



TOWN OF SHERBORN, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Sherborn, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Andover, Massachusetts
March 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds

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

Notes to Financial Statements

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

Required/Other Supplementary Information (Other Than MD&A)

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$19,178,125, a change of \$(771,640).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,359,096, a change of \$(2,620,986) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,214,228, a change of \$256,522 in comparison to the prior year.

Government-Wide Financial Analysis

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

NET POSITION

	Governmental Activities	
	2020	2019
Current assets	\$ 12,188,115	\$ 11,301,856
Noncurrent assets	<u>36,949,148</u>	<u>35,881,921</u>
Total assets	49,137,263	47,183,777
Deferred outflows of resources	1,557,278	1,558,785
Current liabilities	7,464,987	4,012,499
Noncurrent liabilities	<u>22,197,581</u>	<u>24,384,942</u>
Total liabilities	29,662,568	28,397,441
Deferred inflows of resources	1,853,848	395,356
Net investment in capital assets	26,196,855	29,510,296
Restricted	4,634,680	4,347,292
Unrestricted	<u>(11,653,410)</u>	<u>(13,907,823)</u>
Total net position	\$ <u>19,178,125</u>	\$ <u>19,949,765</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$19,178,125, a change of \$(771,640) in comparison to the prior year.

The largest portion of net position \$26,196,855 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$4,634,680 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(11,653,410) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,383,500	\$ 1,520,834
Operating grants and contributions	3,648,318	3,019,749
Capital grants and contributions	440,534	149,384
General revenues:		
Property taxes	25,714,165	24,781,231
Excises	714,828	1,006,081
Interest, penalties and other taxes	39,150	40,747
Grants and contributions not restricted to specific programs	268,067	512,163
Investment income	227,308	328,538
Other	<u>260,735</u>	<u>119,468</u>
Total revenues	32,696,605	31,478,195
Expenses:		
General government	2,373,042	2,613,991
Public safety	3,730,576	3,425,368
Education	21,594,205	21,456,736
Public works	3,864,888	3,454,149
Health and human services	687,946	723,830
Culture and recreation	867,594	877,510
Interest on long-term debt	259,895	273,766
Intergovernmental	<u>90,099</u>	<u>72,328</u>
Total expenses	<u>33,468,245</u>	<u>32,897,678</u>
Change in net position	(771,640)	(1,419,483)
Net position - beginning of year	<u>19,949,765</u>	<u>21,369,248</u>
Net position - end of year	<u>\$ 19,178,125</u>	<u>\$ 19,949,765</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(771,640). Key elements of this change are as follows:

Depreciation in excess of principal debt service	\$ (925,281)
Other	<u>153,641</u>
Total	<u>\$ (771,640)</u>

Financial Analysis of Funds

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

Governmental Funds

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5,359,096, a change of \$(2,620,986) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 114,380
Major capital projects fund results	(3,022,100)
Nonmajor funds results	<u>286,734</u>
Total	\$ <u>(2,620,986)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,214,228, while total fund balance was \$4,082,141.

The unassigned fund balance increased by \$256,522 primarily from positive budget versus actual results of \$734,409, offset by the use of free cash to supplement fiscal year 2020 budget of \$(379,077) and use of free cash for fiscal year 2021 budget of \$(104,793).

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 general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	% of Total General Fund Expenditures*
Unassigned fund balance	\$ 3,214,228	\$ 2,957,706	\$ 256,522	11.4%
Total fund balance	\$ 4,082,141	\$ 3,967,761	\$ 114,380	14.4%

* Expenditure amounts used to calculate the above percentages were adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$813,670.

The total fund balance of the general fund changed by \$114,380 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 429,077
Expenditures less than budget	370,132
Use of free cash as a funding source	(489,077)
Change in stabilization funds	(70,609)
Other	<u>(125,143)</u>
Total	\$ <u>114,380</u>

The Town's general stabilization fund is included in general fund unassigned fund balance. The Town's elderly housing capital stabilization and special education stabilization funds are included in general fund committed fund balance. The balances in these stabilization funds at June 30, 2020 are noted below:

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization	\$ 699,895	\$ 799,521	\$ (99,626)
Elderly housing capital stabilization	51,519	25,338	26,181
Special education stabilization	<u>107,337</u>	<u>104,502</u>	<u>2,835</u>
Total	<u>\$ 858,751</u>	<u>\$ 929,361</u>	<u>\$ (70,610)</u>

Capital Projects Fund

The major fund balance changed by \$(3,022,100) primarily from capital expenditures relating to the library renovation project and other projects financed by bond anticipation notes.

Non-Major Governmental Funds

The non-major fund balance changed by \$286,734 primarily from timing differences between the receipt and disbursement of grants.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$868,317. Major reasons for these amendments include:

- \$324,077 for supplemental appropriations funded by free cash.
- \$55,000 for new police vehicle funded by free cash.
- \$489,240 for use of prior year assigned fund balance.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental activities at year end amounted to \$36,669,154 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery, equipment and vehicles, intangibles, and infrastructure.

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

- \$63,237 for various buildings and building improvements.
- \$1,086,170 for various machinery and equipment.
- \$177,699 for various infrastructure.
- \$1,668,800 of construction in progress for the library project.

- \$(1,905,281) of depreciation expense.

