

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF BRIDGEWATER, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2020

Report on Internal Control Over
Financial Reporting and on
Compliance and Other Matters
Year Ended June 30, 2020



TOWN OF BRIDGEWATER, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Town Council
Town of Bridgewater, 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 Bridgewater, Massachusetts, (the "Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of those 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over the financial reporting and compliance.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 19, 2021

Management's Discussion and Analysis

As the management of the Town of Bridgewater, Massachusetts (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by nearly \$16.7 million (*total net position*). Approximately \$14.6 million represented net position of the business-type activities and the net position of the governmental activities was approximately \$2.1 million.
- The government's total net position increased by approximately \$4.7 million. The governmental activities increased net position by approximately \$3.8 million while the business-type activities increased net position by nearly \$0.9 million.
- The Town's unassigned fund balance reported in the General Fund was approximately \$10.1 million (16.8% of General Fund expenditures). Total fund balance in the General Fund was approximately \$12.5 million (20.9% of General Fund expenditures). The Town reported a restricted fund balance of nearly \$3.2 million in the Community Preservation Fund, a restricted fund balance of over \$1.0 million in the Title V Program Fund, a total fund balance of over \$3.2 million in the Capital Project Fund and reported total fund balances of nearly \$4.1 million in the combined Nonmajor Governmental Funds.
- Regular scheduled maturities of debt were approximately \$2.0 million. Of this amount, \$1.1 million related to governmental activities and \$0.9 million to business-type activities. The Town issued \$8,905,000 of long-term debt during the fiscal year, with \$4,255,000 issued for governmental activities and \$4,650,000 issued for business-type activities.

Overview of the Financial Statements

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

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of position* presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported net as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government'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.)

The government-wide financial statements consist of two classifications; (1) those whose activities are principally supported by taxes and intergovernmental revenue (*governmental activities*), and (2) those whose activities are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town consist of water, sewer, transfer station and municipal golf course 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable—amounts cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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. Reconciliations are provided in the financial statements to help the reader understand the differences, as indicated with the table of contents.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation fund, Title V program fund and capital project fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

This schedule has been prepared as required supplementary information and can be found after the notes to the financial statements.

Proprietary Funds – Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, transfer station and municipal golf course activities.

Notes to the 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.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes the schedules of the Town's proportionate share of the net pension liability, contributions to the pension plan, the funding progress and contribution funding of its obligation to provide other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

Government-wide Financial Analysis

The condensed statement of net position is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<u>Assets</u>						
Current and other assets	\$ 31,392,147	\$ 30,235,909	\$ 11,384,333	\$ 11,024,704	\$ 42,776,480	\$ 41,260,613
Capital assets, net	<u>48,639,543</u>	<u>42,114,755</u>	<u>22,321,859</u>	<u>22,208,062</u>	<u>70,961,402</u>	<u>64,322,817</u>
Total Assets	<u>80,031,690</u>	<u>72,350,664</u>	<u>33,706,192</u>	<u>33,232,766</u>	<u>113,737,882</u>	<u>105,583,430</u>
Deferred outflows of resources	<u>6,427,988</u>	<u>8,199,507</u>	<u>902,715</u>	<u>1,139,417</u>	<u>7,330,703</u>	<u>9,338,924</u>
<u>Liabilities</u>						
Long-term liabilities	79,225,797	74,333,326	19,309,061	14,782,638	98,534,858	89,115,964
Other liabilities	<u>2,466,585</u>	<u>5,201,807</u>	<u>304,945</u>	<u>5,479,960</u>	<u>2,771,530</u>	<u>10,681,767</u>
Total Liabilities	<u>81,692,382</u>	<u>79,535,133</u>	<u>19,614,006</u>	<u>20,262,598</u>	<u>101,306,388</u>	<u>99,797,731</u>
Deferred inflows of resources	<u>2,683,789</u>	<u>2,740,838</u>	<u>379,847</u>	<u>390,532</u>	<u>3,063,636</u>	<u>3,131,370</u>
<u>Net Position</u>						
Net investment in capital assets	37,307,499	33,130,343	12,069,453	11,930,128	49,376,952	45,060,471
Restricted	8,192,127	8,302,761	-	-	8,192,127	8,302,761
Unrestricted	<u>(43,416,119)</u>	<u>(43,158,904)</u>	<u>2,545,601</u>	<u>1,788,925</u>	<u>(40,870,518)</u>	<u>(41,369,979)</u>
Net Position	<u>\$ 2,083,507</u>	<u>\$ (1,725,800)</u>	<u>\$ 14,615,054</u>	<u>\$ 13,719,053</u>	<u>\$ 16,698,561</u>	<u>\$ 11,993,253</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by nearly \$16.7 million (*total net position*). This was an increase of over \$4.7 million over the preceding year, net of beginning net position restatements. This was primarily the result of the surplus of revenues from bond and lease proceeds over capital project expenditures of \$2.8 million in the governmental activities and positive water and sewer business-type operations of over \$0.9 million.

By far the largest portion (approximately \$49.4 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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 the Town's net position (approximately \$8.2 million) represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* reflects the remainder of net position, a deficit of approximately \$40.9 million. This is due to the recognition of the other postemployment benefits liability of approximately \$38.1 million as a result of the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as previously discussed, and the implementation of GASB 68 in 2015, which has resulted in the recognition of almost \$33.0 million in net pension liabilities.

The condensed statement of changes in net position is as follows:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 5,174,147	\$ 4,573,763	\$ 8,481,837	\$ 7,321,022	\$ 13,655,984	\$ 11,894,785
Operating grants and contributions	1,198,770	830,609	-	-	1,198,770	830,609
Capital grants and contributions	3,894,893	1,465,227	19,184	22,991	3,914,077	1,488,218
General revenues:						
Property taxes	47,395,089	45,615,379	-	-	47,395,089	45,615,379
Intergovernmental	4,228,453	4,316,110	-	-	4,228,453	4,316,110
Other	5,288,860	5,665,330	-	-	5,288,860	5,665,330
Total Revenues	67,180,212	62,466,418	8,501,021	7,344,013	75,681,233	69,810,431
<u>Expenses</u>						
General government	5,028,475	5,012,225	-	-	5,028,475	5,012,225
Public safety	20,300,594	18,769,523	-	-	20,300,594	18,769,523
Education	32,145,178	31,193,359	-	-	32,145,178	31,193,359
Public works	3,252,550	3,590,582	-	-	3,252,550	3,590,582
Health and human services	1,037,400	996,531	-	-	1,037,400	996,531
Culture and recreation	1,843,664	1,292,151	-	-	1,843,664	1,292,151
Debt service	319,812	249,682	-	-	319,812	249,682
Water	-	-	2,900,594	2,824,637	2,900,594	2,824,637
Sewer	-	-	2,419,088	1,908,865	2,419,088	1,908,865
Transfer station	-	-	358,105	311,803	358,105	311,803
Golf	-	-	1,370,465	1,360,399	1,370,465	1,360,399
Total Expenses	63,927,673	61,104,053	7,048,252	6,405,704	70,975,925	67,509,757
Excess (deficiency) in net position before transfers	3,252,539	1,362,365	1,452,769	938,309	4,705,308	2,300,674
Transfers	556,768	343,167	(556,768)	(343,167)	-	-
Change in net position	3,809,307	1,705,532	896,001	595,142	4,705,308	2,300,674
Net position, beginning of year	(1,725,800)	(8,569,412)	13,719,053	13,460,390	11,993,253	4,890,978
Restatement for net OPEB liability	-	5,138,080	-	738,717	-	5,876,797
Restatement for unbilled receivables	-	-	-	(1,075,196)	-	(1,075,196)
Net position, beginning of year, as restated	(1,725,800)	(3,431,332)	13,719,053	13,123,911	11,993,253	9,692,579
Net position, end of year	\$ 2,083,507	\$ (1,725,800)	\$ 14,615,054	\$ 13,719,053	\$ 16,698,561	\$ 11,993,253

Governmental Activities - The town relies significantly on property taxes, which, during 2020, made up approximately 70.6% of total revenues, down from 73.0% in the prior year. Actual revenues increased by 4%; however public works capital grants increased \$2.4 million which caused the percentage decrease. No other revenues were greater than 10% of total revenues in 2020 or 2019.

Major expenditures were for education which continues to be an area that the town devotes significant resources. Education represented 50.3% of total expenses, down slightly from the prior year of 51.0%, but up in total due to rising regional school assessments. Public safety expenses represented 31.8% of total expenses, up slightly from the prior year of 30.7%. No other expense types were greater than 10% of total expenses in 2020 or 2019.

Business-type Activities - Major revenue sources consist of revenue from user charges, which represented approximately 99.8% and 99.7% of total fiscal year 2020 and 2019 revenues, respectively. Water, sewer, transfer station and golf expenses represented 41.2%, 34.3%, 5.1% and 19.4% of total fiscal year 2020 business-type activities expenses, respectively, and 44.1%, 29.8%, 4.9% and 21.2% of total fiscal year 2019 business-type activities expenses, respectively. Sewer costs increased over \$0.5 million, primarily from non-capital maintenance costs. All others were consistent and within expectations and comparable to the prior year.

Financial Analysis of the Government's Funds

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$24.0 million. This represents an increase of nearly \$3.2 million over the previous year from revenues in excess of budget in the general fund and bond issuances in the capital project major fund. Of the ending fund balance approximately \$9.2 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$10.1 million, while total fund balance reached approximately \$12.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 16.8% of total general fund expenditures, while total fund balance represents approximately 20.9% of that same amount.

The Community Preservation fund was used as a funding source for debt service and other capital spending. The balance of this fund decreased nearly \$0.5 million as the Town is funding several building and other projects.

The Title V Program fund was used as a funding source for the Town's septic management program. The balance of this fund decreased approximately \$0.1 million as a result of program costs exceeding revenues.

The Capital Project fund was used as a funding source for building remodeling projects as well as roadway improvements during the year. As a result, this fund was increased by approximately \$2.8 million to a fund balance of approximately \$3.2 million as a result of debt issuance proceeds in the current year exceeding capital outlays.

