



TOWN OF KINGSTON, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Kingston, Massachusetts

Report on the Financial Statements

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

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

Andover, Massachusetts
February 4, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include water, sewer, and renewable energy activities.

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to Financial Statements

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

Required 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 \$(497,283), a change of \$(2,141,196), and the net position in business-type activities was \$39,199,370, a change of \$6,602, in comparison to the prior year, as restated.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$15,644,119, a change of \$603,000 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,014,065, a change of \$1,311,441 in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 22,632	\$ 20,909	\$ 15,872	\$ 16,511	\$ 38,504	\$ 37,420
Capital assets	<u>50,791</u>	<u>52,773</u>	<u>50,710</u>	<u>49,834</u>	<u>101,501</u>	<u>102,607</u>
Total assets	73,423	73,682	66,582	66,345	140,005	140,027
Deferred outflows of resources	19,152	10,502	590	468	19,742	10,970
Long-term liabilities outstanding	83,320	70,518	24,050	25,190	107,370	95,708
Other liabilities	<u>3,765</u>	<u>5,328</u>	<u>3,738</u>	<u>2,050</u>	<u>7,503</u>	<u>7,378</u>
Total liabilities	87,085	75,846	27,788	27,240	114,873	103,086
Deferred inflows of resources	5,987	6,694	184	380	6,171	7,074
Net investment in capital assets	48,376	48,011	26,073	25,141	74,449	73,152
Restricted	5,943	6,271	-	-	5,943	6,271
Unrestricted	<u>(54,816)</u>	<u>(52,638)</u>	<u>13,126</u>	<u>14,052</u>	<u>(41,690)</u>	<u>(38,586)</u>
Total net position	\$ <u>(497)</u>	\$ <u>1,644</u>	\$ <u>39,199</u>	\$ <u>39,193</u>	\$ <u>38,702</u>	\$ <u>40,837</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 \$38,702,087, a change of \$(2,134,594) in comparison to the prior year, as restated.

The largest portion of net position \$74,449,018 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$5,943,328 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 \$(41,690,259) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 5,728	\$ 5,450	\$ 3,851	\$ 4,661	\$ 9,579	\$ 10,111
Operating grants and contributions	9,978	8,887	-	-	9,978	8,887
Capital grants and contributions	1,190	1,804	1,357	-	2,547	1,804
General revenues:						
Property taxes	35,196	34,692	-	-	35,196	34,692
Excises	2,694	2,797	-	-	2,694	2,797
Penalties and interest on taxes	357	215	-	-	357	215
Grants and contributions not restricted to specific programs	1,184	1,193	-	1,219	1,184	2,412
Investment income	422	476	19	11	441	487
Other	80	61	-	-	80	61
Total revenues	56,829	55,575	5,227	5,891	62,056	61,466
Expenses:						
General government	4,985	4,284	-	-	4,985	4,284
Public safety	11,233	11,563	-	-	11,233	11,563
Education	32,933	32,233	-	-	32,933	32,233
Public works	5,287	4,820	-	-	5,287	4,820
Human services	1,008	974	-	-	1,008	974
Culture and recreation	2,650	1,939	-	-	2,650	1,939
Interest on long-term debt	164	231	-	-	164	231
Intergovernmental	475	413	-	-	475	413
Water services	-	-	2,319	1,623	2,319	1,623
Sewer services	-	-	3,135	2,499	3,135	2,499
Renewable energy operations	-	-	2	462	2	462
Total expenses	58,735	56,457	5,456	4,584	64,191	61,041
Change in net position before transfers	(1,906)	(882)	(229)	1,307	(2,135)	425
Transfers in (out)	(235)	(234)	235	234	-	-
Change in net position	(2,141)	(1,116)	6	1,541	(2,135)	425
Net position - beginning of year (as restated)	1,644	2,760	39,193	37,652	40,837	40,412
Net position - end of year	\$ (497)	\$ 1,644	\$ 39,199	\$ 39,193	\$ 38,702	\$ 40,837

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(2,141,196). Key elements of this change are as follows:

General fund operations	\$	877,305
Other governmental funds operations		(274,305)
Principal debt service in excess of depreciation expense		53,333
Change in other post employment benefits liability and related deferred inflows/outflows		(2,819,659)
Change in net pension liability and related deferred inflows/outflows		(931,099)
Capital asset additions		951,218
Other		<u>2,011</u>
Total	\$	<u>(2,141,196)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$6,602. Key elements of this change result from positive budgetary operating results and intergovernmental revenues.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,014,065, while total fund balance was \$9,526,143. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 7,014,065	\$ 5,702,624	\$ 1,311,441	14.4%
Total fund balance	\$ 9,526,143	\$ 8,648,838	\$ 877,305	19.6%

* 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 \$1,259,690.

The total fund balance of the general fund changed by \$877,305 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,419,988)
Budgetary revenue shortfall	(126,476)
Budgetary appropriation turnbacks by departments	1,712,797
Excess of current year encumbered appropriations to be spent in subsequent year over prior year encumbrances spent in current year	308,099
Change in stabilization	714,237
Other timing issues	<u>(311,364)</u>
Total	<u>\$ 877,305</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization	\$ 2,795,736	\$ 2,526,981	\$ 268,755
Capital stabilization	829,437	479,849	349,588
Smart growth stabilization	629,478	628,401	1,077
Special education stabilization	94,878	-	94,878
Employee liability stabilization	<u>(61)</u>	<u>-</u>	<u>(61)</u>
Total	<u>\$ 4,349,468</u>	<u>\$ 3,635,231</u>	<u>\$ 714,237</u>

Non-Major Governmental Funds

The non-major fund balance changed by \$603,000 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital assets.

Proprietary Funds

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$13,126,497, a change of \$(925,137) in comparison to the prior year, as restated.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$3,060,150. Major reasons for these amendments include:

- \$696,015 increase in General government appropriations.
- \$702,746 increase in Public safety appropriations.
- \$403,243 increase in Education appropriations.
- \$504,806 increase in Intergovernmental appropriations.
- \$519,417 increase in Transfers out.

Of this increase, \$1,419,988 was funding through the use of free cash, \$650,186 was funded through the use of prior year unspent appropriations, \$338,168 in additional transfers from other funds, and \$504,806 in additional intergovernmental revenues.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$101,502,196 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- \$1,862,000 for Wastewater treatment plant expansion.
- \$240,000 for Motors and pumps at Jones River and Rocky Nook sewer stations.
- \$212,867 for Grassy Hole treatment plant project.
- \$183,454 for Police vehicles and equipment.