Credit Rating

The Town of Sherborn maintains an “AAA” credit rating from S&P Global Ratings for general obligation debt.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding including unamortized premiums was \$5,473,890, all of which was backed by the full faith and credit of the government.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Sherborn’s finances for all those with an interest in the Town’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Town Accountant
Town of Sherborn
19 Washington Street
Sherborn, Massachusetts 01770

TOWN OF SHERBORN, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 8,367,922
Investments	3,267,210
Receivables, net of allowance for uncollectibles:	
Property taxes	330,240
Excises	73,106
User fees	<u>149,637</u>
Total Current Assets	12,188,115
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	279,994
Capital assets:	
Land and construction in progress	19,152,795
Other capital assets, net of accumulated depreciation	<u>17,516,359</u>
Total Noncurrent Assets	36,949,148
Total Assets	49,137,263
Deferred Outflows of Resources	
Related to pensions	1,291,251
Related to OPEB	<u>266,027</u>
Total Deferred Outflows of Resources	1,557,278
Liabilities	
Current:	
Warrants payable	475,095
Accounts payable	90,448
Accrued liabilities	567,015
Notes payable	5,331,531
Other current liabilities	34,388
Current portion of long-term liabilities:	
Bonds payable	914,105
Compensated absences	<u>52,405</u>
Total Current Liabilities	7,464,987
Noncurrent:	
Bonds payable, net of current portion	4,559,785
Net pension liability	10,450,215
Net OPEB liability	6,977,955
Compensated absences	<u>209,626</u>
Total Noncurrent Liabilities	22,197,581
Total Liabilities	29,662,568
Deferred Inflows of Resources	
Related to pensions	1,580,953
Related to OPEB	<u>272,895</u>
Total Deferred Inflows of Resources	1,853,848
Net Position	
Net investment in capital assets	26,196,855
Restricted for:	
Grants and other statutory restrictions	2,152,248
Permanent funds:	
Nonexpendable	697,437
Expendable	1,784,995
Unrestricted	<u>(11,653,410)</u>
Total Net Position	\$ <u>19,178,125</u>

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

TOWN OF SHERBORN, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for	Operating	Capital	
		Services	Grants and	Grants and	Governmental
			Contributions	Contributions	Activities
Governmental Activities	<u>Expenses</u>				
General government	\$ 2,373,042	\$ 189,209	\$ 212,960	\$ -	\$ (1,970,873)
Public safety	3,730,576	425,747	189,225	-	(3,115,604)
Education	21,594,205	307,991	3,091,152	-	(18,195,062)
Public works	3,864,888	25,749	6,421	434,105	(3,398,613)
Health and human services	687,946	373,446	55,916	-	(258,584)
Culture and recreation	867,594	61,358	92,644	6,429	(707,163)
Interest on long-term debt	259,895	-	-	-	(259,895)
Intergovernmental	90,099	-	-	-	(90,099)
Total Governmental Activities	<u>\$ 33,468,245</u>	<u>\$ 1,383,500</u>	<u>\$ 3,648,318</u>	<u>\$ 440,534</u>	(27,995,893)
General Revenues					
Property taxes					25,714,165
Excise taxes					714,828
Interest, penalties and other taxes					39,150
Grants and contributions not restricted to specific programs					268,067
Investment income					227,308
Miscellaneous					<u>260,735</u>
Total general revenues					<u>27,224,253</u>
Change in Net Position					(771,640)
Net Position					
Beginning of year					<u>19,949,765</u>
End of year					<u>\$ 19,178,125</u>

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

TOWN OF SHERBORN, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 4,105,270	\$ 2,259,338	\$ 2,003,314	\$ 8,367,922
Investments	664,850	-	2,602,360	3,267,210
Receivables:				
Property taxes	616,437	-	-	616,437
Excises	96,454	-	-	96,454
User fees	<u>-</u>	<u>-</u>	<u>149,637</u>	<u>149,637</u>
Total Assets	\$ <u>5,483,011</u>	\$ <u>2,259,338</u>	\$ <u>4,755,311</u>	\$ <u>12,497,660</u>
Liabilities				
Warrants payable	\$ 309,017	\$ 16,758	\$ 149,320	\$ 475,095
Accounts payable	-	90,448	-	90,448
Accrued liabilities	567,015	-	-	567,015
Notes payable	-	5,331,531	-	5,331,531
Other liabilities	<u>34,388</u>	<u>-</u>	<u>-</u>	<u>34,388</u>
Total Liabilities	910,420	5,438,737	149,320	6,498,477
Deferred Inflows of Resources				
Unavailable revenues	490,450	-	149,637	640,087
Fund Balances				
Nonspendable	-	-	697,437	697,437
Restricted	-	91,351	3,920,101	4,011,452
Committed	508,147	-	-	508,147
Assigned	359,766	-	-	359,766
Unassigned	<u>3,214,228</u>	<u>(3,270,750)</u>	<u>(161,184)</u>	<u>(217,706)</u>
Total Fund Balances	<u>4,082,141</u>	<u>(3,179,399)</u>	<u>4,456,354</u>	<u>5,359,096</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>5,483,011</u>	\$ <u>2,259,338</u>	\$ <u>4,755,311</u>	\$ <u>12,497,660</u>

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

TOWN OF SHERBORN, MASSACHUSETTS

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

Total governmental fund balances	\$ 5,359,096
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	36,669,154
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	610,536
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(23,164,091)
Deferred outflows and (inflows) of resources related to Pensions to be recognized in pension expense in future periods.	(289,702)
Deferred outflows and (inflows) of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>(6,868)</u>
Net position of governmental activities	\$ <u>19,178,125</u>

