

***TOWN OF ORANGE, MASSACHUSETTS***

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

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

TOWN OF ORANGE, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

**TABLE OF CONTENTS**

Independent Auditor's Report.....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements .....	13
Statement of net position .....	15
Statement of activities .....	16
Governmental funds – balance sheet .....	18
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position .....	19
Governmental funds – statement of revenues, expenditures and changes in fund balances .....	20
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	21
Proprietary funds – statement of net position .....	22
Proprietary funds – statement of revenues, expenses and changes in fund net position .....	23
Proprietary funds – statement of cash flows .....	24
Fiduciary funds – statement of fiduciary net position.....	25
Fiduciary funds – statement of changes in fiduciary net position .....	26
Notes to basic financial statements .....	27
Required Supplementary Information.....	59
General fund budgetary comparison schedule .....	60
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual.....	61
Pension plan schedules .....	62
Schedule of the proportionate share of the net pension liability .....	63
Schedule of contributions .....	64
Schedule of the special funding amounts of the net pension liability.....	65
Other postemployment benefits plan schedules.....	66
Schedule of changes in the net OPEB liability and related ratios .....	67
Schedule of contributions .....	68
Notes to required supplementary information.....	69



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Orange, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orange, 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**

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

## **Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of the Town of Orange, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Orange, Massachusetts' internal control over financial reporting and compliance.

*Powers + Sullivan, LLC*

March 15, 2021

This page left intentionally blank.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Proprietary funds.** The Town maintains two types of propriety funds.

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

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for dental insurance 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 statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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



## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Orange's liabilities and deferred inflows exceeded assets and deferred outflows for governmental activities by \$7.7 million and the business-type activities assets and deferred outflows exceeded liabilities and deferred inflows by \$7.0 million at the close of the most recent year. Key components of the Town's activities presented below.

### Governmental Activities

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets.....	\$ 8,419,054	\$ 9,176,189
Noncurrent assets (excluding capital).....	148,277	148,227
Capital assets, non depreciable.....	4,367,107	3,804,686
Capital assets, net of accumulated depreciation....	19,941,023	20,798,973
<b>Total assets.....</b>	<b><u>32,875,461</u></b>	<b><u>33,928,075</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>3,774,433</u></b>	<b><u>2,461,271</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,004,812	1,979,969
Noncurrent liabilities (excluding debt).....	35,474,715	32,862,725
Current debt.....	1,422,902	1,017,902
Noncurrent debt.....	2,091,358	1,911,363
<b>Total liabilities.....</b>	<b><u>39,993,787</u></b>	<b><u>37,771,959</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>4,375,338</u></b>	<b><u>4,789,789</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	21,061,893	21,745,101
Restricted.....	1,811,337	1,922,219
Unrestricted.....	(30,592,461)	(29,839,722)
<b>Total net position.....</b>	<b><u>\$ (7,719,231)</u></b>	<b><u>\$ (6,172,402)</u></b>

Governmental net position of \$21.1 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position of \$1.8 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a \$30.6 million deficit. The primary reason for this deficit balance is the recognition of the Pension and OPEB liabilities.

	2020	2019
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,770,002	\$ 1,706,807
Operating grants and contributions.....	9,953,506	8,696,371
Capital grants and contributions.....	994,710	3,062,651
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	11,253,197	10,965,296
Tax and other liens.....	317,851	378,685
Motor vehicle and other excise taxes.....	862,738	903,383
Penalties and interest on taxes.....	187,479	140,155
Payments in lieu of taxes.....	15,803	15,790
Grants and contributions not restricted to specific programs.....	1,814,121	1,789,570
Unrestricted investment income.....	55,973	98,740
Gain on sale of land.....	21,095	326,431
Miscellaneous.....	30,892	95,402
<b>Total revenues.....</b>	<b>27,277,367</b>	<b>28,179,281</b>
<b>Expenses:</b>		
General government.....	2,414,586	1,655,703
Public safety.....	4,492,105	4,128,457
Education.....	17,761,639	15,977,451
Public works.....	2,687,597	2,886,516
Airport.....	504,845	462,014
Health and human services.....	314,890	392,382
Culture and recreation.....	535,867	512,284
COVID-19.....	12,301	-
Interest.....	100,366	34,832
<b>Total expenses.....</b>	<b>28,824,196</b>	<b>26,049,639</b>
<b>Change in net position.....</b>	<b>(1,546,829)</b>	<b>2,129,642</b>
<b>Net position, beginning of year.....</b>	<b>(6,172,402)</b>	<b>(8,302,044)</b>
<b>Net position, end of year.....</b>	<b>\$ (7,719,231)</b>	<b>\$ (6,172,402)</b>

Governmental net position decreased during 2020 by approximately \$1.5 million as compared to an increase of \$2.1 million in 2019. Total revenues decreased \$902,000 (3.2%) mainly due to the decrease in capital and operation grants due to the airport project nearing completion; while expenses increased \$2.8 million (10.7%), mainly from general government (Community Development expenses) and educational expenses relating to the School feasibility study of \$558,000 and an increase in school grant expenses.

**Business-type Activities**

**Water Fund**

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets.....	\$ 1,658,407	\$ 1,591,065
Capital assets, non depreciable.....	53,522	53,522
Capital assets, net of accumulated depreciation.....	<u>5,491,278</u>	<u>5,591,788</u>
<b>Total assets.....</b>	<b><u>7,203,207</u></b>	<b><u>7,236,375</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>62,367</u></b>	<b><u>118,999</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	104,873	114,622
Noncurrent liabilities (excluding debt).....	<u>791,140</u>	<u>1,373,785</u>
<b>Total liabilities.....</b>	<b><u>896,013</u></b>	<b><u>1,488,407</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>612,719</u></b>	<b><u>189,109</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	5,544,800	5,645,310
Unrestricted.....	<u>212,042</u>	<u>32,548</u>
<b>Total net position.....</b>	<b><u>\$ 5,756,842</u></b>	<b><u>\$ 5,677,858</u></b>

Water fund net position of \$5.5 million represents investments in capital assets net of related debt. The remaining \$212,000 is available to be used for the ongoing operation of the Town's water fund.

As shown in the following table, there was an increase of approximately \$79,000 in net position compared to an increase of approximately \$407,000 in the prior year. Total revenues decreased from the sale of land in the prior year, and expenses also decreased from changes in the pension and OPEB liabilities.

	<u>2020</u>	<u>2019</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 686,678	\$ 704,020
<b>General Revenues:</b>		
Gain on the sale of land.....	35,158	544,053
Investment income.....	<u>1,604</u>	<u>2,897</u>
<b>Total revenues.....</b>	<b><u>723,440</u></b>	<b><u>1,250,970</u></b>
<b>Expenses:</b>		
Water.....	<u>644,456</u>	<u>844,166</u>
<b>Change in net position.....</b>	<b><u>78,984</u></b>	<b><u>406,804</u></b>
<b>Net position, beginning of year.....</b>	<b><u>5,677,858</u></b>	<b><u>5,271,054</u></b>
<b>Net position, end of year.....</b>	<b><u>\$ 5,756,842</u></b>	<b><u>\$ 5,677,858</u></b>

**Sewer Fund**

	2020	2019
<b>Assets:</b>		
Current assets.....	\$ 2,029,166	\$ 700,144
Capital assets, non depreciable.....	534,177	315,943
Capital assets, net of accumulated depreciation....	2,401,588	2,234,342
<b>Total assets.....</b>	<b>4,964,931</b>	<b>3,250,429</b>
<b>Deferred outflows of resources.....</b>	<b>41,154</b>	<b>92,442</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	20,276	85,400
Noncurrent liabilities (excluding debt).....	558,025	736,293
Current debt.....	2,523,197	1,047,847
Noncurrent debt.....	490,837	517,034
<b>Total liabilities.....</b>	<b>3,592,335</b>	<b>2,386,574</b>
<b>Deferred inflows of resources.....</b>	<b>198,310</b>	<b>81,508</b>
<b>Net position:</b>		
Net investment in capital assets.....	1,652,275	1,439,846
Unrestricted.....	(436,835)	(565,057)
<b>Total net position.....</b>	<b>\$ 1,215,440</b>	<b>\$ 874,789</b>

Sewer fund net position of \$1.7 million represent investments in capital assets net of related debt. The unrestricted balance of net position resulted in a deficit of \$437,000.