The combined Nonmajor funds increased from prior year by approximately \$0.2 million. Fund balances at year end were approximately \$4.1 million. This was mainly due to increase in intergovernmental reimbursements.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2020, net position of the water and sewer enterprise funds were approximately \$6.0 million and \$7.6 million, respectively. The transfer station and golf course enterprise funds had fund balances (deficits) of approximately (\$0.1 million) and \$1.2 million, respectively, at June 30, 2020. The Town's proprietary fund's net position increased by approximately \$0.9 million, primarily due to the positive operating results in the water and sewer funds.

General Fund Budgetary Highlights

The final amended budget was approximately \$1.7 million higher than the original budget, primarily due to increases in general governmental, public safety and public works spending. The schedule of budgetary information is provided as *Required Supplementary Information*.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to approximately \$71.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment and vehicles and reflects an increase of approximately \$6.6 million due to capital additions exceeding annual depreciation.

The Town has undergone significant capital improvements over the past several years. These include major improvements to its town hall, roads and water infrastructure.

Additional information on the Town capital assets can be found Note II. Subsection C of this report.

Long-term Debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of approximately \$22.2 million. Of this amount approximately \$12.6 million represents debt of the governmental activities and approximately \$9.6 million represents general obligation bonds of business-type activities.

The Town's total long-term debt experienced a decrease of approximately \$6.9 million during the fiscal year as the result of bond proceeds of approximately \$8.9 million offset by regular scheduled pay downs of approximately \$2.0 million.

The Town maintains a bond rating of "Aa3" as set by Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$170 million, which is significantly in excess of the Town's outstanding general obligation debt.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in Notes II. Subsection F and G of this report.

Economic Factors and Next Year's Budgets and Rates

- The COVID-19 pandemic has had a catastrophic impact nationwide. With much of the country under lockdown measures during the 4th quarter, the impacts have caused significant reductions in revenue and thus an adverse impact on operations. The Town survived fiscal 2020 due to a strong first three quarters and conservative revenue estimates. However, future impacts are uncertain and thus the Town has taken a very conservative approach in estimating revenues for fiscal year 2021.
- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 87% of the Town's real estate tax base. The Town also relies to a much lesser extent on its commercial and industrial real estate tax base, which in aggregate comprise approximately 10% of the Town's real estate tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy. This limit may be exceeded through a majority vote at Town Council along with ballot approval.
- The Town's property values have been steadily increasing over the past several years. Property values are at all-time highs in many Town neighborhoods and the Town's equalized valuation is over \$3.4 billion.
- Unemployment rates across the Commonwealth continue to be among the highest in the country as the effects of the COVID-19 pandemic has hit states with higher pre-pandemic employments rates the hardest.
- The Town anticipates state aid for 2021 to remain consistent with the prior year as the State has guaranteed aid to be level funded.

The above items were considered when the Town developed its budget for fiscal year 2021. The Town expects to set its tax rate for fiscal 2021 in December 2020.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, 66 Central Square, Bridgewater, Massachusetts 02324.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 23,468,925	\$ 8,639,051	\$ 32,107,976
Investments	2,072,158	-	2,072,158
Receivables (net):			
Property taxes	1,320,664	-	1,320,664
Excise taxes	659,080	-	659,080
User fees	-	1,736,342	1,736,342
Unapportioned assessments	-	317,532	317,532
Departmental and other	2,466,437	673,622	3,140,059
Intergovernmental	649,941	-	649,941
Tax foreclosures	620,970	-	620,970
Inventory	-	17,786	17,786
Prepaid items	133,972	-	133,972
Capital assets, not being depreciated	16,662,778	904,985	17,567,763
Capital assets, net of accumulated depreciation	31,976,765	21,416,874	53,393,639
Total Assets	80,031,690	33,706,192	113,737,882
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	2,572,175	369,793	2,941,968
Related to net pension liability	3,855,813	532,922	4,388,735
Total Deferred Outflows of Resources	6,427,988	902,715	7,330,703
Liabilities			
Warrants and accounts payable	1,145,321	137,497	1,282,818
Accrued payroll and withholdings	303,957	28,368	332,325
Retainage payable	203,417	-	203,417
Accrued interest expense	-	44,998	44,998
Unearned revenue	-	84,037	84,037
Other liabilities	63,890	10,045	73,935
Bond anticipation notes payable	750,000	-	750,000
Long-term liabilities:			
Due within one year	1,317,877	1,272,393	2,590,270
Due in more than one year	77,907,920	18,036,668	95,944,588
Total Liabilities	81,692,382	19,614,006	101,306,388
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	1,604,835	230,722	1,835,557
Related to net pension liability	1,078,954	149,125	1,228,079
Total Deferred Inflows of Resources	2,683,789	379,847	3,063,636
Net Position			
Net investment in capital assets	37,307,499	12,069,453	49,376,952
Restricted:			
Nonexpendable permanent funds	113,385	-	113,385
Expendable permanent funds	642,002	-	642,002
Community preservation	3,214,001	-	3,214,001
Title V	492,897	-	492,897
Other purposes	3,729,842	-	3,729,842
Unrestricted	(43,416,119)	2,545,601	(40,870,518)
Total Net Position	\$ 2,083,507	\$ 14,615,054	\$ 16,698,561

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Primary Government:</u>							
<i>Governmental Activities</i>							
General government	\$ 5,028,475	\$ 851,184	\$ 360,913	\$ 162,143	\$ (3,654,235)		\$ (3,654,235)
Public safety	20,300,594	3,900,883	403,985	-	(15,995,726)		(15,995,726)
Education	32,145,178	86,600	76,038	-	(31,982,540)		(31,982,540)
Public works	3,252,550	4,900	38,284	3,575,364	365,998		365,998
Health and human services	1,037,400	216,868	254,537	-	(565,995)		(565,995)
Culture and recreation	1,843,664	113,712	65,013	157,386	(1,507,553)		(1,507,553)
Debt service	319,812	-	-	-	(319,812)		(319,812)
Total Governmental Activities	63,927,673	5,174,147	1,198,770	3,894,893	(53,659,863)		(53,659,863)
<i>Business-Type Activities:</i>							
Water	2,900,594	3,776,868	-	-		\$ 876,274	876,274
Sewer	2,419,088	3,200,269	-	19,184		800,365	800,365
Transfer Station	358,105	308,783	-	-		(49,322)	(49,322)
Golf	1,370,465	1,195,917	-	-		(174,548)	(174,548)
Total Business-Type Activities	7,048,252	8,481,837	-	19,184		1,452,769	1,452,769
Total Primary Government	<u>\$ 70,975,925</u>	<u>\$ 13,655,984</u>	<u>\$ 1,198,770</u>	<u>\$ 3,914,077</u>	<u>(53,659,863)</u>	<u>1,452,769</u>	<u>(52,207,094)</u>
<u>General Revenues:</u>							
					47,395,089	-	47,395,089
					4,398,159	-	4,398,159
					252,333	-	252,333
					4,228,453	-	4,228,453
					367,814	-	367,814
					270,554	-	270,554
<u>Transfers (net):</u>					556,768	(556,768)	-
Total General Revenues and Transfers					57,469,170	(556,768)	56,912,402
Change in Net Position					3,809,307	896,001	4,705,308
<u>Net Position:</u>							
Beginning of year					(1,725,800)	13,719,053	11,993,253
End of year					<u>\$ 2,083,507</u>	<u>\$ 14,615,054</u>	<u>\$ 16,698,561</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General Fund	Community Preservation Act Fund	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 10,986,349	\$ 3,190,824	\$ 1,053,858	\$ 4,619,286	\$ 3,618,608	\$ 23,468,925
Investments	1,992,358	-	-	-	79,800	2,072,158
Receivables, net of allowance for uncollectibles:						
Property taxes	1,303,594	17,070	-	-	-	1,320,664
Excise taxes	659,080	-	-	-	-	659,080
Departmental and other	1,522,717	8,432	564,578	-	370,710	2,466,437
Intergovernmental	-	-	-	337,559	312,382	649,941
Tax foreclosures	620,970	-	-	-	-	620,970
Other assets	-	-	-	-	133,972	133,972
Total Assets	<u>17,085,068</u>	<u>3,216,326</u>	<u>1,618,436</u>	<u>4,956,845</u>	<u>4,515,472</u>	<u>31,392,147</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,085,068</u>	<u>\$ 3,216,326</u>	<u>\$ 1,618,436</u>	<u>\$ 4,956,845</u>	<u>\$ 4,515,472</u>	<u>\$ 31,392,147</u>
Liabilities:						
Warrants and accounts payable	\$ 249,312	\$ 1,054	\$ 44,515	\$ 762,871	\$ 87,569	\$ 1,145,321
Accrued payroll and withholdings	298,083	132	-	-	5,742	303,957
Retainage payable	-	-	-	203,417	-	203,417
Other liabilities	62,751	1,139	-	-	-	63,890
Bond anticipation notes payable	-	-	-	750,000	-	750,000
Total Liabilities	<u>610,146</u>	<u>2,325</u>	<u>44,515</u>	<u>1,716,288</u>	<u>93,311</u>	<u>2,466,585</u>
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	1,142,662	17,070	-	-	-	1,159,732
Unavailable revenues - excise taxes	659,080	-	-	-	-	659,080
Unavailable revenues - other	2,143,687	8,432	564,578	-	370,710	3,087,407
Total Deferred Inflows of Resources	<u>3,945,429</u>	<u>25,502</u>	<u>564,578</u>	<u>-</u>	<u>370,710</u>	<u>4,906,219</u>
Fund Balances:						
Nonspendable	-	-	-	-	247,357	247,357
Restricted	51,081	3,188,499	1,009,343	3,955,384	4,001,134	12,205,441
Committed	2,170,371	-	-	-	-	2,170,371
Assigned	228,756	-	-	-	-	228,756
Unassigned	10,079,285	-	-	(714,827)	(197,040)	9,167,418
Total Fund Balances	<u>12,529,493</u>	<u>3,188,499</u>	<u>1,009,343</u>	<u>3,240,557</u>	<u>4,051,451</u>	<u>24,019,343</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 17,085,068</u>	<u>\$ 3,216,326</u>	<u>\$ 1,618,436</u>	<u>\$ 4,956,845</u>	<u>\$ 4,515,472</u>	<u>\$ 31,392,147</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Governmental Fund Balances	\$ 24,019,343
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	48,639,543
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	4,906,219
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Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to other postemployment benefits	2,572,175
Deferred outflows related to pensions	3,855,813
Deferred inflows related to other postemployment benefits	(1,604,835)
Deferred inflows related to pensions	(1,078,954)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(12,602,024)
Less: Unamortized bond premiums	(782,474)
Capital leases	(1,125,728)
Compensated absences	(2,433,651)
Net pension liability	(28,990,334)
Net other postemployment benefits liability	<u>(33,291,586)</u>