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

TOWN OF SHERBORN, MASSACHUSETTS

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

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 25,673,870	\$ -	\$ -	\$ 25,673,870
Excises	811,377	-	-	811,377
Interest, penalties and other taxes	62,411	-	-	62,411
Charges for services	272,290	-	1,013,339	1,285,629
Licenses and permits	233,043	-	-	233,043
Intergovernmental	1,843,390	-	1,385,924	3,229,314
Fines and forfeitures	22,285	-	-	22,285
Investment income	120,236	-	112,467	232,703
Donations	-	-	1,948	1,948
Miscellaneous	<u>216,362</u>	<u>-</u>	<u>89,193</u>	<u>305,555</u>
Total Revenues	29,255,264	-	2,602,871	31,858,135
Expenditures				
Current:				
General government	1,775,386	30,418	107,864	1,913,668
Public safety	2,453,058	840,299	656,581	3,949,938
Education	17,653,765	65,000	806,719	18,525,484
Public works	1,868,965	308,367	309,215	2,486,547
Health and human services	272,395	33,692	291,697	597,784
Culture and recreation	512,458	1,744,324	191,797	2,448,579
Insurance and benefits	3,171,880	-	11,257	3,183,137
Debt service				
Principal	980,000	-		980,000
Interest	303,885	-		303,885
Intergovernmental	<u>90,099</u>	<u>-</u>	<u>-</u>	<u>90,099</u>
Total Expenditures	<u>29,081,891</u>	<u>3,022,100</u>	<u>2,375,130</u>	<u>34,479,121</u>
Excess (deficiency) of revenues over expenditures	173,373	(3,022,100)	227,741	(2,620,986)
Other Financing Sources (Uses)				
Transfers in	131,007	-	190,000	321,007
Transfers out	<u>(190,000)</u>	<u>-</u>	<u>(131,007)</u>	<u>(321,007)</u>
Total Other Financing Sources (Uses)	<u>(58,993)</u>	<u>-</u>	<u>58,993</u>	<u>-</u>
Change in fund balance	114,380	(3,022,100)	286,734	(2,620,986)
Fund Balance, at Beginning of Year, as reclassified	<u>3,967,761</u>	<u>(157,299)</u>	<u>4,169,620</u>	<u>7,980,082</u>
Fund Balance, at End of Year	\$ <u><u>4,082,141</u></u>	\$ <u><u>(3,179,399)</u></u>	\$ <u><u>4,456,354</u></u>	\$ <u><u>5,359,096</u></u>

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

TOWN OF SHERBORN, MASSACHUSETTS

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

Net changes in fund balances - total governmental funds \$ (2,620,986)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	2,995,906
Depreciation	(1,905,281)

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

Repayments of debt	980,000
Other	14,105

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

(59,219)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in pension expense from GASB 68	(203,852)
Change in OPEB expense from GASB 75	46,675
Other	29,885

Other differences	<u>(48,873)</u>
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Change in net position of governmental activities \$ (771,640)

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

TOWN OF SHERBORN, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	<u>OPEB Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash and short-term investments	\$ 105,868	\$ 84,012
Investments:		
U.S. Treasury and agencies	23,187	-
Corporate equities	802,176	-
Fixed income mutual funds	326,132	-
External investment pool	<u>412,290</u>	<u>-</u>
Total investments	<u>1,563,785</u>	<u>-</u>
Total Assets	1,669,653	\$ <u><u>84,012</u></u>
Liabilities		
Other liabilities	<u>-</u>	<u>84,012</u>
Total Liabilities	<u>-</u>	\$ <u><u>84,012</u></u>
Net Position		
Restricted for OPEB purposes	<u>1,669,653</u>	
Total net position	\$ <u><u>1,669,653</u></u>	

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

TOWN OF SHERBORN, MASSACHUSETTS

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

	<u>OPEB Trust Fund</u>
Additions	
Employer contributions	\$ 729,960
Investment income	<u>38,781</u>
Total additions	768,741
Deductions	
Benefit payments to plan members, beneficiaries and other systems	<u>529,960</u>
Net increase	238,781
Net position restricted for OPEB purposes	
Beginning of year	<u>1,430,872</u>
End of year	\$ <u><u>1,669,653</u></u>

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

TOWN OF SHERBORN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they

are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for all activity related with capital projects funded by debt.

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

The Town reports the following fiduciary funds:

- The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Investments

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

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

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

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$1,022,472. Certain provisions of Proposition 2½ can be overridden by a referendum.

Capital Assets

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

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

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

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

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

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

Formal budgetary integration is employed as a management control device during the year for the general fund.

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

Deficit Fund Equity

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

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

3. Deposits and Investments

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

an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, Certain External Investment Pools and Pool Participants, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

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

As of June 30, 2020, \$54,988 of the Town's and Library Trustees' bank balance of \$8,645,798 was exposed to custodial credit risk as uninsured and/or uncollateralized.

Investment Summary

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

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 143,799
Corporate bonds	1,284,362
Corporate equities	2,270,981
External investment pool	412,290
Fixed income mutual funds	341,370
U.S. Treasury and agencies	<u>378,193</u>
Total investments	<u>\$ 4,830,995</u>

Custodial Credit Risk - Investments

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

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Sherborn's

investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town does not have formal investment policies related to credit risk.