As shown in the following table, there was an increase of approximately \$341,000 in net position compared to a decrease of approximately \$12,000 in the prior year, mainly due to increased sewer collections and capital grants and contributions in the current year.

	2020	2019
<b>Program Revenues:</b>		
Charges for services.....	\$ 823,346	\$ 692,482
Operating grants and contributions.....	-	3,613
Capital grants and contributions.....	200,000	-
<b>General Revenues:</b>		
Investment income.....	565	514
<b>Total revenues.....</b>	<b>1,023,911</b>	<b>696,609</b>
<b>Expenses:</b>		
Sewer.....	683,260	708,804
<b>Change in net position.....</b>	<b>340,651</b>	<b>(12,195)</b>
<b>Net position, beginning of year.....</b>	<b>874,789</b>	<b>886,984</b>
<b>Net position, end of year.....</b>	<b>\$ 1,215,440</b>	<b>\$ 874,789</b>

## ***Financial Analysis of the Governmental Funds***

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of approximately \$3.4 million, a decrease of approximately \$296,000 from the prior year.

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$2.0 million, while total fund balance was \$2.3 million.

The school capital project fund is used to account for the acquisition or construction of school facilities. The fund has current year revenues of \$390,000 and expenditures of \$558,000 leaving a deficit fund balance of \$332,000.

The nonmajor funds experienced a decrease of \$337,000, which was due to timing differences between the receipt and expenditure of grant funds and permanent financing of capital projects.

In 2020 the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs incurred between March 1, 2020 and December 31, 2021, that are directly related to the COVID-19 Pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. In 2020, the Town has incurred approximately \$12,301 of COVID related expenses and has received \$15,313 in COVID related revenue, therefore \$3,012 was recorded in unearned revenue. The Town plans to submit reimbursements to the Federal Emergency Management Agency (FEMA), apply funding from the CARES Act, and use other local grant receipts to cover these costs (see note 15 for further information).

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

The Town of Orange adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Actual revenues were less than budgeted amounts by approximately \$54,000. Actual expenditures, including carryovers, were less than budgeted amounts by approximately \$731,000, or 3.4%.

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

In conjunction with the operating budget, the Town annually prepares capital budgets for the upcoming year. Major capital additions during the year relate to infrastructure, Town building upgrades, vehicles, and equipment. Total additions for the Governmental and Business-type Activities amounted to \$1.7 million and \$578,000, respectively.

Outstanding long-term debt of the general government, as of June 30, 2020, totaled \$2.2 million, of which approximately \$1.1 million is related to the construction of a new fire station, \$686,000 is for energy conservation, and \$348,000 is a state house note for equipment. In addition, the Sewer enterprise fund has approximately \$517,000 of outstanding long-term debt related to funding various sewer projects.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

***Requests for Information***

This financial report is designed to provide a general overview of the Town of Orange's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Accountant at 6 Prospect Street, Orange, MA 01364.

# ***Basic Financial Statements***

This page left intentionally blank.



## STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 4,132,826	\$ 3,009,736	\$ 7,142,562
Investments.....	1,253,972	-	1,253,972
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	328,860	-	328,860
Tax liens.....	1,351,124	-	1,351,124
Motor vehicle and other excise taxes.....	126,408	-	126,408
User charges.....	-	477,028	477,028
Departmental and other.....	314,455	-	314,455
Intergovernmental.....	679,682	200,809	880,491
Special assessments.....	14,377	-	14,377
Tax foreclosures.....	192,850	-	192,850
Working capital deposit.....	24,500	-	24,500
Total current assets.....	8,419,054	3,687,573	12,106,627
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Loans.....	148,277	-	148,277
Capital assets, nondepreciable.....	4,367,107	665,962	5,033,069
Capital assets, net of accumulated depreciation.....	19,941,023	7,814,603	27,755,626
Total noncurrent assets.....	24,456,407	8,480,565	32,936,972
TOTAL ASSETS.....	32,875,461	12,168,138	45,043,599
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	312,417	31,502	343,919
Deferred outflows related to other postemployment benefits.....	3,462,016	72,019	3,534,035
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	3,774,433	103,521	3,877,954
<b>LIABILITIES</b>			
CURRENT:			
Warrants payable.....	148,173	104,681	252,854
Accrued payroll.....	589,909	12,095	602,004
Health claims payable.....	9,862	-	9,862
Unearned revenue.....	3,012	-	3,012
Payroll withholdings.....	138,055	-	138,055
Capital lease obligations.....	24,391	-	24,391
Compensated absences.....	115,801	8,373	124,174
Notes payable.....	1,255,097	2,497,000	3,752,097
Bonds payable.....	143,414	26,197	169,611
Total current liabilities.....	2,427,714	2,648,346	5,076,060
NONCURRENT:			
Capital lease obligations.....	52,814	-	52,814
Compensated absences.....	8,602	-	8,602
Net pension liability.....	5,980,482	603,025	6,583,507
Other postemployment benefits.....	29,485,631	746,140	30,231,771
Bonds payable.....	2,038,544	490,837	2,529,381
Total noncurrent liabilities.....	37,566,073	1,840,002	39,406,075
TOTAL LIABILITIES.....	39,993,787	4,488,348	44,482,135
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	1,116,538	112,583	1,229,121
Deferred inflows related to other postemployment benefits.....	3,258,800	698,446	3,957,246
TOTAL DEFERRED INFLOWS OF RESOURCES.....	4,375,338	811,029	5,186,367
<b>NET POSITION</b>			
Net investment in capital assets.....	21,061,893	7,197,075	28,258,968
Restricted for:			
Loans.....	148,277	-	148,277
Permanent funds:			
Expendable.....	355,501	-	355,501
Nonexpendable.....	596,346	-	596,346
Gifts and grants.....	711,213	-	711,213
Unrestricted.....	(30,592,461)	(224,793)	(30,817,254)
TOTAL NET POSITION.....	\$ (7,719,231)	\$ 6,972,282	\$ (746,949)