Net Position of Governmental Activities	<u>\$ 2,083,507</u>
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See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	General Fund	Community Preservation Act Fund	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real estate and personal property taxes, net	\$ 46,141,175	\$ 680,565	\$ -	\$ -	\$ -	\$ 46,821,740
Intergovernmental	4,453,589	157,386	-	3,575,364	904,108	9,090,447
Motor vehicle and other excises	4,205,652	-	-	-	-	4,205,652
Departmental and other revenue	1,060,450	2,126	161,996	-	2,528,733	3,753,305
Licenses and permits	1,647,580	-	-	-	-	1,647,580
Penalties and interest on taxes	252,333	-	-	-	-	252,333
Fines and forfeitures	32,286	-	-	-	82,254	114,540
Investment income	361,542	18,446	-	-	(12,174)	367,814
Contributions and donations	-	-	-	-	231,669	231,669
Total Revenues	<u>58,154,607</u>	<u>858,523</u>	<u>161,996</u>	<u>3,575,364</u>	<u>3,734,590</u>	<u>66,485,080</u>
Expenditures:						
Current:						
General government	3,904,040	-	-	-	596,941	4,500,981
Public safety	12,868,686	-	-	647,209	372,042	13,887,937
Education	32,050,400	-	-	-	-	32,050,400
Public works	1,968,268	-	-	6,444,668	28,210	8,441,146
Health and human services	507,602	-	112,986	-	95,430	716,018
Culture and recreation	671,895	527,216	-	-	179,221	1,378,332
Pensions and other fringes	6,570,035	-	-	-	-	6,570,035
State and county tax assessments	409,719	-	-	-	-	409,719
Debt service:						
Principal	805,513	278,000	-	-	-	1,083,513
Interest	123,186	144,180	-	99,473	-	366,839
Total Expenditures	<u>59,879,344</u>	<u>949,396</u>	<u>112,986</u>	<u>7,191,350</u>	<u>1,271,844</u>	<u>69,404,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,724,737)</u>	<u>(90,873)</u>	<u>49,010</u>	<u>(3,615,986)</u>	<u>2,462,746</u>	<u>(2,919,840)</u>
Other Financing Sources (Uses):						
Issuance of long-term debt	-	-	-	4,255,000	-	4,255,000
Premiums from issuance of bonds and notes	-	-	-	446,448	-	446,448
Issuance of capital leases	-	-	-	857,952	-	857,952
Transfers in	3,214,343	12,541	-	850,000	295,973	4,372,857
Transfers out	(737,014)	(377,500)	(110,513)	-	(2,591,062)	(3,816,089)
Total Other Financing Sources (Uses)	<u>2,477,329</u>	<u>(364,959)</u>	<u>(110,513)</u>	<u>6,409,400</u>	<u>(2,295,089)</u>	<u>6,116,168</u>
Net Change in Fund Balances	<u>752,592</u>	<u>(455,832)</u>	<u>(61,503)</u>	<u>2,793,414</u>	<u>167,657</u>	<u>3,196,328</u>
Fund Balances - Beginning	<u>11,776,901</u>	<u>\$ 3,644,331</u>	<u>1,070,846</u>	<u>447,143</u>	<u>3,883,794</u>	<u>20,823,015</u>
Fund Balances - Ending	<u>\$ 12,529,493</u>	<u>\$ 3,188,499</u>	<u>\$ 1,009,343</u>	<u>\$ 3,240,557</u>	<u>\$ 4,051,451</u>	<u>\$ 24,019,343</u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 3,196,328**

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. The net amounts are reflected here as reconciling items:

Capital outlays	8,294,479	
Depreciation expense	<u>(1,769,691)</u>	
Net effect of reporting capital assets		6,524,788

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Repayments of debt	1,083,513	
Repayments of capital lease obligations	425,948	
Issuance of capital lease obligations	(857,952)	
Amortization of premiums from issuance of bonds and notes	47,027	
Premiums from issuance of bonds and notes	(446,448)	
Issuance of bonds and notes	<u>(4,255,000)</u>	
Net effect of reporting long-term debt		(4,002,912)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenues for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.

695,132

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:

Compensated absences	(270,820)	
Pension benefits	(1,120,523)	
Other postemployment benefits	<u>(1,212,686)</u>	
Net effect of reporting long-term liabilities		<u>(2,604,029)</u>

Change in Net Position of Governmental Activities **\$ 3,809,307**

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Transfer Station	Golf Course	Totals
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 3,753,635	\$ 4,613,117	\$ 151,134	\$ 121,165	\$ 8,639,051
Receivables, net of allowance for uncollectibles:					
User charges	1,181,502	554,840	-	-	1,736,342
Other	16,634	656,988	-	-	673,622
Inventory	-	-	-	17,786	17,786
Total Current Assets	4,951,771	5,824,945	151,134	138,951	11,066,801
Noncurrent assets:					
Receivables - unapportioned assessments	-	317,532	-	-	317,532
Capital assets, not being depreciated	904,985	-	-	-	904,985
Capital assets, net of accumulated depreciation	11,383,645	7,145,564	41,137	2,846,528	21,416,874
Total Noncurrent Assets	12,288,630	7,463,096	41,137	2,846,528	22,639,391
Total Assets	17,240,401	13,288,041	192,271	2,985,479	33,706,192
Deferred Outflows of Resources:					
Related to net other postemployment benefits liability	185,652	119,745	11,358	53,038	369,793
Related to net pension liability	207,993	205,016	25,641	94,272	532,922
Total Deferred Outflows of Resources	393,645	324,761	36,999	147,310	902,715
Liabilities:					
Current Liabilities:					
Warrants and accounts payable	25,834	87,266	21,906	2,491	137,497
Accrued payroll and withholdings	10,242	8,401	930	8,795	28,368
Accrued interest	19,007	20,241	-	5,750	44,998
Unearned revenue	-	-	-	84,037	84,037
Other liabilities	-	-	-	10,045	10,045
Bonds and notes payable	933,142	258,909	-	61,000	1,253,051
Compensated absences	3,118	4,349	-	11,875	19,342
Total Current Liabilities	991,343	379,166	22,836	183,993	1,577,338
Noncurrent Liabilities:					
Bonds and notes payable	6,500,191	2,340,342	-	229,000	9,069,533
Compensated absences	28,065	39,138	-	106,872	174,075
Net other postemployment benefits liability	2,402,900	1,549,864	147,001	686,465	4,786,230
Net pension liability	1,563,817	1,541,437	192,788	708,788	4,006,830
Total Noncurrent Liabilities	10,494,973	5,470,781	339,789	1,731,125	18,036,668
Total Liabilities	11,486,316	5,849,947	362,625	1,915,118	19,614,006
Deferred Inflows of Resources:					
Related to net other postemployment benefits liability	115,833	74,711	7,086	33,092	230,722
Related to net pension liability	58,202	57,369	7,175	26,379	149,125
Total Deferred Inflows of Resources	174,035	132,080	14,261	59,471	379,847
Net Position:					
Net investment in capital assets	4,925,475	4,546,313	41,137	2,556,528	12,069,453
Unrestricted	1,048,220	3,084,462	(188,753)	(1,398,328)	2,545,601
Total Net Position	\$ 5,973,695	\$ 7,630,775	\$ (147,616)	\$ 1,158,200	\$ 14,615,054

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

	Business-type Activities - Enterprise Funds				Totals
	Water	Sewer	Transfer Station	Golf Course	
Operating Revenues:					
Charges for services	\$ 3,539,543	\$ 2,261,435	\$ 308,783	\$ 1,195,917	\$ 7,305,678
Other operating income	237,325	938,834	-	-	1,176,159
Total Operating Revenues	3,776,868	3,200,269	308,783	1,195,917	8,481,837
Operating Expenses:					
Operating costs	2,152,526	1,837,623	356,459	1,181,946	5,528,554
Depreciation	573,609	521,152	1,646	172,292	1,268,699
Total Operating Expenses	2,726,135	2,358,775	358,105	1,354,238	6,797,253
Operating Income (Loss)	1,050,733	841,494	(49,322)	(158,321)	1,684,584
Nonoperating Revenues (Expenses):					
Betterments	-	19,184	-	-	19,184
Interest expense	(174,459)	(60,313)	-	(16,227)	(250,999)
Total Nonoperating Revenues (Expenses), net	(174,459)	(41,129)	-	(16,227)	(231,815)
Income (Loss) Before Transfers	876,274	800,365	(49,322)	(174,548)	1,452,769
Transfers in	-	-	178,500	250,000	428,500
Transfers out	(449,444)	(301,755)	(40,252)	(193,817)	(985,268)
Change in Net Position	426,830	498,610	88,926	(118,365)	896,001
Net Position - Beginning	5,546,865	7,132,165	(236,542)	1,276,565	13,719,053
Net Position - Ending	\$ 5,973,695	\$ 7,630,775	\$ (147,616)	\$ 1,158,200	\$ 14,615,054