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 \$24,963,739, 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 Kingston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Town Accountant
Town of Kingston, Massachusetts
26 Evergreen Street
Kingston, Massachusetts 02364

TOWN OF KINGSTON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 12,526,785	\$ 7,680,533	\$ 20,207,318
Investments	6,167,979	-	6,167,979
Receivables, net of allowance for uncollectibles:			
Property taxes	1,196,139	-	1,196,139
Excises	250,546	-	250,546
User fees	208,795	1,126,509	1,335,304
Departmental and other	194,042	-	194,042
Intergovernmental	<u>173,315</u>	<u>-</u>	<u>173,315</u>
Total Current Assets	20,717,601	8,807,042	29,524,643
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,668,082	-	1,668,082
Betterments	245,274	7,064,848	7,310,122
Capital assets:			
Land and construction in progress	9,295,266	2,809,092	12,104,358
Other capital assets, net of accumulated depreciation	<u>41,496,681</u>	<u>47,901,157</u>	<u>89,397,838</u>
Total Noncurrent Assets	<u>52,705,303</u>	<u>57,775,097</u>	<u>110,480,400</u>
Total Assets	73,422,904	66,582,139	140,005,043
Deferred Outflows of Resources			
Related to pensions	2,817,370	86,835	2,904,205
Related to OPEB	<u>16,335,103</u>	<u>502,735</u>	<u>16,837,838</u>
Total Deferred Outflows of Resources	19,152,473	589,570	19,742,043

(continued)

TOWN OF KINGSTON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants payable	796,675	136,892	933,567
Accrued liabilities	1,140,375	189,889	1,330,264
Notes payable	925,000	1,600,000	2,525,000
Tax refunds payable	4,811	-	4,811
Other current liabilities	413,242	85,234	498,476
Current portion of long-term liabilities:			
Bonds payable	344,506	1,717,904	2,062,410
Compensated absences	56,370	7,475	63,845
Capital leases	54,771	-	54,771
Landfill liability	30,000	-	30,000
Total Current Liabilities	3,765,750	3,737,394	7,503,144
Noncurrent:			
Bonds payable, net of current portion	1,470,110	21,431,219	22,901,329
Net pension liability	20,543,558	633,185	21,176,743
Net OPEB liability	59,843,334	1,844,015	61,687,349
Compensated absences	1,071,035	142,034	1,213,069
Capital leases	91,731	-	91,731
Landfill liability	300,000	-	300,000
Total Noncurrent Liabilities	83,319,768	24,050,453	107,370,221
Total Liabilities	87,085,518	27,787,847	114,873,365
Deferred Inflows of Resources			
Related to pensions	602,795	18,579	621,374
Related to OPEB	5,384,347	165,913	5,550,260
Total Deferred Inflows of Resources	5,987,142	184,492	6,171,634
Net Position			
Net investment in capital assets	48,376,145	26,072,873	74,449,018
Restricted for:			
Grants and other statutory restrictions	3,703,801	-	3,703,801
Permanent funds:			
Nonexpendable	1,489,877	-	1,489,877
Expendable	749,650	-	749,650
Unrestricted	(54,816,756)	13,126,497	(41,690,259)
Total Net Position	\$ (497,283)	\$ 39,199,370	\$ 38,702,087

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

TOWN OF KINGSTON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
General government	\$ 4,985,186	\$ 610,242	\$ 651,163	\$ 0	\$ (3,723,781)
Public safety	11,233,115	1,961,578	382,400	0	(8,889,137)
Education	32,933,325	350,781	7,991,139	1,190,053	(23,401,352)
Public works	5,286,551	2,303,220	600,634	0	(2,382,697)
Health and human services	1,008,288	218,509	183,746	0	(606,033)
Culture and recreation	2,650,062	284,007	168,550	0	(2,197,505)
Interest on long-term debt	164,353	-	-	-	(164,353)
Intergovernmental	474,594	-	-	-	(474,594)
Total Governmental Activities	58,735,474	5,728,337	9,977,632	1,190,053	(41,839,452)
Business-Type Activities					
Water services	2,319,147	2,317,574	-	-	(1,573)
Sewer services	3,134,707	1,534,043	-	1,356,716	(243,948)
Renewable energy services	1,909	-	-	-	(1,909)
Total Business-Type Activities	5,455,763	3,851,617	-	1,356,716	(247,430)
Total	\$ 64,191,237	\$ 9,579,954	\$ 9,977,632	\$ 2,546,769	\$ (42,086,882)

(continued)

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

TOWN OF KINGSTON

Statement of Activities
For the Year Ended June 30, 2020

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (41,839,452)	\$ (247,430)	\$ (42,086,882)
General Revenues and Transfers:			
Property taxes	35,196,303	-	35,196,303
Excise taxes	2,693,832	-	2,693,832
Penalties, interest, and other taxes	357,233		357,233
Grants and contributions not restricted to specific programs	1,183,853	-	1,183,853
Investment income	422,253	19,493	441,746
Other	79,321	-	79,321
Transfers	<u>(234,539)</u>	<u>234,539</u>	<u>-</u>
Total General Revenues and Transfers	<u>39,698,256</u>	<u>254,032</u>	<u>39,952,288</u>
Change in Net Position	(2,141,196)	6,602	(2,134,594)
Net Position:			
Beginning of Year, as restated	<u>1,643,913</u>	<u>39,192,768</u>	<u>40,836,681</u>
End of Year	<u>\$ (497,283)</u>	<u>\$ 39,199,370</u>	<u>\$ 38,702,087</u>

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

TOWN OF KINGSTON, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash and short-term investments	\$ 8,334,075	\$ 4,192,710	\$ 12,526,785
Investments	3,315,868	2,852,111	6,167,979
Receivables:			
Property taxes	3,208,762	6,459	3,215,221
Excises	314,546	-	314,546
User fees	292,795	-	292,795
Departmental and other	144,725	54,317	199,042
Intergovernmental	23,315	150,000	173,315
Betterments	<u>308</u>	<u>244,966</u>	<u>245,274</u>
Total Assets	<u>\$ 15,634,394</u>	<u>\$ 7,500,563</u>	<u>\$ 23,134,957</u>
Liabilities			
Warrants payable	\$ 685,000	\$ 111,675	\$ 796,675
Accrued liabilities	1,050,740	38,304	1,089,044
Notes payable	-	925,000	925,000
Other liabilities	<u>411,376</u>	<u>1,866</u>	<u>413,242</u>
Total Liabilities	2,147,116	1,076,845	3,223,961
Deferred Inflows of Resources			
Unavailable revenues	3,961,135	305,742	4,266,877
Fund Balances			
Nonspendable	-	1,489,877	1,489,877
Restricted	-	5,679,088	5,679,088
Committed	2,113,109	91,856	2,204,965
Assigned	398,969	-	398,969
Unassigned	<u>7,014,065</u>	<u>(1,142,845)</u>	<u>5,871,220</u>
Total Fund Balances	<u>9,526,143</u>	<u>6,117,976</u>	<u>15,644,119</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,634,394</u>	<u>\$ 7,500,563</u>	<u>\$ 23,134,957</u>

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

TOWN OF KINGSTON, 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	\$ 15,644,119
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	50,791,947
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,762,877
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(70,640,084)
Other	<u>(56,142)</u>
Net position of governmental activities	<u><u>\$ (497,283)</u></u>