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 2,414,586	\$ 424,938	\$ 795,119	\$ -	\$ (1,194,529)
Public safety.....	4,492,105	850,061	213,364	99,170	(3,329,510)
Education.....	17,761,639	9,762	8,132,558	400,118	(9,219,201)
Public works.....	2,687,597	346,192	675,070	3,467	(1,662,868)
Airport.....	504,845	110,640	900	491,955	98,650
Health and human services.....	314,890	26,839	101,257	-	(186,794)
Culture and recreation.....	535,867	1,570	22,937	-	(511,360)
COVID-19.....	12,301	-	12,301	-	-
Interest.....	100,366	-	-	-	(100,366)
<b>Total Governmental Activities.....</b>	<b>28,824,196</b>	<b>1,770,002</b>	<b>9,953,506</b>	<b>994,710</b>	<b>(16,105,978)</b>
<i>Business-Type Activities:</i>					
Water.....	644,456	686,678	-	-	42,222
Sewer.....	683,260	823,346	-	200,000	340,086
<b>Total Business-Type Activities.....</b>	<b>1,327,716</b>	<b>1,510,024</b>	<b>-</b>	<b>200,000</b>	<b>382,308</b>
<b>Total Primary Government.....</b>	<b>\$ 30,151,912</b>	<b>\$ 3,280,026</b>	<b>\$ 9,953,506</b>	<b>\$ 1,194,710</b>	<b>\$ (15,723,670)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(16,105,978)</b>	\$ <b>382,308</b>	\$ <b>(15,723,670)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	11,253,197	-	11,253,197
Tax and other liens.....	317,851	-	317,851
Motor vehicle and other excise taxes.....	862,738	-	862,738
Penalties and interest on taxes.....	187,479	-	187,479
Payments in lieu of taxes.....	15,803	-	15,803
Grants and contributions not restricted to specific programs.....	1,814,121	-	1,814,121
Unrestricted investment income.....	55,973	2,169	58,142
Gain on sale of land.....	21,095	35,158	56,253
Miscellaneous.....	30,892	-	30,892
Total general revenues.....	<u>14,559,149</u>	<u>37,327</u>	<u>14,596,476</u>
Change in net position.....	(1,546,829)	419,635	(1,127,194)
<i>Net position:</i>			
Beginning of year.....	<u>(6,172,402)</u>	<u>6,552,647</u>	<u>380,245</u>
End of year..... \$	<u><u>(7,719,231)</u></u>	<u><u>6,972,282</u></u>	<u><u>(746,949)</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 2,746,505	\$ 132,839	\$ 1,124,284	\$ 4,003,628
Investments.....	-	-	1,253,972	1,253,972
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	328,860	-	-	328,860
Tax liens.....	1,351,124	-	-	1,351,124
Motor vehicle and other excise taxes.....	126,408	-	-	126,408
Departmental and other.....	313,791	-	664	314,455
Intergovernmental.....	115,954	51,379	512,349	679,682
Special assessments.....	14,377	-	-	14,377
Loans.....	-	-	148,277	148,277
Tax foreclosures.....	192,850	-	-	192,850
<b>TOTAL ASSETS.....</b>	<b>\$ 5,189,869</b>	<b>\$ 184,218</b>	<b>\$ 3,039,546</b>	<b>\$ 8,413,633</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 120,892	\$ 12,528	\$ 14,753	\$ 148,173
Accrued payroll.....	496,759	-	93,150	589,909
Payroll withholdings.....	138,055	-	-	138,055
Unearned revenue.....	-	-	3,012	3,012
Notes payable.....	-	452,750	802,347	1,255,097
<b>TOTAL LIABILITIES.....</b>	<b>755,706</b>	<b>465,278</b>	<b>913,262</b>	<b>2,134,246</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	2,175,884	51,379	633,578	2,860,841
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	596,346	596,346
Restricted.....	-	-	1,706,635	1,706,635
Assigned.....	222,177	-	-	222,177
Unassigned.....	2,036,102	(332,439)	(810,275)	893,388
<b>TOTAL FUND BALANCES.....</b>	<b>2,258,279</b>	<b>(332,439)</b>	<b>1,492,706</b>	<b>3,418,546</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 5,189,869</b>	<b>\$ 184,218</b>	<b>\$ 3,039,546</b>	<b>\$ 8,413,633</b>

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....	\$	3,418,546
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		24,308,130
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,860,841
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(600,905)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		143,836
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(2,181,958)	
Net pension liability.....	(5,980,482)	
Other postemployment benefits.....	(29,485,631)	
Capital lease obligations.....	(77,205)	
Compensated absences.....	(124,403)	
Net effect of reporting long-term liabilities.....		<u>(37,849,679)</u>
Net position of governmental activities.....	\$	<u><u>(7,719,231)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 11,307,480	\$ -	\$ -	\$ 11,307,480
Tax liens.....	202,133	-	-	202,133
Motor vehicle and other excise taxes.....	893,702	-	-	893,702
Charges for services.....	155,329	-	13,807	169,136
Penalties and interest on taxes.....	187,479	-	-	187,479
Payments in lieu of taxes.....	15,803	-	-	15,803
Intergovernmental - Teachers Retirement.....	1,490,325	-	-	1,490,325
Intergovernmental.....	7,360,353	390,447	3,243,487	10,994,287
Intergovernmental - COVID-19 relief.....	-	-	12,301	12,301
Departmental and other.....	1,164,633	-	515,037	1,679,670
Contributions and donations.....	-	-	65,278	65,278
Investment income.....	26,593	-	29,361	55,954
Miscellaneous.....	30,892	-	-	30,892
<b>TOTAL REVENUES.....</b>	<b>22,834,722</b>	<b>390,447</b>	<b>3,879,271</b>	<b>27,104,440</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	958,545	-	964,020	1,922,565
Public safety.....	2,572,862	-	740,086	3,312,948
Education.....	11,690,591	557,607	1,432,546	13,680,744
Public works.....	1,201,088	-	933,278	2,134,366
Health and human services.....	215,601	-	56,250	271,851
Culture and recreation.....	326,201	-	46,326	372,527
COVID-19.....	-	-	12,301	12,301
Airport.....	162,789	-	500,721	663,510
Pension benefits.....	869,914	-	-	869,914
Pension benefits - Teachers Retirement.....	1,490,325	-	-	1,490,325
Employee benefits.....	2,263,868	-	-	2,263,868
State and county charges.....	562,992	-	-	562,992
Debt service:				
Principal.....	111,013	-	-	111,013
Interest.....	100,366	-	-	100,366
<b>TOTAL EXPENDITURES.....</b>	<b>22,526,155</b>	<b>557,607</b>	<b>4,685,528</b>	<b>27,769,290</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>308,567</b>	<b>(167,160)</b>	<b>(806,257)</b>	<b>(664,850)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds.....	-	-	347,800	347,800
Proceeds from the sale of land.....	21,095	-	-	21,095
Transfers in.....	208,799	62,625	357,440	628,864
Transfers out.....	(393,252)	-	(235,612)	(628,864)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(163,358)</b>	<b>62,625</b>	<b>469,628</b>	<b>368,895</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>145,209</b>	<b>(104,535)</b>	<b>(336,629)</b>	<b>(295,955)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>2,113,070</b>	<b>(227,904)</b>	<b>1,829,335</b>	<b>3,714,501</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,258,279</b>	<b>\$ (332,439)</b>	<b>\$ 1,492,706</b>	<b>\$ 3,418,546</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....	\$	(295,955)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	1,714,334	
Depreciation expense.....	<u>(2,009,863)</u>	
Net effect of reporting capital assets.....		(295,529)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		151,813
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	23,139	
Issuance of bonds.....	(347,800)	
Debt service principal payments.....	<u>111,013</u>	
Debt service principal payments.....		(213,648)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(40,975)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(2,119,005)	
Net change in net pension liability.....	1,916,989	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	3,846,618	
Net change in other postemployment benefits liability.....	<u>(4,524,206)</u>	
Net effect of recording long-term liabilities.....		(920,579)
The net activity of internal service funds is reported with Governmental Activities.....		<u>27,069</u>
Change in net position of governmental activities.....	\$	<u><u>(1,546,829)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 1,480,001	\$ 1,529,735	\$ 3,009,736	\$ 129,198
Receivables, net of allowance for uncollectibles:				
User charges.....	178,406	298,622	477,028	-
Intergovernmental.....	-	200,809	200,809	-
Working capital deposit.....	-	-	-	24,500
Total current assets.....	1,658,407	2,029,166	3,687,573	153,698
<b>NONCURRENT:</b>				
Capital assets, non depreciable.....	53,522	534,177	587,699	-
Capital assets, net of accumulated depreciation.....	5,491,278	2,401,588	7,892,866	-
Total noncurrent assets.....	5,544,800	2,935,765	8,480,565	-
<b>TOTAL ASSETS.....</b>	<b>7,203,207</b>	<b>4,964,931</b>	<b>12,168,138</b>	<b>153,698</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions.....	16,511	14,991	31,502	-
Deferred outflows related to other postemployment benefits.....	45,856	26,163	72,019	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>62,367</b>	<b>41,154</b>	<b>103,521</b>	<b>-</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	97,789	6,892	104,681	-
Accrued payroll.....	7,084	5,011	12,095	-
Health claims payable.....	-	-	-	9,862
Compensated absences.....	-	8,373	8,373	-
Notes payable.....	-	2,497,000	2,497,000	-
Bonds payable.....	-	26,197	26,197	-
Total current liabilities.....	104,873	2,543,473	2,648,346	9,862
<b>NONCURRENT:</b>				
Net pension liability.....	316,059	286,966	603,025	-
Other postemployment benefits.....	475,081	271,059	746,140	-
Bonds payable.....	-	490,837	490,837	-
Total noncurrent liabilities.....	791,140	1,048,862	1,840,002	-
<b>TOTAL LIABILITIES.....</b>	<b>896,013</b>	<b>3,592,335</b>	<b>4,488,348</b>	<b>9,862</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions.....	59,007	53,576	112,583	-
Deferred inflows related to other postemployment benefits.....	553,712	144,734	698,446	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>612,719</b>	<b>198,310</b>	<b>811,029</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets.....	5,544,800	1,652,275	7,197,075	-
Unrestricted.....	212,042	(436,835)	(224,793)	143,836
<b>TOTAL NET POSITION.....</b>	<b>\$ 5,756,842</b>	<b>\$ 1,215,440</b>	<b>\$ 6,972,282</b>	<b>\$ 143,836</b>