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Transfer Station	Golf Course	Totals
Cash Flows from Operating Activities:					
Receipts from users	\$ 3,821,061	\$ 1,773,346	\$ 308,783	\$ 1,199,111	\$ 7,102,301
Other receipts	237,325	938,834	-	-	1,176,159
Payments to employees	(680,373)	(604,509)	(60,916)	(544,066)	(1,889,864)
Payments to vendors	(1,395,230)	(1,054,312)	(279,562)	(577,610)	(3,306,714)
Net Cash Provided by (Used For) Operating Activities	1,982,783	1,053,359	(31,695)	77,435	3,081,882
Cash Flows from Noncapital Related Financing Activities:					
Transfers in	-	-	178,500	250,000	428,500
Transfers out	(449,444)	(301,755)	(40,252)	(193,817)	(985,268)
Net Cash Provided by (Used For) Noncapital Related Financing Activities	(449,444)	(301,755)	138,248	56,183	(556,768)
Cash Flows from Capital and Related Financing Activities:					
Proceeds from betterment principal	-	90,367	-	-	90,367
Proceeds from issuance of bond and note debt	4,650,000	-	-	-	4,650,000
Proceeds from bond premiums	709,388	-	-	-	709,388
Acquisition and construction of capital assets	(1,088,921)	(293,575)	-	-	(1,382,496)
Principal payments on bonds and notes	(5,654,422)	(331,656)	-	(61,000)	(6,047,078)
Interest expense	(238,502)	(62,213)	-	(17,068)	(317,783)
Net Cash (Used For) Capital and Related Financing Activities	(1,622,457)	(597,077)	-	(78,068)	(2,297,602)
Net Change in Cash and Cash Equivalents	(89,118)	154,527	106,553	55,550	227,512
Cash and Cash Equivalents:					
Beginning of year	3,842,753	4,458,590	44,581	65,615	8,411,539
End of year	\$ 3,753,635	\$ 4,613,117	\$ 151,134	\$ 121,165	\$ 8,639,051
Reconciliation of Operating Income to Net Cash Provided By (Used For) for Operating Activities:					
Operating income (loss)	\$ 1,050,733	\$ 841,494	\$ (49,322)	\$ (158,321)	\$ 1,684,584
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	573,609	521,152	1,646	172,292	1,268,699
Changes in assets and liabilities:					
Receivables	281,518	(488,089)	-	-	(206,571)
Inventory	-	-	-	3,271	3,271
Deferred outflows	68,822	103,896	15,057	48,927	236,702
Accounts payable and accrued expenses	(53,379)	69,254	3,173	(9,595)	9,453
Unearned income	-	-	-	3,194	3,194
Compensated absences	(17,672)	(6,487)	-	10,071	(14,088)
Net other postemployment benefits liability	229,755	148,191	14,056	65,637	457,639
Net pension liability	(138,333)	(136,354)	(17,052)	(62,699)	(354,438)
Deferred inflows	(12,270)	302	747	536	(10,685)
Other liabilities	-	-	-	4,122	4,122
Net Cash Provided By (Used For) Operating Activities	\$ 1,982,783	\$ 1,053,359	\$ (31,695)	\$ 77,435	\$ 3,081,882

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Fund
Assets:			
Cash and cash equivalents	\$ 3,677	\$ 93,332	\$ 2,458,393
Investments:			
Common stock	-	41,040	-
Equity mutual funds	359,419	-	-
Bond mutual funds	226,224	-	-
Other	-	-	46,014
Total Assets	<u>589,320</u>	<u>134,372</u>	<u>2,504,407</u>
Liabilities:			
Warrants and accounts payable	-	-	41,106
Accrued payroll and withholdings	-	-	48,752
Planning and performance bonds	-	-	2,248,620
Other liabilities	-	-	165,929
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 2,504,407</u>
Net Position:			
Restricted for other postemployment benefits	589,320	-	
Held in trust for other purposes	-	134,372	
Total Net Position	<u>\$ 589,320</u>	<u>\$ 134,372</u>	

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
	<u>Trust Fund</u>	<u>Trust Funds</u>
Additions:		
Investment income	\$ 12,942	\$ (7,132)
Employer contributions	<u>1,417,265</u>	<u>-</u>
Total Additions	<u>1,430,207</u>	<u>(7,132)</u>
Deductions:		
Retiree benefits	1,307,265	-
Scholarships	<u>-</u>	<u>5,200</u>
Total Deductions	<u>1,307,265</u>	<u>5,200</u>
Change in Net Position	122,942	(12,332)
Net Position - Beginning	<u>466,378</u>	<u>146,704</u>
Net Position - Ending	<u><u>\$ 589,320</u></u>	<u><u>\$ 134,372</u></u>

See accompanying notes to basic financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Bridgewater is located in Plymouth County and was incorporated as a town in 1656. An elected nine-member Town Council governs the Town with an appointed Town Manager. Each Town Council member serves three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, highway services, water and sewer, waste management through a transfer station, street maintenance, parks and recreational facilities. Water, sewer, transfer station and recreational (golf) services are funded almost entirely with user charges.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Town is a member community of the Bridgewater-Raynham Regional School District that provides educational services to the two member communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2020, the Town's share of the operating and debt service expenses was \$30,455,875. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 166 Mt. Prospect Street, Bridgewater, MA 02324.

B. Government-Wide and Fund 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 non-fiduciary activities of the primary government and its component units. 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.

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

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets and deferred outflows, liabilities and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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.

Community Preservation Act Fund – is used to account for funds received in accordance with the Massachusetts Community Preservation Act. Funds are used to acquire or develop open space, recreational facilities, historic resources and affordable housing.

Title V Program Fund – is used to account for specific activities related to providing financial assistance in the form of loans and betterments to individuals in the community who are required to maintain septic systems in compliance with statutory Title V regulations.

Capital Project Fund – is a legislatively created fund used by the Town to accumulate funds appropriated from any available source including funds received by the Town from the Commonwealth for mitigation of prison expansion. Accumulated funds may be appropriated, by a special or annual Town meeting vote, for any purpose for which the Town would be authorized to borrow money under section 7 or 8 of chapter 44 of the general laws of Massachusetts.

The *Nonmajor Governmental Funds* consist of other special revenue and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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 the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – is used to account for user charges collected to finance costs associated with operating and maintaining the Town’s water utility.

Sewer Enterprise Fund – is used to account for user charges collected to finance costs associated with operating and maintaining the Town’s sewer utility.

Transfer Station Enterprise Fund – is used to account for user fees collected to finance the operations of the Town’s “pay-as-you-throw” waste disposal activities.

Golf Course Enterprise Fund – is used to account for user charges collected to finance costs associated with operating and maintaining the Olde Scotland Links golf course, a municipal golf course.

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

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees such as health and life insurance.

Private-Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for developer escrow funds. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the Town are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are due in four installments on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes, Title V loans, and water and sewer user fees and betterments may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible accounts comprised of those outstanding amounts greater than five years old. Departmental and other receivables are shown net of an allowance for uncollectible accounts comprised of those outstanding amounts greater than ninety days old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, library materials and infrastructure (e.g. roads, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Net interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

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

Buildings and improvements	40 years
Machinery, equipment and vehicles	5-10 years
Infrastructure	40 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained in the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the

life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows* of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows or resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items, which qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, excise taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available. The other types of items that qualify for reporting as a deferred inflow are reported on the government-wide statement of net position. This relates to inflows from changes in the net pension liability which will be recognized in pension expense in future years as more fully described in Note III subsection A and inflows from the changes in the net other postemployment benefits liability which will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space, recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act. *Title V* represents assets that are restricted by the state for the purposes of providing financial assistance in the form of loans and betterments to individuals in the community who are required to maintain septic systems in compliance with statutory Title V regulations.

Other purposes represent assets that are restricted by grantors, donors and state laws for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

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, which consists of the Town Council members through Town Council Orders. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (through Town Council Orders) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Manager to assign fund balance. The Town Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then

unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The Town maintains a general stabilization fund and a one-time revenue stabilization fund under MGL Chapter 40, Section 5B which may be used for any municipal purpose upon a two-thirds vote of the Town Council. The balance of the fund general and one-time stabilization funds total \$5,991,996 and \$218,396, respectively, at June 30, 2020 and are reported as unassigned fund balance in the General Fund.

The Town maintains a capital stabilization fund under MGL Chapter 40, Section 5B which may be used for any capital purpose upon a two-thirds vote of the Town Council. The balance of the fund totals \$770,876 at June 30, 2020 and is reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Manager and Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Council as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$228,756 of encumbrances from normal purchasing activity in the general fund as assigned and \$2,170,371 of encumbrances from Town Council Orders in the general fund as committed. There are no encumbrances reported in any other fund.

The following table reflects the Town's fund equity categorizations:

	General	Community Preservation	Title V Program	Capital Project Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 113,385	\$ 113,385
Prepaid items	-	-	-	-	133,972	133,972
Restricted:						
General government	-	-	-	-	519,772	519,772
Ambulance	-	-	-	-	2,453,214	2,453,214
Other public safety	-	-	-	-	277,818	277,818
Public works	-	-	-	-	139,289	139,289
Health and human services	-	-	1,009,343	-	169,910	1,179,253
Culture and recreation	-	-	-	-	355,660	355,660
Community preservation	-	3,188,499	-	-	-	3,188,499
Capital outlay	-	-	-	3,955,384	-	3,955,384
Debt service	51,081	-	-	-	-	51,081
Other purposes	-	-	-	-	85,471	85,471
Committed:						
Capital outlay	2,170,371	-	-	-	-	2,170,371
Assigned:						
Purchase orders	228,756	-	-	-	-	228,756
Unassigned	10,079,285	-	-	(714,827)	(197,040)	9,167,418
	<u>\$12,529,493</u>	<u>\$3,188,499</u>	<u>\$1,009,343</u>	<u>\$3,240,557</u>	<u>\$ 4,051,451</u>	<u>\$24,019,343</u>

D. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$225,115. This over-expenditure will be funded through available funds during fiscal year 2021.

The Town incurred individual fund deficits totaling \$714,827 in the Capital Project major fund and deficits totaling \$197,040 in the nonmajor governmental funds. These deficits will be funded through grants, bond proceeds and available funds in future fiscal years.

E. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

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

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings.

At year-end, the carrying amount of the Town's deposits was \$34,663,378 and the bank balance was \$34,981,795. Of the Town's bank balance, \$12,931,890 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings.