Presented below is the actual rating as of year-end for debt-related investments of the Town of Sherborn and Library Trustees. (All U.S. Treasury and agency securities have an implied credit rating of AAA.):

	Rating as of Year End											
Investment Type	Amount	AAA	AA1	AA2	AA3	A1	A2	A3	Baa1	Baa2	Other	Unrated
Corporate bonds	\$ 1,284,362	\$ 201,937	\$ 26,831	\$ 70,834	\$ 96,532	\$ 146,262	\$ 185,542	\$ 107,507	\$ 350,070	\$ 75,149	\$ 23,698	\$ -
Fixed income mutual funds	<u>341,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,370</u>
Total	<u>\$ 1,625,732</u>	<u>\$ 201,937</u>	<u>\$ 26,831</u>	<u>\$ 70,834</u>	<u>\$ 96,532</u>	<u>\$ 146,262</u>	<u>\$ 185,542</u>	<u>\$ 107,507</u>	<u>\$ 350,070</u>	<u>\$ 75,149</u>	<u>\$ 23,698</u>	<u>\$ 341,370</u>

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer. Investments in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

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

Investment Type	Amount	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Thereafter
Corporate bonds	\$ 1,284,362	\$ 169,675	\$ 859,808	\$ 254,879	\$ -
Fixed income mutual funds	341,370	341,370	-	-	-
U.S. Treasury and agencies	<u>378,193</u>	<u>116,245</u>	<u>172,498</u>	<u>30,047</u>	<u>59,403</u>
Total	\$ <u>2,003,925</u>	\$ <u>627,290</u>	\$ <u>1,032,306</u>	\$ <u>284,926</u>	\$ <u>59,403</u>

Foreign Currency Risk

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

Fair Value

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

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

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

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

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

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

		Fair Value Measurements Using:		
<u>Investment Type</u>	<u>Amount</u>	Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 1,284,362	-	1,284,362	-
Corporate equities	2,270,981	2,270,981	-	-
Fixed income mutual funds	341,370	-	341,370	-
U.S. Treasury and agencies	378,193	378,193	-	-
Investments measured at the net asset value (NAV):				
External investment pools	<u>412,290</u>			
Total	<u>\$ 4,687,196</u>			

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pools	\$ 412,290	\$ -	Monthly	30 Days

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

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

4. Property Taxes and Excises Receivable

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

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

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

A statewide property tax limitation known as "Proposition 2½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2½ limits the total levy to an amount not greater than 2½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2½% of the prior year's levy plus the taxes on property newly added to the tax rolls.

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

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 235,322	\$ (6,203)	\$ 229,119	\$ -
Personal property taxes	582	-	582	-
Tax liens	91,223	-	77,373	13,850
Deferred taxes	<u>289,310</u>	<u>-</u>	<u>23,166</u>	<u>266,144</u>
Total property taxes	<u>\$ 616,437</u>	<u>\$ (6,203)</u>	<u>\$ 330,240</u>	<u>\$ 279,994</u>
Motor vehicle excise	<u>\$ 96,454</u>	<u>\$ (23,348)</u>	<u>\$ 73,106</u>	
Total excises	<u>\$ 96,454</u>	<u>\$ (23,348)</u>	<u>\$ 73,106</u>	

5. User Fee Receivables

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

	Gross Amount
Ambulance	\$ <u>149,637</u>
Total	\$ <u>149,637</u>

6. Interfund Transfers

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

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 131,007	\$ 190,000
Nonmajor Funds:		
Special Revenue Funds	190,000	69,990
Trust Funds	<u>-</u>	<u>61,017</u>
Subtotal Nonmajor Funds	<u>190,000</u>	<u>131,007</u>
Grand Total	\$ <u>321,007</u>	\$ <u>321,007</u>

Of the transfers into the general fund, \$5,400 was transferred from the Cemetery Enlargement Fund, \$64,590 was transferred from the Elderly Housing Fund, and \$61,017 was transferred from various trust funds. Of the transfers out of the general fund, \$190,000 was transferred to the ambulance revolving fund.

7. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Land improvements	\$ 814	\$ -	\$ -	\$ 814
Buildings and improvements	17,780	63	-	17,843
Machinery, equipment, and vehicles	8,733	1,086	-	9,819
Intangibles	30	-	-	30
Infrastructure	<u>22,743</u>	<u>178</u>	<u>-</u>	<u>22,921</u>
Total capital assets, being depreciated	50,100	1,327	-	51,427
Less accumulated depreciation for:				
Land improvements	(182)	(38)	-	(220)
Buildings and improvements	(8,230)	(540)	-	(8,770)
Machinery, equipment, and vehicles	(5,359)	(543)	-	(5,902)
Intangibles	(27)	(2)	-	(29)
Infrastructure	<u>(18,207)</u>	<u>(783)</u>	<u>-</u>	<u>(18,990)</u>
Total accumulated depreciation	<u>(32,005)</u>	<u>(1,906)</u>	<u>-</u>	<u>(33,911)</u>
Total capital assets, being depreciated, net	18,095	(579)	-	17,516
Capital assets, not being depreciated:				
Land	10,037	-	-	10,037
Construction in progress	<u>7,447</u>	<u>1,669</u>	<u>-</u>	<u>9,116</u>
Total capital assets, not being depreciated	<u>17,484</u>	<u>1,669</u>	<u>-</u>	<u>19,153</u>
Governmental activities capital assets, net	<u>\$ 35,579</u>	<u>\$ 1,090</u>	<u>\$ -</u>	<u>\$ 36,669</u>

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

Governmental Activities	
General government	\$ 126
Public safety	407
Education	244
Public works	1,045
Health and human services	67
Culture and recreation	<u>17</u>
Total governmental activities	<u>\$ 1,906</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to

pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

9. Warrants and Accounts Payable

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

10. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
Bond anticipation note	2.00%	08/23/19	09/11/20	\$ 2,799,447
Bond anticipation note	1.65%	09/13/19	09/11/20	1,805,364
State aid anticipation note	0.95%	06/30/20	06/30/21	<u>726,720</u>
Total				<u>\$ 5,331,531</u>