See notes to basic financial statements.



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

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b>OPERATING REVENUES:</b>				
Employer contributions.....	\$ -	\$ -	\$ -	\$ 51,641
Charges for services.....	686,678	823,346	1,510,024	-
<b>TOTAL OPERATING REVENUES</b> .....	<b>686,678</b>	<b>823,346</b>	<b>1,510,024</b>	<b>51,641</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration.....	409,733	528,545	938,278	-
Utilities.....	36,482	-	36,482	-
Repairs and maintenance.....	17,731	-	17,731	-
Depreciation.....	180,510	112,523	293,033	-
Employee benefits.....	-	-	-	24,591
<b>TOTAL OPERATING EXPENSES</b> .....	<b>644,456</b>	<b>641,068</b>	<b>1,285,524</b>	<b>24,591</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>42,222</b>	<b>182,278</b>	<b>224,500</b>	<b>27,050</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	1,604	565	2,169	19
Interest expense.....	-	(42,192)	(42,192)	-
Gain on sale of land.....	35,158	-	35,158	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>36,762</b>	<b>(41,627)</b>	<b>(4,865)</b>	<b>19</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b> .....	<b>78,984</b>	<b>140,651</b>	<b>219,635</b>	<b>27,069</b>
<b>CAPITAL CONTRIBUTIONS</b> .....	<b>-</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b> .....	<b>78,984</b>	<b>340,651</b>	<b>419,635</b>	<b>27,069</b>
<b>NET POSITION AT BEGINNING OF YEAR</b> .....	<b>5,677,858</b>	<b>874,789</b>	<b>6,552,647</b>	<b>116,767</b>
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 5,756,842</b>	<b>\$ 1,215,440</b>	<b>\$ 6,972,282</b>	<b>\$ 143,836</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from customers and users.....	\$ 690,670	\$ 769,617	\$ 1,460,287	\$ -
Receipts from interfund services provided.....	-	-	-	51,641
Payments to vendors.....	(324,106)	(395,287)	(719,393)	-
Payments to employees.....	(251,992)	(208,560)	(460,552)	-
Payments for interfund services used.....	-	-	-	(23,897)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>114,572</b>	<b>165,770</b>	<b>280,342</b>	<b>27,744</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Proceeds from the issuance of bonds and notes.....	-	2,497,000	2,497,000	-
Proceeds from the sale of land.....	35,158	-	35,158	-
Acquisition and construction of capital assets.....	(80,000)	(498,003)	(578,003)	-
Principal payments on bonds and notes.....	-	(1,047,847)	(1,047,847)	-
Interest expense.....	-	(42,192)	(42,192)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(44,842)</b>	<b>908,958</b>	<b>864,116</b>	<b>-</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Investment income.....	1,604	565	2,169	19
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>71,334</b>	<b>1,075,293</b>	<b>1,146,627</b>	<b>27,763</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>1,408,667</b>	<b>454,442</b>	<b>1,863,109</b>	<b>101,435</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 1,480,001</b>	<b>\$ 1,529,735</b>	<b>\$ 3,009,736</b>	<b>\$ 129,198</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u></b>				
<b><u>FROM OPERATING ACTIVITIES:</u></b>				
Operating income (loss).....	\$ 42,222	\$ 182,278	\$ 224,500	\$ 27,050
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	180,510	112,523	293,033	-
Deferred (outflows)/inflows related to pensions.....	111,986	101,677	213,663	-
Deferred (outflows)/inflows related to OPEB.....	368,256	66,413	434,669	-
Changes in assets and liabilities:				
User charges.....	3,992	(52,920)	(48,928)	-
Intergovernmental.....	-	(809)	(809)	-
Working capital deposit.....	-	-	-	(900)
Warrants payable.....	(11,452)	(57,794)	(69,246)	-
Accrued payroll.....	1,703	809	2,512	-
Health claims payable.....	-	-	-	1,594
Compensated absences.....	-	(8,139)	(8,139)	-
Net pension liability.....	(101,309)	(91,985)	(193,294)	-
Other postemployment benefits.....	(481,336)	(86,283)	(567,619)	-
Total adjustments.....	72,350	(16,508)	55,842	694
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 114,572</b>	<b>\$ 165,770</b>	<b>\$ 280,342</b>	<b>\$ 27,744</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 55,859	\$ 27,163
<b>LIABILITIES</b>		
Liabilities due depositors.....	-	27,163
<b>NET POSITION</b>		
Held in trust for other purposes.....	\$ 55,859	\$ -

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

		Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Private donations.....	\$	1,121
NET POSITION AT BEGINNING OF YEAR.....		54,738
NET POSITION AT END OF YEAR.....	\$	55,859

See notes to basic financial statements.

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

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

**A. Reporting Entity**

The Town is a municipal corporation that is governed by an elected 5-member Board of Selectmen.

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

***Joint Ventures***

The Town is a member of the Ralph C. Mahar School District (the District) that provides for the education of grade levels 7-12 for the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital costs of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2020 assessment was \$4,278,860 and its shares of the debt service expense totaled \$171,393.

The Town is also a member of the Franklin County Technical High School that serves the members' students seeking an education in academic, technical and agriculture studies. The members share in the operations of the Franklin County Technical High School and each member is responsible for its proportionate share of the operational and capital costs of the Franklin County Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Franklin County Technical High School and the 2020 assessment was \$633,512 and its shares of the debt service expense totaled \$23,166.

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

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

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

***Fund Financial Statements***

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

*Major Fund Criteria*

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

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

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

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the water enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

*Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *school capital project fund* is used to account for the acquisition or construction of school facilities.

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

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

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

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

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

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

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee dental program.

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

The following fiduciary fund types are reported, when applicable:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

#### D. Cash and Investments

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

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

#### E. Fair Value Measurements

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

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

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

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

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



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

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

#### F. Accounts Receivable

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

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

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

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed on delinquent properties and are recorded as receivables in the year they are processed.

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

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

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

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

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

##### ***Water and Sewer Fees***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer fees and liens are recorded as receivables in the year of the levy.