The Town's investments in U.S. governmental obligations, corporate fixed income securities and mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town's common stock investments totaling are not exposed to custodial credit risk because they are held with the Town. The Town's investments in negotiable certificates of deposit are fully insured by federal depository insurance. The Town does not have a formal investment policy related to custodial credit risk.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2020:

		Fair Value Measurements Using		
	Fair value	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 915,810	\$ 525,109	\$ 390,701	\$ -
Corporate fixed income securities	863,885	-	863,885	-
Negotiable certificates of deposit	212,662	-	212,662	-
Bond mutual funds	226,225	-	226,225	-
Total debt securities	2,218,582	525,109	1,693,473	-
Equity securities:				
Common stock	120,840	120,840	-	-
Equity mutual funds	359,419	-	359,419	-
Total equity securities	480,259	120,840	359,419	-
Total investments by fair value level	\$ 2,698,841	\$ 645,949	\$ 2,052,892	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. governmental obligations, corporate fixed income securities, negotiable certificates of deposit and mutual funds classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk – The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At June 30, 2020, the Town had the following investments with maturities:

Investments	Fair value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
U.S. Government obligations	\$ 915,810	\$ -	\$ 915,810	\$ -
Corporate fixed income securities	863,885	153,557	710,328	-
Negotiable certificates of deposit	212,662	102,544	110,118	-
Bond mutual funds	226,225	226,225	-	-
Total investments with maturities	<u>\$ 2,218,582</u>	<u>\$ 482,326</u>	<u>\$ 1,736,256</u>	<u>\$ -</u>

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer.

Credit Risk – The Town has not adopted a formal policy related to credit risk.

At June 30, 2020 the credit quality ratings of investments were as follows:

Quality Ratings (Moody's)	U.S. Government Obligations	Corporate Fixed Income	Totals
AAA	\$ 915,810	\$ 111,790	\$ 1,027,600
AA3	-	77,678	77,678
A1	-	229,972	229,972
A2	-	108,006	108,006
BAA1	-	52,527	52,527
BAA2	-	283,912	283,912
Totals - All	<u>\$ 915,810</u>	<u>\$ 863,885</u>	<u>\$ 1,779,695</u>

The Town's investments in negotiable certificates of deposit and bond mutual funds are not rated.

B. Receivables

Receivables as of year-end for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 1,303,594	\$ -	\$ 1,303,594
Community preservation surcharges	17,070	-	17,070
Excise	659,080	-	659,080
Tax liens and deferrals	1,531,149	-	1,531,149
Title V loans	564,578	-	564,578
Ambulance fees	1,076,021	(705,311)	370,710
Intergovernmental	649,941	-	649,941
Total	<u>\$ 5,801,433</u>	<u>\$ (705,311)</u>	<u>\$ 5,096,122</u>

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water - user fees	\$ 1,181,502	\$ -	\$ 1,181,502
Water - liens	10,634	-	10,634
Water - other	6,000	-	6,000
Sewer - user fees	554,840	-	554,840
Sewer - liens	5,525	-	5,525
Sewer - connections	651,463	-	651,463
Sewer - betterments	317,532	-	317,532
Total	<u>\$ 2,727,496</u>	<u>\$ -</u>	<u>\$ 2,727,496</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes	\$ 1,142,662	\$ -	\$ 1,142,662
Community preservation surcharges	-	17,070	17,070
Excise	659,080	-	659,080
Tax liens and deferrals	1,522,717	8,432	1,531,149
Title V loans	-	564,578	564,578
Ambulance fees	-	370,710	370,710
Foreclosures	620,970	-	620,970
Total	<u>\$ 3,945,429</u>	<u>\$ 960,790</u>	<u>\$ 4,906,219</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 10,558,665	\$ 477,168	\$ -	\$ 11,035,833
Construction in process	528,153	5,327,466	(228,674)	5,626,945
Total capital assets not being depreciated	11,086,818	5,804,634	(228,674)	16,662,778
Capital assets being depreciated:				
Buildings and improvements	29,369,020	69,272	-	29,438,292
Improvements other than buildings	1,598,238	-	-	1,598,238
Infrastructure	35,625,239	1,535,381	-	37,160,620
Machinery, equipment and vehicles	17,194,427	1,113,866	-	18,308,293
Total capital assets being depreciated	83,786,924	2,718,519	-	86,505,443
Less accumulated depreciation for:				
Buildings and improvements	(16,871,379)	(460,959)	-	(17,332,338)
Improvements other than buildings	(877,708)	(32,761)	-	(910,469)
Infrastructure	(20,779,557)	(707,579)	-	(21,487,136)
Machinery, equipment and vehicles	(14,230,343)	(568,392)	-	(14,798,735)
Total accumulated depreciation	(52,758,987)	(1,769,691)	-	(54,528,678)
Total capital assets being depreciated, net	31,027,937	948,828	-	31,976,765
Total governmental activities capital assets, net	\$ 42,114,755	\$ 6,753,462	\$ (228,674)	\$ 48,639,543
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 611,231	\$ 293,754	\$ -	\$ 904,985
Total capital assets not being depreciated	611,231	293,754	-	904,985
Capital assets being depreciated:				
Buildings and improvements	\$ 6,240,600	\$ -	\$ -	\$ 6,240,600
Improvements other than buildings	801,000	-	-	801,000
Infrastructure	36,399,658	717,689	-	37,117,347
Machinery, equipment and vehicles	10,949,301	371,053	-	11,320,354
Total capital assets being depreciated	54,390,559	1,088,742	-	55,479,301
Less accumulated depreciation for:				
Buildings and improvements	(4,371,508)	(134,339)	-	(4,505,847)
Improvements other than buildings	(801,000)	-	-	(801,000)
Infrastructure	(20,723,183)	(849,126)	-	(21,572,309)
Machinery, equipment and vehicles	(6,898,037)	(285,234)	-	(7,183,271)
Total accumulated depreciation	(32,793,728)	(1,268,699)	-	(34,062,427)
Total capital assets being depreciated, net	21,596,831	(179,957)	-	21,416,874
Total business-type activities capital assets, net	\$ 22,208,062	\$ 113,797	\$ -	\$ 22,321,859

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-type Activities: Water</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 611,231	\$ 293,754	\$ -	\$ 904,985
Total capital assets not being depreciated	<u>611,231</u>	<u>293,754</u>	<u>-</u>	<u>904,985</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,624,400	\$ -	\$ -	\$ 1,624,400
Infrastructure	21,346,250	717,689	-	22,063,939
Machinery, equipment and vehicles	<u>5,328,513</u>	<u>77,478</u>	<u>-</u>	<u>5,405,991</u>
Total capital assets being depreciated	<u>28,299,163</u>	<u>795,167</u>	<u>-</u>	<u>29,094,330</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,276,537)	(19,132)	-	(1,295,669)
Infrastructure	(14,304,339)	(338,042)	-	(14,642,381)
Machinery, equipment and vehicles	<u>(1,556,200)</u>	<u>(216,435)</u>	<u>-</u>	<u>(1,772,635)</u>
Total accumulated depreciation	<u>(17,137,076)</u>	<u>(573,609)</u>	<u>-</u>	<u>(17,710,685)</u>
Total capital assets being depreciated, net	<u>11,162,087</u>	<u>221,558</u>	<u>-</u>	<u>11,383,645</u>
Total Water capital assets, net	<u>\$ 11,773,318</u>	<u>\$ 515,312</u>	<u>\$ -</u>	<u>\$ 12,288,630</u>
<i><u>Business-type Activities: Sewer</u></i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,387,900	\$ -	\$ -	\$ 3,387,900
Infrastructure	9,952,367	-	-	9,952,367
Machinery, equipment and vehicles	<u>3,966,481</u>	<u>293,575</u>	<u>-</u>	<u>4,260,056</u>
Total capital assets being depreciated	<u>17,306,748</u>	<u>293,575</u>	<u>-</u>	<u>17,600,323</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,602,920)	(84,697)	-	(2,687,617)
Infrastructure	(3,619,587)	(384,063)	-	(4,003,650)
Machinery, equipment and vehicles	<u>(3,711,100)</u>	<u>(52,392)</u>	<u>-</u>	<u>(3,763,492)</u>
Total accumulated depreciation	<u>(9,933,607)</u>	<u>(521,152)</u>	<u>-</u>	<u>(10,454,759)</u>
Total Sewer capital assets being depreciated, net	<u>\$ 7,373,141</u>	<u>\$ (227,577)</u>	<u>\$ -</u>	<u>\$ 7,145,564</u>
Total Sewer capital assets, net	<u>\$ 7,373,141</u>	<u>\$ (227,577)</u>	<u>\$ -</u>	<u>\$ 7,145,564</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-type Activities: Transfer Station</i></u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 7,900	\$ -	\$ -	\$ 7,900
Infrastructure	65,819	-	-	65,819
Machinery, equipment and vehicles	104,600	-	-	104,600
Total capital assets being depreciated	<u>178,319</u>	<u>-</u>	<u>-</u>	<u>178,319</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,900)	-	-	(7,900)
Infrastructure	(23,036)	(1,646)	-	(24,682)
Machinery, equipment and vehicles	(104,600)	-	-	(104,600)
Total accumulated depreciation	<u>(135,536)</u>	<u>(1,646)</u>	<u>-</u>	<u>(137,182)</u>
Total Transfer Station capital assets being depreciated, net	<u>\$ 42,783</u>	<u>\$ (1,646)</u>	<u>\$ -</u>	<u>\$ 41,137</u>
<u><i>Business-type Activities: Golf</i></u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,220,400	\$ -	\$ -	\$ 1,220,400
Improvements other than buildings	801,000	-	-	801,000
Infrastructure	5,035,222	-	-	5,035,222
Machinery, equipment and vehicles	1,549,707	-	-	1,549,707
Total capital assets being depreciated	<u>8,606,329</u>	<u>-</u>	<u>-</u>	<u>8,606,329</u>
Less accumulated depreciation for:				
Buildings and improvements	(484,151)	(30,510)	-	(514,661)
Improvements other than buildings	(801,000)	-	-	(801,000)
Infrastructure	(2,776,221)	(125,375)	-	(2,901,596)
Machinery, equipment and vehicles	(1,526,137)	(16,407)	-	(1,542,544)
Total accumulated depreciation	<u>(5,587,509)</u>	<u>(172,292)</u>	<u>-</u>	<u>(5,759,801)</u>
Total Golf capital assets being depreciated, net	<u>\$ 3,018,820</u>	<u>\$ (172,292)</u>	<u>\$ -</u>	<u>\$ 2,846,528</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 274,984
Public safety	484,332
Education	54,465
Public works	873,242
Health and human services	28,546
Culture and recreation	54,122
	<u>\$ 1,769,691</u>

