Net OPEB liability as a percentage of covered employee payroll	114.81%	115.35%	121.54%	120.37%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 1,587,212	\$ 1,541,182	\$ 1,432,295	\$ 1,359,350
Contributions in relation to the actuarially determined contribution	<u>1,054,433</u>	<u>963,445</u>	<u>848,794</u>	<u>792,342</u>
Contribution deficiency (excess)	<u>\$ 532,779</u>	<u>\$ 577,737</u>	<u>\$ 583,501</u>	<u>\$ 567,008</u>
Covered employee payroll	\$ 13,538,318	\$ 13,143,998	\$ 11,509,679	\$ 11,174,445
Contributions as a percentage of covered employee payroll	7.79%	7.33%	7.37%	7.09%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	3.57%	6.10%	5.01%	8.27%

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