Since the receivables are subject to the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Departmental and Other**

Departmental and other receivables are recorded as receivables in the year earned. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

**Intergovernmental**

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

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

G. Inventories

*Government-Wide and Fund Financial Statements*

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

H. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

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

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	20-40
Machinery and equipment.....	5-15
Infrastructure.....	20-50
Vehicles.....	5-10

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

#### *Governmental Fund Financial Statements*

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

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

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

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

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

##### *Governmental Fund Financial Statements*

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

#### J. Unavailable revenue

##### *Fund Financial Statements*

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

#### K. Interfund Receivables and Payables

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

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

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

*Fund Financial Statements*

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

L. Interfund Transfers

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

*Government-Wide Financial Statements*

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

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

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

Net position has been “restricted for” the following:

“Loans” represents the Town’s Community Development loans receivable balances.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustee to authorize spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts and grants” represents amounts held for school and other Town grants, and for gift funds that have restrictions placed on assets from outside parties.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

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

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

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

#### N. Pensions

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

#### O. Long-term debt

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

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

##### *Governmental Fund Financial Statements*

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

P. Investment Income

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

Q. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation leave is reported as a liability and expensed as incurred.

*Governmental Fund Financial Statements*

Vested or accumulated vacation leave, which will be liquidated with expendable available financial resources, is reported as an expenditure and fund liability.

R. Use of Estimates*Government-Wide and Fund Financial Statements*

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

S. Individual Fund Deficits

There are deficits within the school capital project fund and the nonmajor funds. These deficits will be funded through bond proceeds and other available funds in future years.

T. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Orange's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$7,216,775 and the bank balance totaled \$7,449,131. Of the bank balance, \$1,035,572 was covered by Federal Depository Insurance, \$5,714,579 was covered by Depositors Insurance Fund, \$669,732 was collateralized, and \$29,248 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 177,236	\$ 83,695	\$ 93,541	\$ -
Government sponsored enterprises.....	125,471	-	100,432	25,039
Corporate bonds.....	517,888	93,909	423,979	-
Total debt securities.....	820,595	\$ 177,604	\$ 617,952	\$ 25,039
<u>Other investments:</u>				
Equity securities.....	433,377			
Money market mutual funds.....	8,809			
Total investments.....	\$ 1,262,781			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's investments of \$177,236 in U.S. Treasury Notes, \$125,471 in Governmental Sponsored Enterprises, \$517,888 in corporate bonds, and \$433,377 in equity securities all have custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty.

The Town does not have an investment policy for custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. At June 30, 2020, the Town’s investments were rated as follows by Standard and Poor’s Investor’s Services:

Quality Rating	U.S. Treasury Notes	Government Sponsored Enterprises	Corporate Bonds	Total
AAA.....	\$ 177,236	\$ -	\$ 40,305	\$ 217,541
AA+.....	-	125,471	-	125,471
AA-.....	-	-	34,175	34,175
A+.....	-	-	20,289	20,289
A.....	-	-	24,712	24,712
A-.....	-	-	186,638	186,638
BBB+.....	-	-	211,769	211,769
Total.....	\$ 177,236	\$ 125,471	\$ 517,888	\$ 820,595

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer.

Fair Value of Investments

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

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



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

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 177,236	\$ 177,236	\$ -	\$ -
Government sponsored enterprises.....	125,471	125,471	-	-
Corporate bonds.....	517,888	-	517,888	-
Total debt securities.....	820,595	302,707	517,888	-
<u>Other investments:</u>				
Equity securities.....	433,377	433,377	-	-
Money market mutual funds.....	8,809	8,809	-	-
Total other investments.....	442,186	442,186	-	-
Total investments measured at fair value.....	1,262,781	\$ 744,893	\$ 517,888	\$ -

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

**NOTE 3 – RECEIVABLES**

At June 30, 2020, receivables for the governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	354,876	\$ (26,016)	\$ 328,860
Tax liens.....	1,351,124	-	1,351,124
Motor vehicle and other excise taxes.....	140,453	(14,045)	126,408
Departmental and other.....	399,596	(85,141)	314,455
Intergovernmental.....	679,682	-	679,682
Special assessments.....	14,377	-	14,377
Loans.....	148,277	-	148,277
Total..... \$	<u>3,088,385</u>	<u>\$ (125,202)</u>	<u>\$ 2,963,183</u>

At June 30, 2020, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges..... \$	178,406	\$ -	\$ 178,406
Sewer user charges.....	298,622	-	298,622
Sewer intergovernmental.....	200,809	-	200,809
Total..... \$	<u>677,837</u>	<u>\$ -</u>	<u>\$ 677,837</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes..... \$	101,116	\$ -	\$ 101,116
Tax liens.....	1,351,124	-	1,351,124
Motor vehicle and other excise taxes.....	126,408	-	126,408
Departmental and other.....	313,791	664	314,455
Intergovernmental.....	-	484,637	484,637
Intergovernmental - School Building Authority.....	-	51,379	51,379
Loans.....	-	148,277	148,277
Intergovernmental - other.....	76,218	-	76,218
Special assessments.....	14,377	-	14,377
Tax foreclosures.....	192,850	-	192,850
Total..... \$	<u>2,175,884</u>	<u>\$ 684,957</u>	<u>\$ 2,860,841</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,253,056	\$ 67,500	\$ -	\$ 2,320,556
Construction in progress.....	1,551,630	494,921	-	2,046,551
Total capital assets not being depreciated....	<u>3,804,686</u>	<u>562,421</u>	<u>-</u>	<u>4,367,107</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	16,402,773	47,814	-	16,450,587
Machinery and equipment.....	6,485,444	92,625	-	6,578,069
Infrastructure.....	36,959,906	528,870	-	37,488,776
Vehicles.....	2,040,179	482,604	-	2,522,783
Total capital assets being depreciated.....	<u>61,888,302</u>	<u>1,151,913</u>	<u>-</u>	<u>63,040,215</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(10,064,455)	(423,802)	-	(10,488,257)
Machinery and equipment.....	(5,036,540)	(206,839)	-	(5,243,379)
Infrastructure.....	(24,571,626)	(1,113,058)	-	(25,684,684)
Vehicles.....	(1,416,708)	(266,164)	-	(1,682,872)
Total accumulated depreciation.....	<u>(41,089,329)</u>	<u>(2,009,863)</u>	<u>-</u>	<u>(43,099,192)</u>
Total capital assets being depreciated, net.....	<u>20,798,973</u>	<u>(857,950)</u>	<u>-</u>	<u>19,941,023</u>
Total governmental activities capital assets, net.....	<u>\$ 24,603,659</u>	<u>\$ (295,529)</u>	<u>\$ -</u>	<u>\$ 24,308,130</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 53,522	\$ -	\$ -	\$ 53,522
<u>Capital assets being depreciated:</u>				
Buildings.....	331,167	-	-	331,167
Machinery and equipment.....	665,781	-	-	665,781
Infrastructure.....	8,551,731	-	-	8,551,731
Vehicles.....	226,203	80,000	-	306,203
Total capital assets being depreciated.....	<u>9,774,882</u>	<u>80,000</u>	<u>-</u>	<u>9,854,882</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(140,889)	(4,561)	-	(145,450)
Machinery and equipment.....	(551,290)	(17,567)	-	(568,857)
Infrastructure.....	(3,346,383)	(124,755)	-	(3,471,138)
Vehicles.....	(144,532)	(33,627)	-	(178,159)
Total accumulated depreciation.....	<u>(4,183,094)</u>	<u>(180,510)</u>	<u>-</u>	<u>(4,363,604)</u>
Total capital assets being depreciated, net.....	<u>5,591,788</u>	<u>(100,510)</u>	<u>-</u>	<u>5,491,278</u>
Total water activities capital assets, net.....	<u>\$ 5,645,310</u>	<u>\$ (100,510)</u>	<u>\$ -</u>	<u>\$ 5,544,800</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 24,741	\$ -	\$ -	\$ 24,741
Construction in progress.....	291,202	218,234	-	509,436
Total capital assets not being depreciated....	315,943	218,234	-	534,177
<u>Capital assets being depreciated:</u>				
Buildings.....	1,364,311	-	-	1,364,311
Machinery and equipment.....	407,531	279,769	-	687,300
Infrastructure.....	3,507,115	-	-	3,507,115
Vehicles.....	75,367	-	(26,617)	48,750
Total capital assets being depreciated.....	5,354,324	279,769	(26,617)	5,607,476
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,435,491)	(9,813)	-	(1,445,304)
Machinery and equipment.....	(352,587)	(23,778)	-	(376,365)
Infrastructure.....	(1,256,537)	(78,932)	-	(1,335,469)
Vehicles.....	(75,367)	-	26,617	(48,750)
Total accumulated depreciation.....	(3,119,982)	(112,523)	26,617	(3,205,888)
Total capital assets being depreciated, net.....	2,234,342	167,246	-	2,401,588
Total sewer activities capital assets, net.....	\$ 2,550,285	\$ 385,480	\$ -	\$ 2,935,765