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

TOWN OF KINGSTON, MASSACHUSETTS

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 34,439,130	\$ 260,087	\$ 34,699,217
Excises	2,632,051	3,771	2,635,822
Penalties, interest and other taxes	356,283	950	357,233
Charges for services	3,402,648	1,171,776	4,574,424
Intergovernmental	8,377,767	2,556,714	10,934,481
Licenses and permits	1,136,061	41,594	1,177,655
Fines and forfeitures	14,993	-	14,993
Investment income	306,594	115,659	422,253
Miscellaneous	84,172	(7,009)	77,163
	<u>50,749,699</u>	<u>4,143,542</u>	<u>54,893,241</u>
Expenditures			
General government	3,078,675	778,806	3,857,481
Public safety	7,082,212	886,220	7,968,432
Education	25,603,281	1,304,598	26,907,879
Public works	3,558,334	636,657	4,194,991
Health and human services	674,051	83,998	758,049
Culture and recreation	1,045,399	534,292	1,579,691
Employee benefits	5,827,275	-	5,827,275
Debt service:			
Principal	2,376,944	-	2,376,944
Interest	112,524	-	112,524
Intergovernmental	474,594	-	474,594
	<u>49,833,289</u>	<u>4,224,571</u>	<u>54,057,860</u>
Excess (deficiency) of revenues over expenditures	916,410	(81,029)	835,381
Other Financing Sources (Uses)			
Bond premiums	2,158	-	2,158
Transfers in	193,276	-	193,276
Transfers out	(234,539)	(193,276)	(427,815)
	<u>(39,105)</u>	<u>(193,276)</u>	<u>(232,381)</u>
Change in fund balance	877,305	(274,305)	603,000
Fund Balance, at Beginning of Year	<u>8,648,838</u>	<u>6,392,281</u>	<u>15,041,119</u>
Fund Balance, at End of Year	<u>\$ 9,526,143</u>	<u>\$ 6,117,976</u>	<u>\$ 15,644,119</u>

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

TOWN OF KINGSTON, 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	\$	603,000
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay		951,218
Net effect on disposal of assets		(398,886)
Depreciation		(2,534,022)
<p>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:</p>		
Repayments of debt		2,376,944
Amortization of bond refunding		(45,956)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.</p>		
		525,207
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Change in pension expense from GASB 68		(931,099)
Change in OPEB expense from GASB 75		(2,819,659)
Other		135,306
Other differences		<u>(3,249)</u>
Change in net position of governmental activities	\$	<u><u>(2,141,196)</u></u>

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

TOWN OF KINGSTON, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

	Business-Type Activities			Total
	Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Renewable Energy Fund	
Assets				
Current:				
Cash and short-term investments	\$ 2,931,979	\$ 4,696,451	\$ 52,103	\$ 7,680,533
User fees, net of allowance for uncollectibles	720,307	406,202	-	1,126,509
Total current assets	3,652,286	5,102,653	52,103	8,807,042
Noncurrent:				
Betterments	-	7,064,848	-	7,064,848
Capital assets:				
Land and construction in progress	761,908	2,047,184	-	2,809,092
Other capital assets, net of accumulated depreciation	20,722,577	27,178,580	-	47,901,157
Total noncurrent assets	21,484,485	36,290,612	-	57,775,097
Total assets	25,136,771	41,393,265	52,103	66,582,139
Deferred Outflows of Resources				
Related to pensions	65,925	20,910	-	86,835
Related to OPEB	381,654	121,081	-	502,735
Total Deferred Outflows of Resources	447,579	141,991	-	589,570
Liabilities				
Current:				
Warrants payable	132,494	4,398	-	136,892
Accrued liabilities	11,358	178,531	-	189,889
Notes payable	-	1,600,000	-	1,600,000
Other current liabilities	42,366	-	42,868	85,234
Current portion of long-term liabilities:				
Bonds payable	368,038	1,349,866	-	1,717,904
Compensated absences	5,464	2,011	-	7,475
Total current liabilities	559,720	3,134,806	42,868	3,737,394
Noncurrent:				
Bonds payable, net of current portion	3,898,509	17,532,710	-	21,431,219
Net pension liability	480,712	152,473	-	633,185
Net OPEB liability	1,399,894	444,121	-	1,844,015
Compensated absences	103,823	38,211	-	142,034
Total noncurrent liabilities	5,882,938	18,167,515	-	24,050,453
Total liabilities	6,442,658	21,302,321	42,868	27,787,847
Deferred Inflows of Resources				
Related to pensions	14,105	4,474	-	18,579
Related to OPEB	125,954	39,959	-	165,913
Total Deferred Inflows of Resources	140,059	44,433	-	184,492
Net Position				
Net investment in capital assets	17,329,685	8,743,188	-	26,072,873
Restricted				
Unrestricted	1,671,948	11,445,314	9,235	13,126,497
Total Net Position	\$ 19,001,633	\$ 20,188,502	\$ 9,235	\$ 39,199,370

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

TOWN OF KINGSTON, MASSACHUSETTS

Proprietary Funds
Statement Of Revenues, Expenses And Changes In Fund Net Position
For the year ended June 30, 2020

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Renewable Energy Fund	Total
	Fund	Fund	Fund	Total
Operating Revenues				
Charges for services	\$ 2,317,574	\$ 1,534,043	\$ -	\$ 3,851,617
Total Operating Revenues	2,317,574	1,534,043	-	3,851,617
Operating Expenses				
Salaries and wages	744,673	506,200	-	1,250,873
Other operating expenses	745,831	736,833	1,909	1,484,573
Depreciation	728,750	980,444	-	1,709,194
Total Operating Expenses	2,219,254	2,223,477	1,909	4,444,640
Operating Income (Loss)	98,320	(689,434)	(1,909)	(593,023)
Nonoperating Revenues (Expenses)				
Intergovernmental revenue	-	1,094,716	-	1,094,716
Investment income	11,132	8,361	-	19,493
Interest expense	(99,893)	(911,230)	-	(1,011,123)
Total Nonoperating Revenues (Expenses), Net	(88,761)	191,847	-	103,086
Income (Loss) Before Transfers and Capital Contributions	9,559	(497,587)	(1,909)	(489,937)
Capital Contributions	-	262,000	-	262,000
Transfers in	-	224,539	10,000	234,539
Change in Net Position	9,559	(11,048)	8,091	6,602
Net Position at Beginning of Year, as restated	18,992,074	20,199,550	1,144	39,192,768
Net Position at End of Year	\$ 19,001,633	\$ 20,188,502	\$ 9,235	\$ 39,199,370

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

TOWN OF KINGSTON, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2020

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Nonmajor Renewable Energy Fund	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 2,242,518	\$ 2,448,915	\$ -	\$ 4,691,433
Payments to employees	(561,778)	(712,777)	(1,909)	(1,276,464)
Payments to vendors	(645,068)	(473,047)	-	(1,118,115)
Net Cash Provided By (Used For) Operating Activities	1,035,672	1,263,091	(1,909)	2,296,854
Cash Flows From Noncapital Financing Activities				
Transfers in	-	224,539	10,000	234,539
Net Cash Provided By Noncapital Financing Activities	-	224,539	10,000	234,539
Cash Flows From Capital and Related Financing Activities				
Proceeds of notes	-	1,600,000	-	1,600,000
Acquisition, construction, and disposition of capital assets	(267,804)	(2,317,082)	-	(2,584,886)
Principal payments on bonds	(400,698)	(1,309,319)	-	(1,710,017)
Interest expense	(99,893)	(911,230)	-	(1,011,123)
Capital contributions	-	262,000	-	262,000
Intergovernmental revenue	-	1,094,716	-	1,094,716
Net Cash (Used For) Capital and Related Financing Activities	(768,395)	(1,580,915)	-	(2,349,310)
Cash Flows From Investing Activities				
Interest income	11,132	8,361	-	19,493
Net Cash Provided By Investing Activities	11,132	8,361	-	19,493
Net Change in Cash and Short-Term Investments	278,409	(84,924)	8,091	201,576
Cash and Short-Term Investments, Beginning of Year	2,653,570	4,781,375	44,012	7,478,957
Cash and Short-Term Investments, End of Year	\$ 2,931,979	\$ 4,696,451	\$ 52,103	\$ 7,680,533
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities				
Operating income (loss)	\$ 98,320	\$ (689,434)	\$ (1,909)	\$ (593,023)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	728,750	980,444	-	1,709,194
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(75,056)	914,872	-	839,816
Deferred outflows - related to pensions	38,678	10,029	-	48,707
Deferred outflows - related to OPEB	(179,733)	9,700	-	(170,033)
Warrants and accounts payable	100,369	(47,817)	-	52,552
Accrued liabilities	9,657	28,277	-	37,934
Net pension liability	2,464	11,019	-	13,483
Net OPEB liability	404,180	149,220	-	553,400
Deferred inflows - related to pensions	6,657	2,271	-	8,928
Deferred inflows - related to OPEB	(98,614)	(105,490)	-	(204,104)
Net Cash Provided By (Used For) Operating Activities	\$ 1,035,672	\$ 1,263,091	\$ (1,909)	\$ 2,296,854