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Rollover</u>	<u>Payoff/ Paydown</u>	<u>Balance End of Year</u>
Bond anticipation note	\$ -	\$ 2,799,447	\$ -	\$ -	\$ 2,799,447
Bond anticipation note	1,805,364	-	(1,805,364)	-	-
Bond anticipation note	-	-	1,805,364	-	1,805,364
State anticipation	-	726,720	(726,720)	-	-
State anticipation	-	-	726,720	-	726,720
Revenue anticipation note	-	1,800,000	-	(1,800,000)	-
Total	<u>\$ 1,805,364</u>	<u>\$ 5,326,167</u>	<u>\$ -</u>	<u>\$ (1,800,000)</u>	<u>\$ 5,331,531</u>

11. Long-Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate %</u>	<u>Amount Outstanding as of 6/30/20</u>
Municipal bond of 2007	05/15/26	3.95%	\$ 550,000
Municipal bond of 2010	05/15/27	3.08%	890,000
Municipal bond of 2013	05/15/26	1.23%	515,000
Municipal bond of 2015	05/01/30	2.25%	385,000
Municipal bond of 2018	05/15/38	2.81%	<u>2,880,000</u>
Total Governmental Activities			<u>\$ 5,220,000</u>

Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 900,000	\$ 201,069	\$ 1,101,069
2022	700,000	168,319	868,319
2023	650,000	140,106	790,106
2024	600,000	114,231	714,231
2025	570,000	89,594	659,594
2026	455,000	68,019	523,019
2027	300,000	48,944	348,944
2028	175,000	37,294	212,294
2029	145,000	30,644	175,644
2030	135,000	25,144	160,144
2031 - 2035	405,000	68,775	473,775
2036 - 2038	<u>185,000</u>	<u>12,463</u>	<u>197,463</u>
Total	<u>\$ 5,220,000</u>	<u>\$ 1,004,602</u>	<u>\$ 6,224,602</u>

Changes in General Long-Term Liabilities

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-term <u>Portion</u>
Governmental Activities						
Bonds payable	\$ 6,200	\$ -	\$ (980)	\$ 5,220	\$ (900)	\$ 4,320
Unamortized premium	<u>268</u>	<u>-</u>	<u>(14)</u>	<u>254</u>	<u>(14)</u>	<u>240</u>
Subtotal	6,468	-	(994)	5,474	(914)	4,560
Net pension liability	11,726	-	(1,276)	10,450	-	10,450
Net OPEB liability	7,005	-	(27)	6,978	-	6,978
Compensated absences	<u>225</u>	<u>49</u>	<u>(12)</u>	<u>262</u>	<u>(52)</u>	<u>210</u>
Totals	\$ <u>25,424</u>	\$ <u>49</u>	\$ <u>(2,309)</u>	\$ <u>23,164</u>	\$ <u>(966)</u>	\$ <u>22,198</u>

Long-Term Debt Supporting Governmental Activities

Bonds issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund.

12. Deferred Inflows of Resources

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

13. Governmental Funds - Balances

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

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

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

Nonspendable

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

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue and expendable trust funds, capital projects funded by grants and borrowing, and the income (i.e., expendable) portion of permanent trust funds.

Committed

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

Assigned

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

Unassigned

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

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

	General <u>Fund</u>	Saltonstall <u>Operating Fund</u>	Fund 400 <u>Capital Projects</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 697,437	\$ 697,437
Restricted					
Capital project funds	-	-	-	36,103	36,103
Special revenue funds:					
Federal grants	-	-	-	2,065	2,065
State grants	-	-	-	323,101	323,101
Receipts reserved for appropriation	-	-	-	45,144	45,144
Revolving Funds:					
Elderly housing maintenance	-	-	-	488,425	488,425
Parks and recreation	-	-	-	125,510	125,510
Farm pond programming	-	-	-	102,403	102,403
Other	-	-	-	498,992	498,992
Gifts and other	-	-	-	169,705	169,705
Major capital project fund	-	-	91,351	-	91,351
Trust funds	-	-	-	343,658	343,658
Expendable permanent funds	-	-	-	1,784,995	1,784,995
Total Restricted	-	-	91,351	3,920,101	4,011,452
Committed					
Continuing appropriations	349,291	-	-	-	349,291
Elderly housing capital stabilization fund	51,519	-	-	-	51,519
Special education stabilization	107,337	-	-	-	107,337
Total Committed	508,147	-	-	-	508,147
Assigned					
Encumbrances	88,501	-	-	-	88,501
Reserved for expenditures	104,793	-	-	-	104,793
MSBA debt paydowns	162,062	-	-	-	162,062
Other	4,410	-	-	-	4,410
Total Assigned	359,766	-	-	-	359,766
Unassigned					
General fund	2,514,333	-	-	-	2,514,333
General stabilization fund	699,895	-	-	-	699,895
Special revenue fund	-	-	-	(161,184)	(161,184)
Major capital project fund	-	-	(3,270,750)	-	(3,270,750)
Total Unassigned	3,214,228	-	(3,270,750)	(161,184)	(217,706)
Total Fund Balance	\$ 4,082,141	\$ -	\$ (3,179,399)	\$ 4,456,354	\$ 5,359,096

14. Middlesex County Retirement System

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

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Middlesex County Retirement System (the System), a cost-sharing, multiple-employer public employee

retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 25 Linnell Circle, P.O. Box 160, Billerica, MA 01865.