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

**Governmental Activities:**

General government.....	\$ 158,343
Public safety.....	349,281
Education.....	276,209
Public works.....	947,906
Airport.....	270,670
Culture and recreation.....	7,454
Total depreciation expense - governmental activities.....	\$ 2,009,863

**Business-Type Activities:**

Water.....	\$ 180,510
Sewer.....	112,523
Total depreciation expense - business-type activities.....	\$ 293,033

**NOTE 5 – INTERFUND TRANSFERS**

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

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 393,252	\$ 393,252 (1)
Nonmajor governmental funds.....	208,799	26,813	235,612 (2)
Total.....	\$ 208,799	\$ 420,065	\$ 628,864

- (1) Represents amounts transferred out of the general fund and stabilization fund to the Butterfield capital project fund, the capital plan funds, the neighborhood capital project fund, and to the Putnam Hall capital fund.
- (2) Represent amounts transferred into the general fund from the capital plan fund and the other special revenue funds. As well as various transfers between special revenue funds.

**NOTE 6 – CAPITAL LEASES**

The Town has entered into a lease agreement to finance the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, have been recorded at the present values of their future minimum lease payments as of the inception date. The following identifies the assets acquired through capital lease agreements:

Asset:	Governmental Activities
Machinery and equipment.....	\$ 126,554
Less: accumulated depreciation...	(25,311)
Total.....	\$ 101,243

The future minimum lease obligations and the net present values of these minimum lease payments at June 30, 2020, are as follows:

Years ending June 30:	Governmental Activities
2021.....	\$ 28,569
2022.....	28,569
2023.....	28,570
Total minimum lease payments.....	85,708
Less: amounts representing interest.....	(8,503)
Present value of minimum lease payments... \$	77,205

**NOTE 7 – SHORT-TERM FINANCING**

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and the water enterprise fund, respectively.

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
<b>Governmental Funds:</b>							
BAN	Emergency Borrowing.....	2.34%	7/19/2019	\$ 70,707	\$ -	\$ (70,707)	\$ -
BAN	School Roof.....	2.34%	7/19/2019	290,375	-	(290,375)	-
BAN	Recreation Facility.....	2.34%	7/19/2019	70,000	-	(70,000)	-
BAN	Police Department Renovations.....	2.34%	7/19/2019	90,000	-	(90,000)	-
BAN	Ambulance.....	2.34%	7/19/2019	141,468	-	(141,468)	-
BAN	Town Clerk Records Storage.....	2.34%	7/19/2019	2,700	-	(2,700)	-
BAN	Highway Truck.....	2.34%	7/19/2019	91,000	-	(91,000)	-
BAN	Highway Dam Repair.....	2.34%	7/19/2019	10,000	-	(10,000)	-
BAN	Fire Department Protective Clothing.....	2.34%	7/19/2019	9,000	-	(9,000)	-
BAN	Fire Department Thermal Camera.....	2.34%	7/19/2019	9,000	-	(9,000)	-
BAN	Police Computer/Tech.....	2.34%	7/19/2019	5,000	-	(5,000)	-
BAN	Police Cruiser.....	2.34%	7/19/2019	44,500	-	(44,500)	-
BAN	School Feasibility Study.....	2.00%	7/19/2019	50,000	-	(50,000)	-
BAN	MSBA Design.....	1.45%	8/28/2020	-	50,000	-	50,000
BAN	School Roof.....	2.04%	7/17/2020	-	227,750	-	227,750
BAN	Recreation Facility.....	2.04%	7/17/2020	-	55,000	-	55,000
BAN	Police Department Renovations.....	2.04%	7/17/2020	-	75,000	-	75,000
BAN	Ambulance.....	2.04%	7/17/2020	-	70,718	-	70,718
BAN	Fire Department Thermal Camera.....	2.04%	7/17/2020	-	6,750	-	6,750
BAN	Town Clerk Records Storage.....	2.04%	7/17/2020	-	2,025	-	2,025
BAN	Highway Truck.....	2.04%	7/17/2020	-	68,250	-	68,250
BAN	Fire Department Protective Clothing.....	2.04%	7/17/2020	-	6,750	-	6,750
BAN	Police Computer/Tech.....	2.04%	7/17/2020	-	3,750	-	3,750
BAN	Police Cruiser.....	2.04%	7/17/2020	-	33,375	-	33,375
BAN	Highway Dam Repair.....	2.04%	7/17/2020	-	7,500	-	7,500
BAN	School Feasibility Study.....	2.04%	7/17/2020	-	175,000	-	175,000
BAN	School Technogloy.....	2.04%	7/17/2020	-	70,007	-	70,007
BAN	F350 Highway Truck.....	2.04%	7/17/2020	-	60,000	-	60,000
BAN	M2 Highway Truck.....	2.04%	7/17/2020	-	213,222	-	213,222
BAN	Fire Brush Truck.....	2.04%	7/17/2020	-	75,000	-	75,000
BAN	2020 Police Cruiser.....	2.04%	7/17/2020	-	55,000	-	55,000
Total Governmental Funds.....				\$ 883,750	\$ 1,255,097	\$ (883,750)	\$ 1,255,097
<b>Sewer Enterprise Fund:</b>							
BAN	WWTP Sewer Main.....	1.30%	7/19/2019	\$ 130,000	\$ -	\$ (130,000)	\$ -
BAN	Sewer Planning.....	1.60%	2/28/2020	892,000	-	(892,000)	-
BAN	WWTP Sewer Main.....	2.04%	7/17/2020	-	105,000	-	105,000
BAN	Sewer Planning.....	1.50%	8/28/2020	-	892,000	-	892,000
BAN	Sewer Planning.....	1.40%	8/28/2020	-	1,000,000	-	1,000,000
BAN	Sewer Plant.....	1.45%	8/28/2020	-	500,000	-	500,000
Total Enterprise Fund.....				\$ 1,022,000	\$ 2,497,000	\$ (1,022,000)	\$ 2,497,000

For the BANs that came due on July 17, 2020, \$333,793 was paid down and the remaining amount was rolled into two new BANs for \$175,000 and \$801,304 with interest rates of 1.05% and 0.89% and were due on August 28, 2020 and July 16, 2021, respectively. The \$175,000 BAN due on August 28, 2020 was then rolled into a \$9.2 million BAN that comes due on August 27, 2021 with an interest rate of 1.25%. Additionally, for the remaining BANs that came due on August 28, 2020, \$31,858 was paid down and the remaining amount was also rolled into the new BAN for \$9.2 million with an interest rate of 1.25% and a maturity date of August 27, 2021.