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

TOWN OF KINGSTON, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Other Post-Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ -	\$ 607,970
Investments:			
Certificates of deposit	-	34,684	
Equity mutual funds	239,111	34,886	-
Fixed income mutual funds	218,549	25,188	-
Corporate bonds	-	79,134	-
Corporate equities	-	91,526	-
U.S. Treasury and agencies	-	179,955	-
Total Investments	<u>457,660</u>	<u>445,374</u>	<u>-</u>
Total Assets	457,660	445,374	607,970
 Liabilities			
Other liabilities	<u>-</u>	<u>-</u>	<u>607,970</u>
Total Liabilities	<u>-</u>	<u>-</u>	\$ <u><u>607,970</u></u>
 Net Position			
Restricted for OPEB purposes	457,660	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>445,374</u>	
Total Net Position	\$ <u><u>457,660</u></u>	\$ <u><u>445,374</u></u>	

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

TOWN OF KINGSTON, MASSACHUSETTS

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

	Other Post-Employment Benefits Trust <u>Fund</u>	Private Purpose Trust Funds <u>Trust Funds</u>
Additions		
Contributions:		
Employers	\$ <u>975,991</u>	\$ <u>-</u>
Scholarships		
Total contributions	975,991	-
Investment Income (Loss):		
Interest	<u>14,978</u>	<u>23,679</u>
Total additions	990,969	23,679
Deductions		
Benefit payments to plan members, beneficiaries and other systems	925,991	-
Other expenses	<u>-</u>	<u>15,000</u>
Total deductions	<u>925,991</u>	<u>15,000</u>
Net increase	64,978	8,679
Net position restricted for OPEB and other purposes		
Beginning of year	<u>392,682</u>	<u>436,695</u>
End of year	<u>\$ 457,660</u>	<u>\$ 445,374</u>

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

TOWN OF KINGSTON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 39 criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- Water operations
- Sewer operations

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

The Town reports the following fiduciary funds:

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

Cash and Investments

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

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

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

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

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

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

Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$1,186,919.

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in

governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Deficit Fund Equity

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

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

3. Deposits and Investments

Town (Excluding the OPEB Trust Fund)

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, Certain External Investment Pools and

Pool Participants, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

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

As of June 30, 2020, \$538,445 of the Town’s bank balance of \$18,907,660 was exposed to custodial credit risk as uninsured and uncollateralized, and 18,119,215 was collateralized by securities held by the pledging financial institution’s trust department or agent but not in the Town’s name.

Investment Summary

The following is a summary of the Town’s investments as of June 30, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 515
Corporate bonds	1,175
Corporate equities	1,359
Equity mutual funds	518
Fixed income mutual funds	374
U.S. Treasury and agencies	<u>2,672</u>
Total investments	<u>\$ 6,613</u>

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town’s formal investment policies related to custodial credit risk includes reviewing the financial institution's financial statements and the background of the Advisor to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

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

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Town will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations. In regard to other investments, the Town will only purchase investment grade securities with a high concentration in securities rated A or better. The Town may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

As of June 30, 2020, the credit quality ratings, as rated by Moody’s Investors Service, Inc., of the Town’s debt securities are as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>		
		<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 1,175	\$ 696	\$ 479	\$ -
Fixed income mutual funds	<u>374</u>	<u>-</u>	<u>-</u>	<u>374</u>
Total	\$ <u>1,549</u>	\$ <u>696</u>	\$ <u>479</u>	\$ <u>374</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town’s investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer. The Town will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

As Individual investments exceeding 5% of the Town’s total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of total Investments</u>
Rockland Trust Certificate of Deposit	\$ <u>515</u>	8%
Total	\$ <u>515</u>	

Interest Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town’s investment policies limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Corporate bonds	\$ 1,175	\$ 51	\$ 713	\$ 411	\$ -
Fixed income mutual funds	374	-	374	-	-
U.S. Treasury and agencies	<u>2,672</u>	<u>177</u>	<u>1,813</u>	<u>603</u>	<u>79</u>
Total	<u>\$ 4,221</u>	<u>\$ 228</u>	<u>\$ 2,900</u>	<u>\$ 1,014</u>	<u>\$ 79</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’s investment policies state that the Town will limit investment in any instrument exposed to foreign currency risk.

Fair Value

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

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

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

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 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 1,175	\$ -	\$ 1,175	\$ -
Corporate equities	1,359	1,359	-	-
Equity mutual funds	518	518	-	-
Fixed income mutual funds	374	374	-	-
U.S. Treasury and agencies	<u>2,672</u>	-	2,672	-
Total	<u>\$ 6,098</u>			

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

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

4. Investments - OPEB Trust Fund

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

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

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 239
Fixed income mutual funds	<u>219</u>
Total investments	<u>\$ 458</u>

Custodial Credit Risk

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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The OPEB

Trust Fund does not have formal investment policies related to custodial credit risk. The Town manages custodial credit risk exposure with SIPC and excess SIPC insurance.

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

Credit Risk – Investments of Debt Securities

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

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of</u>
		<u>Year End</u>
		<u>Unrated</u>
Fixed income mutual funds	\$ <u>219</u>	\$ <u>219</u>
Total	\$ <u>219</u>	\$ <u>219</u>

Concentration of Credit Risk

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

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

Fair Value

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments by fair value level:				
Equity mutual funds	\$ 239	\$ 239	-	-
Fixed income mutual funds	<u>219</u>	219	-	-
Total	\$ <u>458</u>			

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

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

5. Property Taxes and Excises Receivables

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

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

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

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

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

Property taxes and excise receivables at June 30, 2020 consist of the following (in thousands):

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 1,114	\$ 130	\$ 984	\$ -
Personal property taxes	181	36	145	-
Community preservation act	6	-	6	-
Tax liens	1,853	185	-	1,668
Deferred taxes	60	-	60	-
Total property taxes	<u>\$ 3,215</u>	<u>\$ 351</u>	<u>\$ 1,196</u>	<u>\$ 1,668</u>
Motor vehicle excise	\$ 305	\$ 60	\$ 245	
Boat excise	9	4	5	
Total excises	<u>\$ 315</u>	<u>\$ 64</u>	<u>\$ 251</u>	