Participant Contributions

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

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

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

Participant Retirement Benefits

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

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

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

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

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

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

Methods of Payment

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

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

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

Participant Refunds

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

Employer Contributions

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

The Town’s contribution to the System for the year ended June 30, 2020 was \$1,018,037, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2020, the Town reported a liability of \$10,450,215 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town’s proportion was 0.653116%, which was a decrease of 0.098776% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,221,889. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 254,276	\$ (23,667)
Changes of assumptions	719,665	-
Net difference between projected and actual investment investment earnings on pension plan investments	-	(271,182)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>317,310</u>	<u>(1,286,104)</u>
Total	\$ <u>1,291,251</u>	\$ <u>(1,580,953)</u>

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

Year ended June 30:

2021	\$ 16,233
2022	(58,114)
2023	(13,027)
2024	<u>(234,794)</u>
Total	\$ <u>(289,702)</u>

Actuarial Assumptions

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

COLA	3.00% of the first \$16,000 of retirement income
Salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2, and 4.50% for Group 4.
Investment rate of return	7.30%, net of pension plan investment expense, including inflation (previously 7.50%)

Mortality rates were based on the RP-2014 Blue Collar Employee Mortality Table projected generationally with scale MP-2017 for both Pre-Retirement and Healthy Retiree members. For disabled retirees, mortality was based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with scale MP-2017.

Target Allocations

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

<u>Asset Class</u>	Long-term Expected Asset <u>Allocation</u>	Long-term Expected Real Rate <u>of Return</u>
Domestic equity	21.00%	6.15%
International developed markets equity	13.00%	6.78%
International emerging markets equity	5.00%	8.65%
Core fixed income	15.00%	1.11%
High-yield fixed income	8.00%	3.51%
Real Estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge funds, GTAA, risk parity	11.00%	3.19%
Private equity	<u>13.00%</u>	9.99%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.30%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.30%) or 1 percentage-point higher (8.30%) than the current rate:

1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
\$12,842,495	\$10,450,215	\$8,437,185

Pension Plan Fiduciary Net Position

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

15. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

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

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

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012,

retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

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

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

Contributions

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

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

Actuarial Assumptions

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

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender district).
 - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender district).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

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

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

Discount Rate

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

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability

assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

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

Special Funding Situation

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

Town Proportions

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$14,210,542 based on a proportionate share of 0.0563600%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$813,670 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$1,723,275 as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2010, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust fund does not issue a stand-alone financial report.

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

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

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross of Massachusetts, Harvard Pilgrim Health Group, Tufts Health Plan, Fallon Healthcare, and Group Term Life Insurance. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	89
Active employees	<u>124</u>
Total	<u><u>213</u></u>

Investments

The OPEB trust fund assets consist of equities, asset backed securities, mutual fund, and pooled investments with PRIT.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50% as of June 30, 2020 and for future periods
Salary increases	3.00% annually as of June 30, 2020 and for future periods
Investment rate of return	6.88%, net of OPEB plan investment expense, including inflation
Municipal bond rate	2.66% as of June 30, 2020
Discount rate	7.00%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	4.50% for 2020
Retirees' share of benefit-related costs	21-50% of premiums for medical insurance depending on the plan elected. Retirees pay 50% of premiums for life insurance.
Participation rate	80%

Mortality rates for pre-retirement were based on RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Mortality rates for post-retirement were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Mortality rates for disabled were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

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

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	18.50%	4.80%
Domestic equity - small/mid cap	8.00%	5.29%
International equity - developed market	11.75%	5.45%
International equity - emerging market	5.25%	6.42%
Domestic fixed income	23.50%	2.05%
International fixed income	7.75%	3.00%
Alternatives	21.00%	6.50%
Real estate	4.50%	6.25%
Total	<u>100.25%</u>	

Contributions

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

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

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

Total OPEB liability	\$ 8,647,608
Plan fiduciary net position	<u>1,669,653</u>
Net OPEB liability	\$ <u><u>6,977,955</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	19.31%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability
	(a)	Net Position	(a) - (b)
		(b)	
Balances, beginning of year	\$ 8,436,358	\$ 1,430,872	\$ 7,005,486
Changes for the year:			
Service cost	227,644	-	227,644
Interest	567,222	-	567,222
Contributions - employer	-	729,960	(729,960)
Net investment income	-	38,781	(38,781)
Differences between expected and actual experience	(305,567)	-	(305,567)
Changes in assumptions or	251,911	-	251,911
Benefit payments	<u>(529,960)</u>	<u>(529,960)</u>	<u>-</u>
Net Changes	<u>211,250</u>	<u>238,781</u>	<u>(27,531)</u>
Balances, end of year	\$ <u><u>8,647,608</u></u>	\$ <u><u>1,669,653</u></u>	\$ <u><u>6,977,955</u></u>

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

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

1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$ 7,958,785	\$ 6,977,955	\$ 5,997,125

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

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

1% Decrease <u>(3.50%)</u>	Current Healthcare Cost Trend Rates <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
\$ 6,050,844	\$ 6,977,955	\$ 8,078,999

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$705,710. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (272,895)
Change in assumptions	206,847	-
Net difference between projected and actual earnings on OPEB investment	<u>59,180</u>	<u>-</u>
Total	\$ <u>266,027</u>	\$ <u>(272,895)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ (6,312)
2022	(6,314)
2023	7,722
2024	3,697
2025	<u>(5,661)</u>
Total	\$ <u>(6,868)</u>

Dover-Sherborn Regional School District – Unfunded OPEB Liability

The Town is a member of the Dover-Sherborn Regional School District (District). As of July 1, 2018, the District's most recent actuarial valuation, the District's unfunded net OPEB liability was \$23,080,644, which will be funded by future operating assessments to the District's member towns. In fiscal year 2020, the Town's portion of the District's annual operating assessment was 43.37%.