**NOTE 8 – LONG-TERM DEBT**

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

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

**Bonds Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Fire Station Bond.....	2048	\$ 1,335,000	4.00	\$ 1,148,424
Energy Conservation Bond.....	2031	952,300	4.00	685,734
State House Note - Equipment.....	2025	204,245	2.20	347,800
Total Bonds Payable, net.....				<u>\$ 2,181,958</u>

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

Year	Principal	Interest	Total
2021.....	\$ 143,414	\$ 79,130	\$ 222,544
2022.....	146,368	75,142	221,510
2023.....	149,440	70,888	220,328
2024.....	152,635	66,511	219,146
2025.....	155,958	62,004	217,962
2026 - 2030.....	486,678	249,420	736,098
2031 - 2035.....	259,643	163,282	422,925
2036 - 2040.....	224,383	120,317	344,700
2041 - 2045.....	272,995	71,705	344,700
2046 - 2048.....	190,444	14,090	204,534
Total.....	<u>\$ 2,181,958</u>	<u>\$ 972,489</u>	<u>\$ 3,154,447</u>

**Bonds Payable Schedule – Sewer Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
General Obligation Sewer Bond.....	2048	\$ 380,000	4.25	\$ 272,816
Subtotal General Obligations Bonds Payable.....				272,816
MCWT Wastewater Management Plan.....	2033	\$ 350,000	2.00	244,218
Subtotal Direct Borrowings Payable.....				244,218
Total Bonds Payable, net.....				\$ 517,034

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

Year	General Obligations Bonds:			Direct Borrowings:		
	Principal	Interest	Total	Principal	Interest	Total
2021.....	\$ 9,744	\$ 11,595	\$ 21,339	\$ 16,453	\$ 4,719	\$ 21,172
2022.....	9,744	11,181	20,925	16,810	4,386	21,196
2023.....	9,744	10,766	20,510	17,176	4,046	21,222
2024.....	9,744	10,352	20,096	17,549	3,699	21,248
2025.....	9,744	9,938	19,682	17,930	3,344	21,274
2026.....	9,744	9,524	19,268	18,320	2,982	21,302
2027.....	9,744	9,110	18,854	18,719	2,611	21,330
2028.....	9,744	8,696	18,440	19,125	2,233	21,358
2029.....	9,744	8,282	18,026	19,541	1,846	21,387
2030.....	9,744	7,868	17,612	19,966	1,451	21,417
2031.....	9,744	7,453	17,197	20,399	1,048	21,447
2032.....	9,744	7,039	16,783	20,843	635	21,478
2033.....	9,744	6,625	16,369	21,387	213	21,600
2034.....	9,744	6,211	15,955	-	-	-
2035.....	9,744	5,797	15,541	-	-	-
2036.....	9,744	5,383	15,127	-	-	-
2037.....	9,744	4,969	14,713	-	-	-
2038.....	9,744	4,555	14,299	-	-	-
2039.....	9,744	4,141	13,885	-	-	-
2040.....	9,744	3,726	13,470	-	-	-
2041.....	9,744	3,312	13,056	-	-	-
2042.....	9,744	2,898	12,642	-	-	-
2043.....	9,744	2,484	12,228	-	-	-
2044.....	9,744	2,070	11,814	-	-	-
2045.....	9,744	1,656	11,400	-	-	-
2046.....	9,744	1,242	10,986	-	-	-
2047.....	9,744	828	10,572	-	-	-
2048.....	9,728	413	10,141	-	-	-
Total.....	\$ 272,816	\$ 168,114	\$ 440,930	\$ 244,218	\$ 33,213	\$ 277,431



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

Purpose	Amount
School Building Feasibility.....	\$ 650,000
North Main Street, Transportation Improvement Program.....	750,000
Fire Station Structural Repairs.....	27,200
Wastewater Aeration Blower.....	200,000
Upgrade Wastewater Plant.....	14,481,000
Ambulance.....	20,000
Dexter Park School Repairs.....	208,000
Dexter Park School Building Project.....	57,697,704
<b>Total.....</b>	<b>\$ 74,033,904</b>

**Changes in Long-term Liabilities**

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

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 1,945,171	\$ 347,800	\$ (111,013)	\$ -	\$ -	\$ 2,181,958	\$ 143,414
Capital lease obligations.....	100,344	-	-	-	(23,139)	77,205	24,391
Compensated absences.....	83,428	-	-	120,574	(79,599)	124,403	115,801
Net pension liability.....	7,897,471	-	-	840,811	(2,757,800)	5,980,482	-
Other postemployment benefits.....	24,961,425	-	-	34,009,837	(29,485,631)	29,485,631	-
<b>Total governmental activity</b>							
long-term liabilities.....	<u>\$ 34,987,839</u>	<u>\$ 347,800</u>	<u>\$ (111,013)</u>	<u>\$ 34,971,222</u>	<u>\$ (32,346,169)</u>	<u>\$ 37,849,679</u>	<u>\$ 283,606</u>
<b>Business-Type Activities:</b>							
Long-term bonds payable.....	\$ 282,560	\$ -	\$ (9,744)	\$ -	\$ -	\$ 272,816	\$ 9,744
Long-term direct borrowing payable.....	260,321	-	(16,103)	-	-	244,218	16,453
Total bonds payable.....	542,881	-	(25,847)	-	-	517,034	26,197
Compensated absences.....	16,512	-	-	8,373	(16,512)	8,373	8,373
Net pension liability.....	796,319	-	-	88,144	(281,438)	603,025	-
Other postemployment benefits.....	1,313,759	-	-	139,386	(707,005)	746,140	-
<b>Total business-type activity</b>							
long-term liabilities.....	<u>\$ 2,669,471</u>	<u>\$ -</u>	<u>\$ (25,847)</u>	<u>\$ 235,903</u>	<u>\$ (1,004,955)</u>	<u>\$ 1,874,572</u>	<u>\$ 34,570</u>

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its year 2011 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town’s financial statements. The reporting standard establishes a hierarchy for fund balance classification and the constraints imposed on the uses of those resources.

Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. The specification and any alteration of purpose, and any appropriation of funds from any such fund, shall be approved by a two-thirds vote. At year end the balances in the general stabilization and capital stabilization funds were \$203,530 and \$309,247, respectively. They are reported as unassigned fund balance within the general fund.

GASB Statement No. 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB Statement No. 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

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

The Town has classified its governmental fund balances with the following hierarchy.

	General	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 596,346	\$ 596,346
Restricted for:				
Other special revenue funds.....	-	-	754,734	754,734
Revolving funds.....	-	-	156,250	156,250
Receipts reserved funds.....	-	-	197,551	197,551
Highway.....	-	-	242,599	242,599
Permanent fund.....	-	-	355,501	355,501
Assigned to:				
Encumbrances:				
General government.....	74,617	-	-	74,617
Public safety.....	35,942	-	-	35,942
Education.....	4,699	-	-	4,699
Public works.....	44,535	-	-	44,535
Airport.....	39,663	-	-	39,663
Health and human services.....	107	-	-	107
Culture and recreation.....	361	-	-	361
Employee benefits.....	22,253	-	-	22,253
Unassigned.....	2,036,102	(332,439)	(810,275)	893,388
Total Fund Balances.....	\$ 2,258,279	\$ (332,439)	\$ 1,492,706	\$ 3,418,546

**NOTE 10 – RISK FINANCING**

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

The Town is self-insured for its dental benefits. Dental insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.  
*Dental Insurance*

The estimate of Incurred But Not Reported (IBNR) claims is based on an estimate of claims incurred but unpaid at year end. At June 30, 2020, the amount of the liability for dental claims totaled \$9,862. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2019 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2019.....	\$ 8,862	\$ 89,852	\$ (90,446)	\$ 8,268
2020.....	8,268	104,767	(103,173)	9,862

**NOTE 11 – PENSION PLAN**

*Plan Descriptions*

The Town is a member of the Franklin Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 39 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

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

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer’s covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$1,490,325 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth’s collective net pension liability associated with the Town is \$12,289,584 as of the measurement date.

*Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for the retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who become members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten year of creditable service. There were no changes in benefit terms that affected the measurement of the total pension liability at December 31, 2019.

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the FRRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended June 30, 2020, which was \$925,592 and 21.88% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2020, the Town reported a liability of \$6,583,507 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 13.47% which decreased from its proportion measured at December 31, 2018 of 14.17%.