6. User Fee Receivables

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

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water	\$ 832	\$ 112	\$ 720
Sewer	471	65	406
Ambulance	293	84	209
Total	<u>\$ 1,596</u>	<u>\$ 261</u>	<u>\$ 1,335</u>

7. Intergovernmental Receivables

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

8. Interfund Fund Transfers

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

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 193,276	\$ (234,539)
Nonmajor Funds:		
Special revenue funds	-	(167,647)
Trust funds	-	<u>(25,629)</u>
Subtotal Nonmajor Funds	-	(193,276)
 <u>Business-Type Funds:</u>		
Sewer Fund	224,539	-
Renewable energy fund	<u>10,000</u>	<u>-</u>
Subtotal Business-type Funds	<u>234,539</u>	<u>-</u>
Grand Total	<u>\$ 427,815</u>	<u>\$ (427,815)</u>

Of the transfer into the general fund, \$88,000 was transferred from waterways special revenue fund for capital expenditures, \$79,647 was transferred from the septic loan fund for the Town operating budget, and \$25,629 was transferred from the Sampson trust fund for various Sampson fund expenditures as recommended by the Trustees. Of the transfers out of the general fund, \$224,539 was transferred to the sewer fund for sewer operations, and \$10,000 was transferred to fund the renewable energy fund. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

9. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 43,545	\$ 310	\$ -	\$ 43,855
Machinery, equipment, and furnishings	10,633	593	(213)	11,013
Infrastructure	<u>23,838</u>	<u>-</u>	<u>(399)</u>	<u>23,439</u>
Total capital assets, being depreciated	78,016	903	(612)	78,307
Less accumulated depreciation for:				
Buildings and improvements	(18,501)	(1,194)	-	(19,695)
Machinery, equipment, and furnishings	(7,210)	(748)	213	(7,745)
Infrastructure	<u>(8,779)</u>	<u>(592)</u>	<u>-</u>	<u>(9,371)</u>
Total accumulated depreciation	<u>(34,490)</u>	<u>(2,534)</u>	<u>213</u>	<u>(36,811)</u>
Total capital assets, being depreciated, net	43,526	(1,631)	(399)	41,496
Capital assets, not being depreciated:				
Land	8,828	-	-	8,828
Construction in progress	<u>419</u>	<u>48</u>	<u>-</u>	<u>467</u>
Total capital assets, not being depreciated	<u>9,247</u>	<u>48</u>	<u>-</u>	<u>9,295</u>
Governmental activities capital assets, net	<u>\$ 52,773</u>	<u>\$ (1,583)</u>	<u>\$ (399)</u>	<u>\$ 50,791</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 26,819	\$ 241	\$ -	\$ 27,060
Machinery, equipment, and furnishings	975	86	(104)	957
Infrastructure	<u>53,979</u>	<u>-</u>	<u>-</u>	<u>53,979</u>
Total capital assets, being depreciated	81,773	327	(104)	81,996
Less accumulated depreciation for:				
Buildings and improvements	(9,087)	(699)	-	(9,786)
Machinery, equipment, and furnishings	(915)	(37)	104	(848)
Infrastructure	<u>(22,486)</u>	<u>(975)</u>	<u>-</u>	<u>(23,461)</u>
Total accumulated depreciation	<u>(32,488)</u>	<u>(1,711)</u>	<u>104</u>	<u>(34,095)</u>
Total capital assets, being depreciated, net	49,285	(1,384)	-	47,901
Capital assets, not being depreciated:				
Land	463	-	-	463
Construction in progress	<u>86</u>	<u>2,260</u>	<u>-</u>	<u>2,346</u>
Total capital assets, not being depreciated	<u>549</u>	<u>2,260</u>	<u>-</u>	<u>2,809</u>
Business-type activities capital assets, net	<u>\$ 49,834</u>	<u>\$ 876</u>	<u>\$ -</u>	<u>\$ 50,710</u>

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

Governmental Activities	
General government	\$ 143
Public safety	502
Education	736
Public works	816
Culture and recreation	<u>337</u>
Total governmental activities	<u>\$ 2,534</u>
Business-Type Activities	
Water	\$ 730
Sewer	<u>981</u>
Total business-type activities	<u>\$ 1,711</u>

10. Deferred Outflows of Resources

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

11. Warrants Payable

Warrants payable represent 2020 expenditures paid by July 15, 2021.

12. Accrued Liabilities

Accrued liabilities represent 2020 expenditures paid in 2021.

13. Tax Refunds Payable

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

14. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
MWPAT T5-97-1211-E	0.00%	04/15/19	10/04/21	\$ 200,000
General Obligation BAN	2.00%	10/24/19	10/23/20	<u>2,325,000</u>
Total				<u>\$ 2,525,000</u>

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
MWPAT T5-97-1211-E	\$ 200,000	\$ -	\$ -	\$ 200,000
Land Purchase	725,000	-	-	725,000
Wastewater treatment plant	-	<u>1,600,000</u>	-	<u>1,600,000</u>
Total	<u>\$ 925,000</u>	<u>\$ 1,600,000</u>	<u>\$ -</u>	<u>\$ 2,525,000</u>

15. Capital Lease Obligations

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

<u>Fiscal Year</u>	<u>Capital Leases</u>
2021	\$ 61,694
2022	61,695
2023	<u>36,029</u>
Total minimum lease payments	159,418
Less amounts representing interest	<u>(12,916)</u>
Present Value of Minimum Lease Payments	<u>\$ 146,502</u>

The following is an analysis for the leased assets included in capital assets at June 30, 2020:

	Governmental <u>Activities</u>
Machinery, vehicles and equipment	\$ 146,502
Less: accumulated depreciation	<u>(42,482)</u>
Equipment under capital leases, net	<u>\$ 104,020</u>

16. Long-Term Debt

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 have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>	Original	Serial	Interest	Amount
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Maturities</u> <u>Through</u>	<u>Rate(s) %</u>	Outstanding as of <u>6/30/20</u>
Public offerings:				
Senior center	1,600,000	01/15/30	3.80%	\$ 800,000
Refunding April 2013	1,809,800	03/01/23	1.36%	<u>204,200</u>
Total general obligation bonds				1,004,200
<u>Loans - Direct Borrowings</u>				
MWPAT - septic	\$ 442,725	08/01/23	0.00%	89,352
Septic loan program Title 5	125,000	07/15/26	0.00%	43,946
Septic loan program Title 5	265,352	07/15/27	0.00%	111,726
MWPAT stormwater CW-07-16	287,643	07/15/28	2.00%	156,730
MPWAT 97-1211-D	334,648	01/15/33	0.00%	218,662
MCWT series 21 loan	200,000	07/15/38	0.00%	<u>190,000</u>
Total loans - direct borrowings				<u>810,416</u>
Total governmental activities				<u>\$ 1,814,616</u>