Business-Type Activities:

Water	\$ 573,609
Sewer	521,152
Transfer station	1,646
Golf	<u>172,292</u>
	<u>\$ 1,268,699</u>

D. Interfund Receivables, Payables and Transfers

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

Transfers Out	General Fund	Community Preservation Act Fund	Capital Project Fund	Nonmajor Governmental Funds	Transfer Station Enterprise Fund	Golf Enterprise Fund	Total	
General Fund	\$ -	\$ 12,541	\$ -	\$ 295,973	\$ 178,500	\$ 250,000	\$ 737,014	(1)
Community Preservation Act Fund	27,500	-	350,000	-	-	-	377,500	(2)
Title V Program Fund	110,513	-	-	-	-	-	110,513	(2)
Nonmajor Governmental Funds	2,591,062	-	-	-	-	-	2,591,062	(2)
Water Enterprise Fund	141,162	-	308,282	-	-	-	449,444	(3)
Sewer Enterprise Fund	110,037	-	191,718	-	-	-	301,755	(3)
Transfer Station Enterprise Fund	40,252	-	-	-	-	-	40,252	(3)
Golf Enterprise Fund	193,817	-	-	-	-	-	193,817	(3)
Total	<u>\$ 3,214,343</u>	<u>\$ 12,541</u>	<u>\$ 850,000</u>	<u>\$ 295,973</u>	<u>\$ 178,500</u>	<u>\$ 250,000</u>	<u>\$ 4,801,357</u>	

(1) Transfers to CPA fund for project surplus, transfers to nonmajor funds for reserves and capital outlays and to transfer station and golf enterprise funds fund to supplement operating budget.

(2) Transfers to general fund to supplement operating budget and capital purposes and transfers to capital project fund for capital outlays.

(3) Transfers to general fund for indirect costs and transfers to capital project fund for building capital.

E. Capital Leases

The Town has entered into non-cancelable leases for the purchase of an ambulance, sweeper and golf club cars and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

	Amount
<i>Asset:</i>	
Sweeper	252,450
Freightliner (2)	432,560
Ambulance (2)	596,403
Sidewalk Tractor	154,546
Pumper Fire Truck	641,672
Less: accumulated depreciation	(909,190)
Total	<u>\$ 1,168,441</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2020, are as follows:

Fiscal Year Ended June 30,	Amount
2021	\$ 401,653
2022	340,630
2023	299,410
2024	184,455
Total minimum lease payments	1,226,148
Less: amounts representing interest	(100,420)
Present value of minimum lease payments	<u>\$ 1,125,728</u>

F. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2020, are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
BAN	2.25%	Matured	\$ 3,500,000	\$ -	\$ (3,500,000)	\$ -
BAN	1.25%	06/25/21	750,000	-	-	750,000
Total Governmental Notes			<u>4,250,000</u>	<u>-</u>	<u>(3,500,000)</u>	<u>750,000</u>
BAN	1.90%	Matured	1,200,000	-	(1,200,000)	-
BAN	2.39%	Matured	3,625,000	-	(3,625,000)	-
BAN	2.16%	Matured	300,000	-	(300,000)	-
Total Business-Type Notes			<u>5,125,000</u>	<u>-</u>	<u>(5,125,000)</u>	<u>-</u>
Total Temporary Notes Payable			<u>\$ 9,375,000</u>	<u>\$ -</u>	<u>\$ (8,625,000)</u>	<u>\$ 750,000</u>

Governmental activities BAN's outstanding at year-end were issued for roadway construction.

G. Long-Term Obligations

The following reflects the current year activity in the Town's long-term liability accounts:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 8,239,000	\$ 4,255,000	\$ (973,000)	\$ 11,521,000	\$ 539,000
Unamortized bond premium	383,053	446,448	(47,027)	782,474	68,295
Notes from direct borrowings and placements	1,191,537	-	(110,513)	1,081,024	110,542
Capital lease obligations	693,724	857,952	(425,948)	1,125,728	356,675
Compensated absences	2,162,831	487,103	(216,283)	2,433,651	243,365
Net pension liability	31,554,785	8,112,248	(10,676,699)	28,990,334	-
Net other postemployment benefits liability	30,108,396	6,027,145	(2,843,955)	33,291,586	-
Total Governmental Activities	\$ 74,333,326	\$ 20,185,896	\$ (15,293,425)	\$ 79,225,797	\$ 1,317,877
<u>Business-type Activities: Water</u>					
General obligation bonds	\$ 1,866,000	\$ 4,650,000	\$ (479,000)	\$ 6,037,000	\$ 798,000
Unamortized bond premium	-	709,388	-	709,388	83,669
Notes from direct borrowings and placements	737,367	-	(50,422)	686,945	51,473
Compensated absences	48,855	12,214	(29,886)	31,183	3,118
Net pension liability	1,702,150	437,597	(575,930)	1,563,817	-
Net other postemployment benefits liability	2,173,145	435,023	(205,268)	2,402,900	-
Total Business-type Activities: Water	6,527,517	6,244,222	(1,340,506)	11,431,233	936,260
<u>Business-type Activities: Sewer</u>					
General obligation bonds	677,000	-	(228,000)	449,000	153,000
Notes from direct borrowings and placements	2,253,907	-	(103,656)	2,150,251	105,909
Compensated absences	49,974	13,510	(19,997)	43,487	4,349
Net pension liability	1,677,791	431,334	(567,688)	1,541,437	-
Net other postemployment benefits liability	1,401,673	280,589	(132,398)	1,549,864	-
Total Business-type Activities: Sewer	6,060,345	725,433	(1,051,739)	5,734,039	263,258
<u>Business-type Activities: Transfer Station</u>					
Net pension liability	209,840	53,946	(70,998)	192,788	-
Net other postemployment benefits liability	132,945	26,614	(12,558)	147,001	-
Total Business-type Activities: Transfer	342,785	80,560	(83,556)	339,789	-
<u>Business-type Activities: Golf</u>					
General obligation bonds	143,000	-	(35,000)	108,000	35,000
Notes from direct borrowings and placements	208,000	-	(26,000)	182,000	26,000
Compensated absences	108,676	20,939	(10,868)	118,747	11,875
Net pension liability	771,487	198,338	(261,037)	708,788	-
Net other postemployment benefits liability	620,828	124,279	(58,642)	686,465	-
Total Business-type Activities: Golf	1,851,991	343,556	(391,547)	1,804,000	72,875
Total Business-type Activities	\$ 14,782,638	\$ 7,393,771	\$ (2,867,348)	\$ 19,309,061	\$ 1,272,393

The governmental activities will be liquidated by the general fund. The business-type activities liabilities will be liquidated by the water, sewer, transfer station and golf enterprise funds.

H. Long-Term Debt

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Description of Issue	Interest Rate	Beginning Balance	Issuances	Maturities	Ending Balance
<u><i>Governmental Activities:</i></u>					
General Obligation Bonds	2.00 - 5.00%	\$ 7,810,000	\$ 4,255,000	\$ (544,000)	\$ 11,521,000
Refunding Bonds	2.00 - 3.00%	429,000	-	(429,000)	-
Total General Obligation Bonds		8,239,000	4,255,000	(973,000)	11,521,000
Add: Unamortized bond premium		383,053	446,448	(47,027)	782,474
Total General Obligation Bonds, net		8,622,053	4,701,448	(1,020,027)	12,303,474
Massachusetts Clean Water Trust	0.00%	1,191,537	-	(110,513)	1,081,024
Total notes from direct borrowings and placements		1,191,537	-	(110,513)	1,081,024
Total Governmental Activities debt		<u>\$ 9,813,590</u>	<u>\$ 4,701,448</u>	<u>\$ (1,130,540)</u>	<u>\$ 13,384,498</u>
<u><i>Business-Type Activities - Water</i></u>					
General Obligation Bonds	2.00 - 5.00%	\$ 1,675,000	\$ 4,650,000	\$ (288,000)	\$ 6,037,000
Refunding Bonds	2.00 - 3.00%	191,000	-	(191,000)	-
Total General Obligation Bonds		1,866,000	4,650,000	(479,000)	6,037,000
Add: Unamortized bond premium		-	709,388	-	709,388
Total General Obligation Bonds, net		1,866,000	5,359,388	(479,000)	6,746,388
Massachusetts Clean Water Trust	2.00%	737,367	-	(50,422)	686,945
Total notes from direct borrowings and placements		737,367	-	(50,422)	686,945
Total Water debt		<u>\$ 2,603,367</u>	<u>\$ 5,359,388</u>	<u>\$ (529,422)</u>	<u>\$ 7,433,333</u>
<u><i>Business-Type Activities - Sewer</i></u>					
General Obligation Bonds	2.00 - 3.00%	\$ 132,000	\$ -	\$ (33,000)	\$ 99,000
Refunding Bonds	2.00 - 3.00%	545,000	-	(195,000)	350,000
Total General Obligation Bonds		677,000	-	(228,000)	449,000
Massachusetts Clean Water Trust	2.00%	2,253,907	-	(103,656)	2,150,251
Total notes from direct borrowings and placements		2,253,907	-	(103,656)	2,150,251
Total Sewer debt		<u>\$ 2,930,907</u>	<u>\$ -</u>	<u>\$ (331,656)</u>	<u>\$ 2,599,251</u>
<u><i>Business-Type Activities - Golf</i></u>					
General Obligation Bonds	2.00 - 2.30%	\$ 143,000	\$ -	\$ (35,000)	\$ 108,000
Total General Obligation Bonds		143,000	-	(35,000)	108,000
State House Note	6.50%	208,000	-	(26,000)	182,000
Total notes from direct borrowings and placements		208,000	-	(26,000)	182,000
Total Golf debt		<u>\$ 351,000</u>	<u>\$ -</u>	<u>\$ (61,000)</u>	<u>\$ 290,000</u>
Total Business-Type Activities		<u>\$ 5,885,274</u>	<u>\$ 5,359,388</u>	<u>\$ (922,078)</u>	<u>\$ 10,322,584</u>

Payments on long-term debt due in future years consist of the following:

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>				
2021	\$ 539,000	\$ 313,212	\$ 110,542	\$ 1,217
2022	539,000	353,665	110,794	734
2023	526,000	334,416	110,824	245
2024	774,000	315,188	101,066	-
2025	769,000	283,323	101,096	-
2026-2030	3,409,000	1,026,936	385,934	-
2031-2035	3,315,000	437,536	160,768	-
2036-2040	1,650,000	114,902	-	-
Total	<u>\$ 11,521,000</u>	<u>\$ 3,179,178</u>	<u>\$ 1,081,024</u>	<u>\$ 2,196</u>
<u>Business-Type Activities: Water</u>				
2021	\$ 798,000	\$ 173,299	\$ 51,473	\$ 13,224
2022	798,000	235,202	52,547	12,184
2023	796,000	199,310	53,641	11,123
2024	680,000	163,480	54,761	10,039
2025	680,000	131,230	55,901	8,931
2026-2030	1,785,000	236,782	297,491	27,233
2031-2035	250,000	43,286	121,131	2,953
2036-2040	250,000	15,750	-	-
Total	<u>\$ 6,037,000</u>	<u>\$ 1,198,339</u>	<u>\$ 686,945</u>	<u>\$ 85,687</u>
<u>Business-Type Activities: Sewer</u>				
2021	\$ 153,000	\$ 12,705	\$ 105,909	\$ 43,005
2022	148,000	8,880	108,211	40,887
2023	148,000	4,440	110,562	38,723
2024	-	-	112,965	36,511
2025	-	-	115,421	34,252
2026-2030	-	-	615,838	135,614
2031-2035	-	-	685,733	71,295
2036-2038	-	-	295,612	8,900
Total	<u>\$ 449,000</u>	<u>\$ 26,025</u>	<u>\$ 2,150,251</u>	<u>\$ 409,187</u>
<u>Business-Type Activities: Golf</u>				
2021	\$ 35,000	\$ 2,772	\$ 26,000	\$ 11,830
2022	30,000	1,922	26,000	10,140
2023	30,000	1,053	26,000	8,450
2024	6,000	225	26,000	6,760
2025	6,000	90	26,000	5,070
2026-2030	1,000	12	52,000	5,070
Total	<u>\$ 108,000</u>	<u>\$ 6,074</u>	<u>\$ 182,000</u>	<u>\$ 47,320</u>
<u>All - Business Type Activities</u>				
2021	\$ 986,000	\$ 188,776	\$ 183,382	\$ 68,059
2022	976,000	246,004	186,758	63,211
2023	974,000	204,803	190,203	58,296
2024	686,000	163,705	193,726	53,310
2025	686,000	131,320	197,322	48,253
2026-2030	1,786,000	236,794	965,329	167,917
2031-2035	250,000	43,286	806,864	74,248
2036-2040	250,000	15,750	295,612	8,900
Totals	<u>\$ 6,594,000</u>	<u>\$ 1,230,438</u>	<u>\$ 3,019,196</u>	<u>\$ 542,194</u>

Massachusetts Clean Water Trust (MCWT)

The Town has six outstanding notes from direct borrowings and placements issued to the MCWT reported in the governmental activities that are payable without interest in annual payments through January 15, 2035. These notes were issued for community septic loans. The Town has three outstanding notes from direct borrowings and placements issued to the MCWT reported in the business-type activities with interest payable at 2% and annual payments through January 15, 2037. These notes were issued for various water and sewer projects.

The financing agreements with the MCWT contain a provision that in the event of default, outstanding amounts due and payable shall be paid from any undisbursed proceeds on account or be deducted from any state local aid distributions owed to the Town. This provision also allows the MCWT to declare the entire outstanding principal amounts due immediately.

State House Notes

The Town has issued debt for Golf clubhouse construction costs through the Commonwealth's State House Notes program reported in the business-type activities with interest payable at 6.5% and semi-annual payments through January 25, 2027. State house notes are certified by the Director of Accounts of the state Department of Revenue's Division of Local Services. They are in the form of a series of notes that have the same date of issue with each note maturing in a consecutive year.

Authorized and Unissued Debt - At June 30, 2020, the Town had authorized and unissued debt as follows:

<u>Project</u>	<u>Amount</u>
Elm Street reconstruction	\$ 2,835,000
First Street reconstruction	1,200,000
Wastewater treatment facility	48,000,000
Other	400,000
Total authorized and unissued	<u>\$ 52,435,000</u>

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Plymouth County Retirement Association (the System), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of Massachusetts General Laws. The System is administered by the Plymouth County Retirement Association Board of Directors (the "Retirement Board"). Stand-alone audited financial statements for the year ended December 31, 2019 were issued and are available by submitting a request to the System at 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Current membership in the System for all employers as of December 31, 2019 was as follows:

Retirees and beneficiaries receiving benefits	4,300
Active plan members	5,542
Inactive plan members	1,696
Total	<u>11,538</u>

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the Federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$3,569,333 to the System in fiscal year 2020, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 25% in fiscal year 2020.

Net Pension Liability – At June 30, 2020, the Town reported a liability of \$32,997,164 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 is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 4.84% at December 31, 2019.

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the System's full financial statements as of and for the year ended December 31, 2019, which can be obtained by contacting the Retirement Board.

The System's fiduciary net position was determined using the accrual basis of accounting. The System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$4,844,728 in pension expense in the statement of activities in fiscal year 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,737,596	\$ -
Net differences between projected and actual earnings on pension plan investments	-	692,703
Changes of assumptions	514,665	107,264
Changes in proportion and differences between employers' contributions and proportionate share of contributions	136,474	428,112
Total	<u>\$ 4,388,735</u>	<u>\$ 1,228,079</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year ended June 30,</u>		
2021	\$	1,247,149
2022		1,235,732
2023		1,405,729
2024		(727,954)
Total	\$	<u>3,160,656</u>

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020. The significant actuarial assumptions used in the January 1, 2020 actuarial valuation included:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value. The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.
Investment rate of return	7.875% nominal rate, net of investment expenses
Projected salary increases	3.75% per year
Cost of living adjustments	3.0% of the first \$16,000 of retirement income. Previously \$14,000.
Mortality rates:	
Pre-retirement	RP-2014 Blue Collar Mortality Table with Scale MP-2016, fully generational
Post-retirement	For group 1 and 2, RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational For group 4, RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational
Disabled retiree	For group 1 and 2, RP-2000 Mortality Table set forward six years For group 4, RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016

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 returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the System's target allocation as of January 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	26.0%	7.4%
International developed equity	6.0%	7.9%
Emerging markets equity	10.0%	9.1%
Global equity	10.0%	7.8%
Core bonds	9.0%	3.0%
Value-added fixed income	6.0%	4.9%
Hedge funds	4.0%	4.0%
Real estate	10.0%	7.5%
Private equity	13.0%	9.4%
Real assets	6.0%	7.5%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2019 actuarial valuation report was 7.875%, which represents a decrease from the 8% used in the prior actuarial valuation. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.875%) or one percentage point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Current Discount (7.875%)	1% Increase (8.875%)
Town's proportionate share of net pension liability	\$ 41,792,567	\$ 32,997,164	\$ 25,336,167

C. Other Postemployment Benefits (OPEB)

The Town administers a single employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

With respect to OPEB plan reporting, GASB issued GASB Statement No.’s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if measurement date used for GASB 75 is the same as the plan year-end date. When the measurement date and plan year-end date are different, differences in assumptions and calculations will result.

This footnote disclosure separately presents the required disclosures into two sections:

GASB Statement No. 75

OPEB Plan disclosures that impact the Town’s net OPEB liability using a measurement date of June 30, 2020 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2020:

Active employees	170
Inactive employees	<u>181</u>
Total	<u>351</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 10 - 25% of the set premium for medical, dental and life insurance plans. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2020, the Town’s average contribution rate was approximately 10.1% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2020 using an actuarial valuation as of July 1, 2018. The components of the net OPEB liability of the Town at June 30, 2020 were as follows:

Total OPEB Liability	\$ 38,667,134
Plan fiduciary net position	<u>(589,320)</u>
Net OPEB liability	<u>\$ 38,077,814</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.5%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.72%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	2.66% as of June 30, 2020
Discount Rate	3.75%, net of OPEB plan investment expense including inflation.
Inflation	2.50% annually as of June 30, 2020 and for future periods
Health Care Trend Rate	4.50%
Salary Increases	3.00% annually as of June 30, 2020 and for future periods
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Actuarial Cost Method	Individual Entry Age Normal

Changes in assumptions from the prior year include the discount rate:

- The discount rate changed from 4.25% to 3.75%

Long Term Expected Rate of Return – 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 OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	20.00%	4.80%
Domestic Equity - Small/Mid Cap	10.00%	5.29%
International Equity - Developed Market	10.00%	5.45%
International Equity - Emerging Market	5.00%	6.42%
Domestic Fixed Income	25.00%	2.05%
International Fixed Income	10.00%	3.00%
Alternatives	20.00%	6.50%
Cash	0.00%	0.00%
	<u>100.00%</u>	
Real rate of return		4.47%
Inflation assumption		2.50%
Total nominal rate of return		6.97%
Investment expense		-0.25%
Net investment return		<u>6.72%</u>

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate			
	Current Rate	1% Decrease	At Current Rate	1% Increase
Net OPEB liability	3.75%	\$ 44,278,931	\$ 38,077,814	\$ 33,137,720

	Health Care Trend Rate			
	4.50%	\$ 32,623,075	\$ 38,077,814	\$ 45,025,330
Net OPEB liability				

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2020:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 34,903,365	\$ 466,378	\$ 34,436,987
Changes for the year:			
Service cost	1,129,713	-	1,129,713
Interest	1,503,915	-	1,503,915
Change in assumptions	2,470,422	-	2,470,422
Difference between expected and actual experience	(33,016)	-	(33,016)
Net investment income	-	12,942	(12,942)
Employer contributions	-	1,417,265	(1,417,265)
Benefit payments withdrawn from trust	-	(1,307,265)	1,307,265
Benefit payments	(1,307,265)	-	(1,307,265)
Net changes	3,763,769	122,942	3,640,827
Balances at June 30, 2020	<u>\$ 38,667,134</u>	<u>\$ 589,320</u>	<u>\$ 38,077,814</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$2,804,295. Deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2020 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,917,956	\$ -
Differences between expected and actual earnings	24,012	-
Differences between actual and expected experience	-	1,835,557
	<u>\$ 2,941,968</u>	<u>\$ 1,835,557</u>

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

June 30	
2021	\$ 205,644
2022	205,642
2023	203,236
2024	491,889
	<u>\$ 1,106,411</u>

GASB Statement No. 74

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of June 30, 2020 are summarized in this section except disclosures under GASB 74 that are identical to GASB 75 are not repeated.