17. Subsequent Events

Management has evaluated subsequent events through March 26, 2021, which is the date the financial statements were available to be issued.

Debt

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

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General Obligation Municipal Purpose Loan	\$ 5,580,000	Variable	09/10/20	09/01/40

18. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end the Town's general fund has \$88,501 in encumbrances that will be honored in the next fiscal year.

COVID-19

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

19. Beginning Fund Balance Reclassification

The beginning fund balance (July 1, 2019) of the Town has been reclassified as follows:

Fund Basis Financial Statements:

	Major Saltonstall Operating <u>Fund</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ 1,189,930	\$ 2,979,690
Reclassification of major funds	<u>(1,189,930)</u>	<u>1,189,930</u>
As reclassified	<u>\$ -</u>	<u>\$ 4,169,620</u>

20. New Pronouncements

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

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

TOWN OF SHERBORN, MASSACHUSETTS

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 25,372,953	\$ 25,372,953	\$ 25,529,797	\$ 156,844
Excises	790,129	790,129	811,377	21,248
Interest, penalties and other taxes	51,800	51,800	62,411	10,611
Charges for services	280,100	280,100	272,290	(7,810)
Licenses and permits	300,000	300,000	233,043	(66,957)
Intergovernmental	948,072	948,072	1,029,720	81,648
Fines and forfeitures	1,000	1,000	22,285	21,285
Investment income	105,000	105,000	100,845	(4,155)
Miscellaneous	<u>-</u>	<u>-</u>	<u>216,363</u>	<u>216,363</u>
Total Revenues	27,849,054	27,849,054	28,278,131	429,077
Expenditures				
General government	1,877,467	1,945,345	1,790,564	154,781
Public safety	2,405,834	2,631,412	2,631,412	-
Education	16,884,131	17,378,939	17,287,692	91,247
Public works	1,680,267	1,935,069	1,935,069	-
Health and human services	300,653	272,395	272,395	-
Culture and recreation	520,208	444,293	444,293	-
Insurance and benefits	3,253,442	3,212,410	3,145,681	66,729
Debt service	1,355,881	1,326,337	1,268,962	57,375
Intergovernmental	<u>83,648</u>	<u>83,648</u>	<u>83,648</u>	<u>-</u>
Total Expenditures	<u>28,361,531</u>	<u>29,229,848</u>	<u>28,859,716</u>	<u>370,132</u>
Excess (deficiency) of revenues over expenditures	(512,477)	(1,380,794)	(581,585)	799,209
Other Financing Sources/(Uses)				
Use of free cash:				
Operating budget	-	379,077	379,077	-
Transfer to general stabilization fund	10,000	10,000	10,000	-
OPEB trust fund contribution	100,000	100,000	100,000	-
Use of restricted fund balance	36,670	36,670	36,670	-
Use of prior year assigned fund balance	-	489,240	489,240	-
Transfer in	375,807	375,807	311,007	(64,800)
Transfer out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>512,477</u>	<u>1,380,794</u>	<u>1,315,994</u>	<u>(64,800)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>734,409</u>	\$ <u>734,409</u>

See Independent Auditors' Report

Notes to the Required Supplementary Information for General Fund Budget

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
Revenues/expenditures/other financing sources/(uses) (GAAP basis)	\$ 29,255,264	\$ 29,081,891	\$ (58,993)
Record use of free cash	-	-	489,077
Record use of restricted fund balance	-	-	36,670
Record use of prior year assigned fund balance	-	-	489,240
Add end-of-year appropriation carryforwards to expenditures	-	482,627	-
Reverse the effect of non-budgeted State contributions for teachers retirement	(813,670)	(813,670)	-
Reverse effect of combining general fund and general stabilization funds	(19,391)	-	90,000
Reclassification of budgeted transfers	-	190,000	190,000
Other	<u>(144,072)</u>	<u>(81,132)</u>	<u>80,000</u>
Budgetary basis	\$ <u><u>28,278,131</u></u>	\$ <u><u>28,859,716</u></u>	\$ <u><u>1,315,994</u></u>

See Independent Auditors' Report

TOWN OF SHERBORN, MASSACHUSETTS

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

(Unaudited)

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	0.653116%	\$ 10,450,215	\$ 4,382,868	238.43%	49.45%
June 30, 2019	December 31, 2018	0.751892%	\$ 11,725,506	\$ 4,115,258	284.93%	46.40%
June 30, 2018	December 31, 2017	0.739883%	\$ 10,500,304	\$ 3,961,023	265.09%	49.27%
June 30, 2017	December 31, 2016	0.757762%	\$ 10,736,551	\$ 4,009,692	267.76%	45.49%
June 30, 2016	December 31, 2015	0.795496%	\$ 10,262,053	\$ 3,936,908	260.66%	46.13%
June 30, 2015	December 31, 2014	0.787825%	\$ 9,464,261	\$ 3,785,488	250.01%	47.65%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.563600%	\$ -	\$ 14,210,542	\$ 14,210,542	\$ 4,101,401	-	53.95%
June 30, 2019	June 30, 2018	0.054086%	\$ -	\$ 12,824,461	\$ 12,824,461	\$ 3,798,387	-	54.84%
June 30, 2018	June 30, 2017	0.054477%	\$ -	\$ 12,467,172	\$ 12,467,172	\$ 3,699,243	-	54.25%
June 30, 2017	June 30, 2016	0.053336%	\$ -	\$ 11,924,906	\$ 11,924,906	\$ 3,508,258	-	52.73%
June 30, 2016	June 30, 2015	0.051311%	\$ -	\$ 10,513,487	\$ 10,513,487	\$ 3,252,547	-	55.38%
June 30, 2015	June 30, 2014	0.057251%	\$ -	\$ 9,100,762	\$ 9,100,762	\$ 3,510,342	-	61.64%