Business-Type Activities

		Serial	Interest	Amount
		Maturities	Rate(s) %	Outstanding
		<u>Through</u>		as of
				<u>6/30/20</u>
<u>General Obligation Bonds</u>				
Public offerings:				
Water mains	\$ 350,000	01/15/30	3.72%	\$ 150,000
Water system improvement	400,000	01/15/30	3.80%	200,000
Water mains	250,000	01/15/30	3.68%	100,000
Refunding April 2013	1,460,200	03/01/23	1.36%	<u>385,800</u>
Total general obligation bonds				835,800
<u>Loans - Direct Borrowings</u>				
MA clean water trust	\$ 4,506,759	01/15/35	2.00%	\$ 3,439,947
MWPAT	1,380,732	08/01/29	1.73%	620,000
MWPAT	7,694,995	08/01/29	1.73%	3,455,000
MWPAT	2,565,044	08/01/29	1.73%	1,150,000
MWPAT	1,516,060	08/01/30	1.73%	740,000
MWPAT	7,580,104	08/01/30	1.73%	3,705,000
MWPAT	621,626	02/01/31	1.85%	305,000
MWPAT	6,321,273	02/01/31	1.85%	3,115,000
MWPAT	474,779	08/01/32	2.60%	265,000
MWPAT CW-04-02	3,509,766	07/15/35	2.31%	2,179,223
MWPAT CW-04-42A	5,120,234	07/15/36	2.35%	<u>3,339,153</u>
Total loans - direct borrowings				<u>22,313,323</u>
Total business-type activities				<u>\$ 23,149,123</u>

Future Debt Service

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

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 259,200	\$ 36,444	\$ 85,306	\$ 2,974
2022	105,000	29,660	85,654	2,650
2023	80,000	25,960	86,010	2,319
2024	80,000	22,760	86,373	1,981
2025	80,000	19,560	64,406	1,637
2026 - 2030	400,000	49,440	261,827	2,962
2031 - 2035	-	-	100,840	-
2036 - 2040	-	-	40,000	-
Total	<u>\$ 1,004,200</u>	<u>\$ 183,824</u>	<u>\$ 810,416</u>	<u>\$ 14,523</u>

Business-Type	Bonds - Public Offerings		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 180,800	\$ 25,918	\$ 1,537,104	\$ 375,620
2022	170,000	21,402	1,577,870	342,656
2023	170,000	17,103	1,628,881	318,472
2024	45,000	12,802	1,685,146	288,312
2025	45,000	11,003	1,741,666	259,241
2026 - 2030	225,000	27,810	9,510,568	804,293
2031 - 2035	-	-	4,005,728	259,140
2036 - 2040	-	-	626,360	12,833
Total	<u>\$ 835,800</u>	<u>\$ 116,038</u>	<u>\$ 22,313,323</u>	<u>\$ 2,660,567</u>

Changes in General Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable:						
Public offerings	\$ 3,286	\$ -	\$ (2,282)	\$ 1,004	\$ 259	\$ 745
Loans payable (direct borrowings)	906	-	(95)	811	86	725
Unamortized premium	(46)	-	46	-	-	-
Subtotal	4,146	-	(2,331)	1,815	345	1,470
Net pension liability	21,833	-	(1,289)	20,544	-	20,544
Net OPEB liability	45,445	14,398	-	59,843	-	59,843
Compensated absences	1,068	112	(53)	1,127	56	1,071
Capital leases	311	48	(212)	147	55	92
Landfill liability	360	-	(30)	330	30	300
Total	<u>\$ 73,163</u>	<u>\$ 14,558</u>	<u>\$ (3,915)</u>	<u>\$ 83,806</u>	<u>\$ 486</u>	<u>\$ 83,320</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 1,059	\$ -	\$ (223)	\$ 836	\$ 181	\$ 655
Loans payable (direct borrowings)	23,800	-	(1,487)	22,313	1,537	20,776
Subtotal	24,859	-	(1,710)	23,149	1,718	21,431
Net pension liability	620	13	-	633	-	633
Net OPEB liability	1,291	553	-	1,844	-	1,844
Compensated absences	138	18	(7)	149	7	142
Total	<u>\$ 26,908</u>	<u>\$ 584</u>	<u>\$ (1,717)</u>	<u>\$ 25,775</u>	<u>\$ 1,725</u>	<u>\$ 24,050</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans, issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in

enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

17. Landfill Closure and Postclosure Care Costs

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

The \$330,000 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

18. Deferred Inflows of Resources

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

19. Governmental Funds - Balances

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

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 1,489,877	\$ 1,489,877
Total Nonspendable	-	1,489,877	1,489,877
Restricted			
Special revenue funds:			
Community preservation	-	1,786,952	1,786,952
School grants and revolving funds	-	796,900	796,900
Septic betterments	-	547,448	547,448
Recreation revolving	-	172,599	172,599
Gifts and donations	-	143,555	143,555
Inspectors department revolving	-	117,067	117,067
Waterways	-	111,611	111,611
Other special revenue funds	-	757,280	757,280
Affordable housing trust fund	-	496,026	496,026
Expendable permanent funds	-	749,650	749,650
Total Restricted	-	5,679,088	5,679,088
Committed			
Continuing appropriations	559,316	-	559,316
Smart growth stabilization	629,478	-	629,478
Capital stabilization	829,437	-	829,437
Special education stabilization	94,878	-	94,878
Capital project funds	-	91,856	91,856
Total Committed	2,113,109	91,856	2,204,965
Assigned			
Encumbrances			
General government	33,949	-	33,949
Public safety	35,698	-	35,698
Education	289,344	-	289,344
Human services	1,200	-	1,200
Culture and recreation	4,431	-	4,431
Employee benefits	34,347	-	34,347
Total Assigned	398,969	-	398,969
Unassigned			
General fund	4,218,390	-	4,218,390
General stabilization fund	2,795,736	-	2,795,736
Employee liability stabilization	(61)	-	(61)
Special revenue	-	(449,803)	(449,803)
Capital projects	-	(693,042)	(693,042)
Total Unassigned	7,014,065	(1,142,845)	5,871,220
Total Fund Balances	\$ 9,526,143	\$ 6,117,976	\$ 15,644,119

20. Retirement System

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

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Plymouth 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 retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Plymouth County Retirement System, 11 South Russell Street, Plymouth, Massachusetts 02360.

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

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

Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any

2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not

remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town’s contribution to the System for the year ended June 30, 2020 was \$2,290,716, 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 \$21,176,743 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 December 31, 2018, the Town’s proportion was 3.10%, which was an increase of 0.05% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$3,92,932. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 2,398,693	\$ -
Changes of assumptions	330,299	(68,840)
Net difference between projected and actual investment earnings on pension plan investments	-	(444,559)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>175,213</u>	<u>(107,975)</u>
Total	\$ <u>2,904,205</u>	\$ <u>(621,374)</u>

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

Year ended June 30:	
2021	\$ 910,316
2022	845,236
2023	962,627
2024	<u>(435,348)</u>
Total	\$ <u>2,282,831</u>

Actuarial Assumptions

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

COLA	3.00% of the first \$14,000
Salary increases	3.75% per year, including longevity
Investment rate of return	7.875%

Mortality rates were based on the RP-2014 Blue Collar Mortality table with scale MP-2016, fully generational. For members retired for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of the 2015 actuarial experience study.