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Rate of Return – For the year ended June 30, 2020 the annual money-weighted rate of return on investments, net of investment expense, was 2.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in a health insurance risk pool administered by the Mayflower Municipal Health Group (the Group). The Group offers a variety of premium based health plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. In the event the Group is terminated, the Town would be obligated to pay its proportionate share of a deficit, should one exist.

The Town also participates in a public-entity risk-pool administered by the Massachusetts Inter-local Insurance Association, Inc. (MIIA). Through this pool, the Town participates in two insurance programs; the Worker's compensation group that provides coverage for worker's compensation to Town employees who are not police officers or fire fighters, and the Property and Casualty Group that provides the Town with property and casualty insurance.

The Town is self-insured for workers' compensation claims for its police and firefighters and unemployment insurance compensation. Claim expenses are recorded in the general fund when incurred. Estimated liabilities for these risks are not included in the general fund as the liabilities were not material at June 30, 2020.

E. Commitments and Contingencies

The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2020.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

F. Implementation of GASB Pronouncements

Current Year Implementations –

None.

Future Implementations –

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning

after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF BRIDGEWATER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2020

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

	Year Ended June 30,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the net pension liability (asset)	4.84%	4.88%	4.83%	4.94%	4.89%
Town's proportionate share of the net pension liability (asset)	\$ 32,997	\$ 35,916	\$ 25,975	\$ 31,316	\$ 31,007
Town's covered payroll	\$ 14,211	\$ 13,506	\$ 12,843	\$ 12,349	\$ 10,272
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	232.2%	265.9%	202.3%	253.6%	301.9%
Plan fiduciary net position as a percentage of the total pension liability	61.6%	56.1%	65.6%	58.3%	56.8%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	Year Ended June 30,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 3,569	\$ 3,551	\$ 3,301	\$ 3,187	\$ 3,115
Contributions in relation to the actuarially determined contribution	<u>3,569</u>	<u>3,551</u>	<u>3,301</u>	<u>3,187</u>	<u>3,115</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 14,211	\$ 13,506	\$ 12,843	\$ 12,349	\$ 10,272
Contributions as a percentage of covered payroll	25.1%	26.3%	25.7%	25.8%	30.3%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2020**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	Year Ended June 30,			
	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 1,129,713	\$ 960,320	\$ 956,016	\$ 1,336,757
Interest	1,503,915	1,592,077	1,858,273	1,304,934
Difference between expected and actual plan experience	(33,016)	(3,015,240)	-	-
Changes of assumptions	2,470,422	1,569,350	(7,548,219)	-
Benefit payments	<u>(1,307,265)</u>	<u>(1,231,077)</u>	<u>(1,141,665)</u>	<u>(1,097,641)</u>
Net change in total OPEB liability	3,763,769	(124,570)	(5,875,595)	1,544,050
Total OPEB liability - beginning of year	<u>34,903,365</u>	<u>35,027,935</u>	<u>40,903,530</u>	<u>39,359,480</u>
Total OPEB liability - end of year (a)	<u>\$ 38,667,134</u>	<u>\$ 34,903,365</u>	<u>\$ 35,027,935</u>	<u>\$ 40,903,530</u>
Plan fiduciary net position:				
Contributions - employer	\$ 1,417,265	\$ 1,346,077	\$ 1,241,665	\$ 1,197,641
Net investment income	12,942	23,616	1,197	-
Benefit payments	<u>(1,307,265)</u>	<u>(1,231,077)</u>	<u>(1,141,665)</u>	<u>(1,097,641)</u>
Net change in Plan fiduciary net position	122,942	138,616	101,197	100,000
Plan fiduciary net position - beginning of year	<u>466,378</u>	<u>327,762</u>	<u>226,565</u>	<u>126,565</u>
Plan fiduciary net position - end of year (b)	<u>\$ 589,320</u>	<u>\$ 466,378</u>	<u>\$ 327,762</u>	<u>\$ 226,565</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 38,077,814</u>	<u>\$ 34,436,987</u>	<u>\$ 34,700,173</u>	<u>\$ 40,676,965</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.52%	1.34%	0.94%	0.55%
Covered payroll	\$ 13,981,407	\$ 13,574,182	\$ 13,334,197	\$ 12,945,822
Net OPEB liability as a percentage of covered payroll	272.35%	253.69%	260.23%	314.21%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2020**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	Year Ended June 30,			
	2020	2019	2018	2017
Actuarially-determined contribution	\$ 3,188,213	\$ 2,929,034	\$ 3,345,700	\$ 3,338,554
Contributions in relation to the actuarially-determined contribution	(1,417,265)	(1,346,077)	(1,241,665)	(1,197,641)
Contribution deficiency (excess)	<u>\$ 1,770,948</u>	<u>\$ 1,582,957</u>	<u>\$ 2,104,035</u>	<u>\$ 2,140,913</u>
Covered payroll	\$ 13,981,407	\$ 13,574,182	\$ 13,334,197	\$ 12,945,822
Contribution as a percentage of covered payroll	10.1%	9.9%	9.3%	9.3%
Valuation Date	July 1, 2018	July 1, 2018	July 1, 2016	July 1, 2016
Amortization Period	30 years	30 years	30 years	30 years
Investment rate of return	6.72%	6.82%	6.87%	2.75%
Municipal Bond Rate	2.66%	2.79%	3.45%	3.13%
Single Equivalent Discount Rate	3.75%	4.25%	4.50%	3.25%
Inflation	2.75%	2.75%	2.75%	2.75%
Healthcare cost trend rates	4.50%	4.50%	5.00%	5.00%
Salary increases	3.00%	3.00%	3.00%	3.00%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)			
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)			

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

	Year Ended June 30,			
	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	2.43%	5.85%	0.43%	0.00%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
Revenues						
Real estate and personal property taxes, net	\$ 46,568,817	\$ 46,568,817	\$ 46,197,839	\$ -	\$ 46,197,839	\$ (370,978)
Intergovernmental	4,451,454	4,451,454	4,453,589	-	4,453,589	2,135
Motor vehicle and other excises	3,831,973	3,831,973	4,205,652	-	4,205,652	373,679
Departmental and other revenue	561,307	561,307	789,896	-	789,896	228,589
Licenses and permits	628,548	628,548	1,647,580	-	1,647,580	1,019,032
Penalties and interest on taxes	261,000	261,000	252,333	-	252,333	(8,667)
Fines and forfeitures	39,000	39,000	32,286	-	32,286	(6,714)
Investment income	60,254	60,254	237,282	-	237,282	177,028
Total Revenues	56,402,353	56,402,353	57,816,457	-	57,816,457	1,414,104
Expenditures						
General government	4,517,177	4,953,554	3,904,040	927,227	4,831,267	122,287
Public safety	13,127,858	13,980,700	12,868,686	697,320	13,566,006	414,694
Education	32,114,746	32,069,729	32,050,400	-	32,050,400	19,329
Public works	2,588,125	2,664,537	1,968,268	659,599	2,627,867	36,670
Health and human services	537,915	555,659	507,602	23,600	531,202	24,457
Culture and recreation	722,682	807,433	671,895	89,381	761,276	46,157
Pensions and fringe benefits	6,662,995	6,514,109	6,470,035	2,000	6,472,035	42,074
State and county tax assessments	416,665	416,815	409,719	-	409,719	7,096
Debt service	928,701	928,701	928,699	-	928,699	2
Total Expenditures	61,616,864	62,891,237	59,779,344	\$ 2,399,127	62,178,471	712,766
Other Financing Sources (Uses)						
Transfers in	3,320,020	4,714,934	4,714,934		4,714,934	-
Transfers out	(2,533,339)	(2,903,880)	(2,903,880)		(2,903,880)	-
Total Other Financing Sources (Uses)	786,681	1,811,054	1,811,054		1,811,054	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
Of Prior Year Budgetary Fund Balance	(4,427,830)	(4,677,830)	\$ (151,833)		\$ (2,550,960)	\$ 2,126,870
Other Budgetary Items						
Use of free cash (unassigned fund balance)	2,501,366	2,501,366				
Use of overlay surplus	-	250,000				
Prior year encumbrances	2,309,405	2,309,405				
Prior year appropriation deficits	(382,941)	(382,941)				
	\$ -	\$ -				

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF BRIDGEWATER, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Town Manager and approved by the Town Council. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town Council approval, appropriation balances from one expenditure account to another within their department or budget. Town Council, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2020, Town Council approved approximately \$1,700,000 in additional appropriations from the original approved budget, which were primarily for general government (\$440,000) and public safety (\$850,000) purposes as well as transfers out (\$370,000). The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Council. Budgetary control is exercised through the Town's accounting system.

Budgetary-to-GAAP Reconciliation – The Town's general fund is prepared on a basis of accounting other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2020, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 57,816,457
Stabilization revenues	\$ -	\$ 394,814	394,814
60 day accrual	(56,664)	-	(56,664)
Revenues on a GAAP basis	<u>\$ (56,664)</u>	<u>\$ 394,814</u>	<u>\$ 58,154,607</u>
Expenditures on a budgetary basis			\$ 59,779,344
OPEB transfer	\$ -	\$ 100,000	100,000
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 59,879,344</u>
Net other financing sources (uses) on a budgetary basis			\$ 1,811,054
Stabilization transfers	\$ -	\$ 566,275	566,275
OPEB transfer	-	100,000	100,000
Net other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 666,275</u>	<u>\$ 2,477,329</u>

Excess of Expenditures Over Appropriations – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$225,115. This over-expenditure will be funded through available funds during fiscal year 2021.



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

The Honorable Members of the Town Council
Town of Bridgewater, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Massachusetts (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 19, 2021