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

See Independent Auditors' Report

TOWN OF SHERBORN, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	December 31, 2019	\$ 1,018,037	\$ 1,018,037	\$ -	\$ 4,382,868	23.23%
June 30, 2019	December 31, 2018	\$ 975,181	\$ 975,181	\$ -	\$ 4,115,258	23.70%
June 30, 2018	December 31, 2017	\$ 916,985	\$ 916,985	\$ -	\$ 3,961,023	23.15%
June 30, 2017	December 31, 2016	\$ 874,648	\$ 874,648	\$ -	\$ 4,009,692	21.81%
June 30, 2016	December 31, 2015	\$ 821,360	\$ 821,360	\$ -	\$ 3,936,908	20.86%
June 30, 2015	December 31, 2014	\$ 700,612	\$ 700,612	\$ -	\$ 3,785,488	18.51%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	June 30, 2019	\$ 813,670	\$ 813,670	\$ -	\$ 4,101,401	19.84%
June 30, 2019	June 30, 2018	\$ 711,112	\$ 711,112	\$ -	\$ 3,798,387	18.72%
June 30, 2018	June 30, 2017	\$ 673,066	\$ 673,066	\$ -	\$ 3,699,243	18.19%
June 30, 2017	June 30, 2016	\$ 599,812	\$ 599,812	\$ -	\$ 3,508,258	17.10%
June 30, 2016	June 30, 2015	\$ 524,365	\$ 524,365	\$ -	\$ 3,252,547	16.12%
June 30, 2015	June 30, 2014	\$ 536,656	\$ 536,656	\$ -	\$ 3,510,342	15.29%

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

See Independent Auditors' Report

TOWN OF SHERBORN, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Change in Net OPEB Liability

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 227,644	\$ 255,935	\$ 234,938	\$ 239,889
Interest	567,222	547,586	523,483	503,919
Differences between expected and actual experience	(305,567)	-	305,437	(54,976)
Changes of assumptions	251,911	-	-	-
Benefit payments, including refunds of member contributions	<u>(529,960)</u>	<u>(440,042)</u>	<u>(405,105)</u>	<u>(383,395)</u>
Net change in total OPEB liability	211,250	363,479	658,753	305,437
Total OPEB liability - beginning	<u>8,436,358</u>	<u>8,072,879</u>	<u>7,414,126</u>	<u>7,108,689</u>
Total OPEB liability - ending (a)	8,647,608	8,436,358	8,072,879	7,414,126
Plan Fiduciary Net Position				
Contributions - employer	729,960	640,042	737,133	583,395
Net investment income	38,781	67,693	57,907	57,897
Benefit payments, including refunds of member contributions	<u>(529,960)</u>	<u>(440,042)</u>	<u>(405,105)</u>	<u>(383,395)</u>
Net change in plan fiduciary net position	238,781	267,693	389,935	257,897
Plan fiduciary net position - beginning	<u>1,430,872</u>	<u>1,163,179</u>	<u>773,244</u>	<u>515,347</u>
Plan fiduciary net position - ending (b)	<u>1,669,653</u>	<u>1,430,872</u>	<u>1,163,179</u>	<u>773,244</u>
Net OPEB liability - ending (a-b)	\$ <u><u>6,977,955</u></u>	\$ <u><u>7,005,486</u></u>	\$ <u><u>6,909,700</u></u>	\$ <u><u>6,640,882</u></u>

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

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

See Independent Auditors' Report

TOWN OF SHERBORN, MASSACHUSETTS

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

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 8,647,608	\$ 8,436,358	\$ 8,072,879	\$ 7,414,126
Plan fiduciary net position	<u>1,669,653</u>	<u>1,430,872</u>	<u>1,163,179</u>	<u>773,244</u>
Net OPEB liability	<u>\$ 6,977,955</u>	<u>\$ 7,005,486</u>	<u>\$ 6,909,700</u>	<u>\$ 6,640,882</u>
Plan fiduciary net position as a percentage of the total OPEB liability	19.31%	16.96%	14.41%	10.43%
Covered employee payroll	\$ 6,582,336	\$ 7,522,769	\$ 7,303,659	\$ 7,090,931
Net OPEB Liability as a percentage of covered employee payroll	106.01%	93.12%	94.61%	93.65%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 753,125	\$ 771,566	\$ 723,733	\$ 751,165
Contributions in relation to the actuarially determined contribution	<u>729,960</u>	<u>640,042</u>	<u>737,133</u>	<u>583,395</u>
Contribution deficiency (excess)	<u>\$ 23,165</u>	<u>\$ 131,524</u>	<u>\$ (13,400)</u>	<u>\$ 167,770</u>
Covered employee payroll	\$ 6,582,336	\$ 7,522,769	\$ 7,303,659	\$ 7,090,931
Contributions as a percentage of covered employee payroll	11.09%	8.51%	10.09%	8.23%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	2.71%	5.74%	6.02%	9.44%

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

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

See Independent Auditors' Report