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>	Long-term Expected Asset <u>Allocation</u>	Long-term Expected Nominal Rate <u>of Return</u>
Domestic Equity	26.00%	7.40%
International developed equity	6.00%	7.90%
Emerging markets equity	10.00%	9.10%
Global equity	10.00%	7.80%
Core bonds	9.00%	3.00%
Value-added fixed income	6.00%	4.90%
Hedge funds	4.00%	4.00%
Real estate	10.00%	7.50%
Private equity	13.00%	9.40%
Real assets	<u>6.00%</u>	7.50%
Total	<u><u>100.0%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed 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 7.875%, as well as what the Town’s proportionate share of the net pension

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

1% Decrease <u>(6.875%)</u>	Current Discount Rate <u>(7.875%)</u>	1% Increase <u>(8.875%)</u>
\$ 26,821,410	\$ 21,176,743	\$ 16,260,110

Pension Plan Fiduciary Net Position

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

21. Massachusetts Teachers’ Retirement System (MTRS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

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

Actuarial Assumptions

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

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

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

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

Discount Rate

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

Sensitivity Analysis

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

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all 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 was \$22,000,161 based on a proportionate share of 0.087254%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$1,259,690 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$2,667,901 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, Harvard Pilgrim Health Care, and Medex. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Funding Policy

The Town’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on 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	134
Active employees	<u>257</u>
Total	<u><u>391</u></u>

Investments

The OPEB trust fund assets consist of equity and fixed income mutual funds.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.55%. 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:

Inflation	2.40%
Payroll growth	3.50% per year
Investment rate of return	6.00%, net of investment expenses, including inflation
Municipal bond rate	2.21%
Discount rate	2.21%
Healthcare cost trend rates	8.00% for 2020, fluctuating 0.50% to an ultimate rate of 3.90% as of 2075 and later years
Participation rate	Medical - 85% of eligible retired employees will elect to participate. Life - 85% of eligible retirees will elect to participate. Dental - Not offered to retired employees.

Mortality rates were based on the following:

Pre-retirement Mortality – General and Public Safety employees	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using Scale BB.
Post-retirement Mortality – General and Public Safety employees	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using Scale BB.
Pre-retirement Mortality – Teachers	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using Scale MP-2016.
Post-retirement Mortality – Teachers	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using Scale MP-2016.

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 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 bond	35.00%	2.22%
Domestic equity	25.00%	4.96%
International equity	10.00%	7.01%
Alternatives	20.00%	2.76%
International bond	10.00%	1.53%
Cash and equivalents	<u>0.00%</u>	0.00%
	<u>100.00%</u>	

Contributions

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

Discount Rate

The discount rate used to measure the net OPEB liability was 2.21%. 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 6.00% through fiscal year 2023 and municipal bond rate of 2.21% thereafter (based on the Bond Buyer 20-Bond GO Index published on 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	\$ 62,145,009
Plan fiduciary net position	<u>457,660</u>
Net OPEB liability	<u>\$ 61,687,349</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.74%

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:

	<u>Increase (Decrease)</u>		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 47,128,516	\$ 392,682	\$ 46,735,834
Changes for the year:			
Service cost	2,179,690	-	2,179,690
Interest	1,709,582	-	1,709,582
Contributions - employer	-	975,991	(975,991)
Net investment income	-	14,978	(14,978)
Changes of benefit terms	(1,673,739)	-	(1,673,739)
Changes in assumptions or other inputs	13,726,951	-	13,726,951
Benefit payments	<u>(925,991)</u>	<u>(925,991)</u>	<u>-</u>
Net Changes	<u>15,016,493</u>	<u>64,978</u>	<u>14,951,515</u>
Balances, end of year	<u>\$ 62,145,009</u>	<u>\$ 457,660</u>	<u>\$ 61,687,349</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 2.21% in 2020.

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

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

<u>1% Decrease</u>	Current Discount Rate	<u>1% Increase</u>
\$ 75,931,523	\$ 61,687,349	\$ 50,866,013

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

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

<u>1% Decrease</u>	Current Healthcare Cost Trend Rates	<u>1% Increase</u>
\$ 48,927,738	\$ 61,687,349	\$ 79,148,687

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 \$3,974,914. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ -	\$ (4,234,776)
Change in assumptions	16,817,856	(1,315,484)
Net difference between projected and actual OPEB investment earnings	<u>19,982</u>	<u>-</u>
Total	<u>\$ 16,837,838</u>	<u>\$ (5,550,260)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ 1,787,829
2022	1,787,830
2023	1,785,283
2024	1,797,199
2025	2,113,411
Thereafter	<u>2,016,026</u>
Total	\$ <u>11,287,578</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.

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 \$398,969 in encumbrances that will be honored in the next fiscal year.

24. Beginning Net Position Restatement

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

Government-Wide Financial Statements:

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Renewable Energy	Total
As previously reported	\$ 18,992,074	\$ 12,203,762	\$ 1,144	\$ 31,196,980
Elimination of other deferred inflows	<u>-</u>	<u>7,995,788</u>	<u>-</u>	<u>7,995,788</u>
As restated	<u>\$ 18,992,074</u>	<u>\$ 20,199,550</u>	<u>\$ 1,144</u>	<u>\$ 39,192,768</u>

25. New Pronouncements

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

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

TOWN OF KINGSTON, MASSACHUSETTS

Required Supplemental Information
General Fund

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

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 35,100,596	\$ 35,152,720	\$ 34,439,130	\$ (713,590)
Excise	2,647,500	2,647,500	2,632,051	(15,449)
Penalties, interest and other taxes	210,000	210,000	356,283	146,283
Charges for services	3,262,000	3,262,000	3,402,648	140,648
Intergovernmental	6,422,352	6,927,158	7,118,077	190,919
Licenses and permits	1,050,000	1,050,000	1,136,061	86,061
Fines and forfeitures	15,000	15,000	14,993	(7)
Investment income	80,000	80,000	94,487	14,487
Miscellaneous	<u>60,000</u>	<u>60,000</u>	<u>84,172</u>	<u>24,172</u>
Total Revenues	48,847,448	49,404,378	49,277,902	(126,476)
Expenditures				
General government	3,135,388	3,831,403	3,621,035	210,368
Public safety	6,825,731	7,528,477	7,143,303	385,174
Education	24,816,158	25,219,401	24,790,054	429,347
Public works	3,916,446	4,041,138	3,708,220	332,918
Health and human services	807,186	772,622	676,251	96,371
Culture and recreation	988,074	1,149,930	1,127,115	22,815
Employee benefits	6,357,067	6,339,006	6,130,102	208,904
Debt service	2,486,403	2,486,403	2,489,715	(3,312)
Intergovernmental	<u>-</u>	<u>504,806</u>	<u>474,594</u>	<u>30,212</u>
Total Expenditures	<u>49,332,453</u>	<u>51,873,186</u>	<u>50,160,389</u>	<u>1,712,797</u>
Excess (deficiency) of revenues over expenditures	(485,005)	(2,468,808)	(882,487)	1,586,321
Other Financing Sources/Uses				
Transfers in	485,005	823,173	823,173	-
Transfers out	-	(519,417)	(738,061)	218,644
Use of free cash:				
Operating budget	-	383,977	383,977	-
Capital budget	-	866,011	866,011	-
Transfer to stabilization funds	-	110,000	110,000	-
Transfer to renewable energy fund	-	10,000	10,000	-
OPEB trust fund contribution	-	50,000	50,000	-
Other source: prior year articles and encumbrances	-	650,186	650,186	-
Other source: special education reserves	-	94,878	94,878	-
Bond premiums	<u>-</u>	<u>-</u>	<u>2,158</u>	<u>(2,158)</u>
Total Other Financing Sources/Uses	<u>485,005</u>	<u>2,468,808</u>	<u>2,252,322</u>	<u>216,486</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,369,835</u>	\$ <u>1,369,835</u>

See Independent Auditors' Report.

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

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/other financing sources/uses (GAAP basis)	\$ 50,749,699	\$ 49,833,289	\$ (39,105)
To record use of free cash	-	-	1,419,988
Prior year appropriations used to fund current year expenditures	-	-	650,186
Add end-of-year appropriation carryforwards from expenditures	-	958,285	-
To reclassify overhead costs	-	629,897	629,897
Other timing issues	-	50,000	144,878
To reverse the effect of non-budgeted State contributions for teachers retirement	(1,259,690)	(1,259,690)	-
To remove unbudgeted stabilization fund	<u>(212,107)</u>	<u>(51,392)</u>	<u>(553,522)</u>
Budgetary basis	<u>\$ 49,277,902</u>	<u>\$ 50,160,389</u>	<u>\$ 2,252,322</u>

See Independent Auditors' Report.

TOWN OF KINGSTON, MASSACHUSETTS

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

(Unaudited)

Plymouth County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	December 31, 2019	3.10%	\$21,176,743	\$ 9,120,073	232.20%	61.61%
June 30, 2019	December 31, 2018	3.05%	\$21,176,743	\$ 9,636,972	219.74%	56.11%
June 30, 2018	December 31, 2017	3.10%	\$16,687,404	\$ 10,106,048	165.12%	65.56%
June 30, 2017	December 31, 2016	3.09%	\$19,577,709	\$ 9,719,354	201.43%	58.32%
June 30, 2016	December 31, 2015	3.07%	\$19,473,824	\$ 9,172,923	212.30%	56.80%
June 30, 2015	December 31, 2014	3.07%	\$17,898,104	\$ 8,841,372	202.44%	58.88%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	June 30, 2019	0.087254%	\$ -	\$ 22,000,161	\$ 22,000,161	\$ 6,349,603	0.00%	53.95%
June 30, 2019	June 30, 2018	0.085791%	\$ -	\$ 20,342,190	\$ 20,342,190	\$ 6,024,987	0.00%	54.84%
June 30, 2018	June 30, 2017	0.085968%	\$ -	\$ 19,674,064	\$ 19,674,064	\$ 5,837,630	0.00%	54.25%
June 30, 2017	June 30, 2016	0.081997%	\$ -	\$ 18,332,740	\$ 18,332,740	\$ 5,393,480	0.00%	52.73%
June 30, 2016	June 30, 2015	0.083347%	\$ -	\$ 17,077,534	\$ 17,077,534	\$ 5,283,273	0.00%	55.38%
June 30, 2015	June 30, 2014	0.080606%	\$ -	\$ 12,813,374	\$ 12,813,374	\$ 4,942,352	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 KINGSTON, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Plymouth County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required 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	\$ 2,290,716	\$ 2,290,716	\$ -	\$ 9,120,073	25%
June 30, 2019	December 31, 2018	\$ 2,219,898	\$ 2,219,898	\$ -	\$ 9,636,972	23%
June 30, 2018	December 31, 2017	\$ 2,120,777	\$ 2,120,777	\$ -	\$ 10,106,048	21%
June 30, 2017	December 31, 2016	\$ 2,047,367	\$ 2,047,367	\$ -	\$ 9,719,354	21%
June 30, 2016	December 31, 2015	\$ 1,906,248	\$ 1,906,248	\$ -	\$ 9,172,923	21%
June 30, 2015	December 31, 2014	\$ 1,776,457	\$ 1,776,457	\$ -	\$ 8,841,372	20%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required 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	\$ 1,259,690	\$ 1,259,690	\$ -	\$ 6,349,603	19.84%
June 30, 2019	June 30, 2018	\$ 1,127,968	\$ 1,127,968	\$ -	\$ 6,024,987	18.72%
June 30, 2018	June 30, 2017	\$ 1,062,145	\$ 1,062,145	\$ -	\$ 5,837,630	18.19%
June 30, 2017	June 30, 2016	\$ 922,120	\$ 922,120	\$ -	\$ 5,393,480	17.10%
June 30, 2016	June 30, 2015	\$ 851,750	\$ 851,750	\$ -	\$ 5,283,273	16.12%
June 30, 2015	June 30, 2014	\$ 755,582	\$ 755,582	\$ -	\$ 4,942,352	15.29%

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

See Independent Auditors' Report.

TOWN OF KINGSTON, MASSACHUSETTS

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

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 2,179,690	\$ 1,901,684	\$ 1,987,912	\$ 2,371,143
Interest on unfunded liability - time value of \$	1,709,582	1,728,518	1,586,043	1,369,659
Changes of benefit terms	(1,673,739)	-	-	-
Differences between expected and actual experience	-	(5,918,584)	-	-
Changes of assumptions	13,726,951	7,048,910	(2,312,064)	(6,309,178)
Benefit payments, including refunds of member contributions	<u>(925,991)</u>	<u>(789,742)</u>	<u>(838,251)</u>	<u>(769,159)</u>
Net change in total OPEB liability	15,016,493	3,970,786	423,640	(3,337,535)
Total OPEB liability - beginning	<u>47,128,516</u>	<u>43,157,730</u>	<u>42,734,090</u>	<u>46,071,625</u>
Total OPEB liability - ending (a)	62,145,009	47,128,516	43,157,730	42,734,090
Plan Fiduciary Net Position				
Contributions - employer	975,991	789,742	938,251	869,159
Net investment income	14,978	21,023	10,594	9,634
Benefit payments, including refunds of member contributions	<u>(925,991)</u>	<u>(789,742)</u>	<u>(838,251)</u>	<u>(769,159)</u>
Net change in plan fiduciary net position	64,978	21,023	110,594	109,634
Plan fiduciary net position - beginning	<u>392,682</u>	<u>371,659</u>	<u>261,065</u>	<u>151,431</u>
Plan fiduciary net position - ending (b)	<u>457,660</u>	<u>392,682</u>	<u>371,659</u>	<u>261,065</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 61,687,349</u>	<u>\$ 46,735,834</u>	<u>\$ 42,786,071</u>	<u>\$ 42,473,025</u>

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

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

See Independent Auditors' Report.

TOWN OF KINGSTON, MASSACHUSETTS

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

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 62,145,009	\$ 47,128,516	\$ 43,157,730	\$ 42,734,090
Plan fiduciary net position	<u>457,660</u>	<u>392,682</u>	<u>371,659</u>	<u>261,065</u>
Net OPEB liability (asset)	<u>\$ 61,687,349</u>	<u>\$ 46,735,834</u>	<u>\$ 42,786,071</u>	<u>\$ 42,473,025</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.74%	0.83%	0.86%	0.61%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution*	\$ 4,796,504	\$ 4,410,451	\$ 4,391,717	\$ 3,902,060
Contributions in relation to the actuarially determined contribution	<u>975,991</u>	<u>789,742</u>	<u>938,251</u>	<u>869,159</u>
Contribution deficiency (excess)	<u>\$ 3,820,513</u>	<u>\$ 3,620,709</u>	<u>\$ 3,453,466</u>	<u>\$ 3,032,901</u>
	<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	3.55%	5.66%	4.06%	6.04%

*Includes only the implicit subsidy, which is required to be funded by statute, and not an amount required to fully fund the plan over time.

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

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

See Independent Auditors' Report.