*Pension Expense*

For the year ended June 30, 2020, the Town recognized pension expense of \$1,147,977. At June 30, 2020, the Town reported deferred outflows of resources and inflows of resources related to pensions of \$343,919 and \$1,229,121, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 86,998	\$ (107,988)	\$ (20,990)
Difference between projected and actual earnings, net.....	-	(607,924)	(607,924)
Changes in assumptions.....	256,921	-	256,921
Changes in proportion and proportionate share of contributions...	-	(513,209)	(513,209)
<b>Total deferred outflows/(inflows) of resources.....</b>	<b>\$ 343,919</b>	<b>\$ (1,229,121)</b>	<b>\$ (885,202)</b>

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

<u>Year ended June 30:</u>	
2021.....	\$ (233,306)
2022.....	(262,909)
2023.....	2,374
2024.....	<u>(391,361)</u>
<b>Total.....</b>	<b>\$ <u>(885,202)</u></b>

**Actuarial Assumptions**

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

Valuation date.....	January 1, 2020
Actuarial cost method.....	Individual Entry Age Normal.
Amortization method.....	Increasing dollar amount at 4% to reduce the unfunded actuarial accrued liability to zero, on or before June 30, 2034.
Remaining amortization method.....	14 years.
Salary increases:	
Group 1 and 2.....	4.25% - 6.00%, based on service.
Group 4.....	4.75% - 7.00%, based on service.
Investment rate of return.....	7.75%, net of pension plan investment expense, including inflation.
Inflation rate.....	2.50%
Cost of living adjustments.....	3% of the first \$17,000.
Mortality Rates.....	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

*Investment Policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 are summarized in the table as follows:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
PRIT Core.....	45.00%	4.80%
Domestic Equity.....	32.00%	6.82%
International Equity.....	5.00%	3.80%
Real estate.....	10.00%	6.60%
Fixed Income.....	8.00%	2.90%
Total.....	<u>100.00%</u>	

*Rate of Return*

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount Rate*

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

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Town's proportionate share of the net pension liability.....	\$ <u>9,657,544</u>	\$ <u>6,583,507</u>	\$ <u>3,980,636</u>

*Changes in Assumptions –*

- Administrative expense assumption has increased from \$550,000 to \$600,000.
- The net 3(8)(c) transfers assumption has increased from \$725,800 to \$1,000,000.
- The mortality and mortality improvements rates have been updated.

*Changes in Plan Provisions – None.*

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Orange administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental, and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25% of their premium costs.

*Total OPEB Liability* – GASB Statement #75 requires the OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. At June 30, 2020, the Town’s total OPEB liability of \$30.2 million was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

*Employees Covered by Benefit Terms* – The following table represents the Plan’s membership at July 1, 2020:

Active members.....	215
Inactive employees or beneficiaries currently receiving benefits.....	<u>169</u>
 Total.....	 <u><u>384</u></u>

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the July 1, 2019 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2020, to be in accordance with GASB Statement #75.

Valuation date.....	July 1, 2019
Actuarial cost method.....	Individual Entry Age Normal.
Municipal Bond rate.....	2.66% as of June 30, 2020 (Source: S&P Municipal Bond 20-Year High Grade Index- SAPIHG)
Single Equivalent Discount rate.....	2.75%, net of OPEB plan investment expense, including inflation.

Inflation rate.....	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.
Mortality Rates:	
Pre-Retirement Mortality.....	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post- Retirement Mortality.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled Mortality.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

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

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity- Large cap.....	20.00%	4.80%
Domestic Equity- Small/mid cap.....	10.00%	5.29%
International Equity- Developed Market..	15.00%	5.45%
International Equity- Emerging Market...	10.00%	6.42%
Domestic Fixed Income.....	30.00%	2.05%
International Fixed Income.....	10.00%	3.00%
Alternatives.....	5.00%	6.50%
Real estate.....	0.00%	6.25%
Total.....	<u>100.00%</u>	

*Discount Rate* – The discount rate used to measure the total OPEB liability was 2.75% (previously 3.50%) as of June 30, 2020, which was based on the 20 year municipal bond index for a pay-as-you-go plan.



Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019.....	\$ 26,275,184
Changes for the year:	
Service cost.....	1,272,573
Interest.....	950,339
Differences between expected and actual experience.....	(269,941)
Changes in assumptions.....	2,800,922
Benefit payments.....	(797,306)
Net change.....	<u>3,956,587</u>
Balance at June 30, 2020.....	<u>\$ 30,231,771</u>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following table presents the total other postemployment benefit liability, calculated using the discount rate of 2.75%, as well as what the total other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate.

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
OPEB liability.....	\$ <u>35,832,866</u>	\$ <u>30,231,771</u>	\$ <u>26,056,595</u>

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

	1% Decrease	Current Trend	1% Increase
OPEB liability.....	\$ <u>25,790,824</u>	\$ <u>30,231,771</u>	\$ <u>36,031,247</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended June 30, 2020, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$1.3 million. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (3,957,246)	\$ (3,957,246)
Changes in assumptions.....	<u>3,534,035</u>	<u>-</u>	<u>3,534,035</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 3,534,035</u>	<u>\$ (3,957,246)</u>	<u>\$ (423,211)</u>

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

<u>Year ended June 30:</u>	
2021.....	\$ (880,968)
2022.....	(880,968)
2023.....	330,140
2024.....	380,599
2025.....	380,599
Thereafter.....	<u>247,387</u>
 Total.....	 \$ <u><u>(423,211)</u></u>

*Changes of Assumptions –*

- The discount rate has been changed from 3.50% to 2.75%.
- The mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
- The expected long-term medical trend has been updated to 4.50%.
- The assumption for morbidity or age-related costs of medical care has been updated.

*Changes in Plan Provisions – None.*

**NOTE 13 – COMMITMENTS**

The Town is currently committed to the following projects:

<u>Purpose</u>	<u>Amount</u>
School Building Feasibility.....	\$ 650,000
North Main Street, Transportation Improvement Program.....	750,000
Fire Station Structural Repairs.....	27,200
Wastewater Aeration Blower.....	200,000
Upgrade Wastewater Plant.....	14,481,000
Ambulance.....	20,000
Dexter Park School Repairs.....	208,000
Dexter Park School Building Project.....	<u>57,697,704</u>
 Total.....	 \$ <u><u>74,033,904</u></u>

**NOTE 14 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

#### **NOTE 15 – COVID-19**

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

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

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

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

#### **NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 15, 2021, which is the date the financial statements were available to be issued.

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

During 2020, the following GASB pronouncement was implemented:

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

The following GASB pronouncements will be implemented in the future:

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

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

***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 11,557,383	\$ 11,557,383	\$ 11,137,477	\$ -	(419,906)
Tax liens.....	-	-	202,133	-	202,133
Motor vehicle and other excise taxes.....	852,600	852,600	893,702	-	41,102
Charges for services.....	121,300	121,300	155,329	-	34,029
Penalties and interest on taxes.....	120,000	120,000	187,479	-	67,479
Payments in lieu of taxes.....	15,700	15,700	15,803	-	103
Intergovernmental.....	7,371,530	7,371,530	7,360,353	-	(11,177)
Departmental and other.....	1,028,800	1,028,800	1,164,633	-	135,833
Investment income.....	20,600	20,600	18,362	-	(2,238)
Miscellaneous.....	132,000	132,000	30,892	-	(101,108)
<b>TOTAL REVENUES.....</b>	<b>21,219,913</b>	<b>21,219,913</b>	<b>21,166,163</b>	<b>-</b>	<b>(53,750)</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	1,131,720	1,144,758	991,399	74,617	78,742
Public safety.....	2,659,003	2,659,003	2,572,862	35,942	50,199
Education.....	11,784,045	11,792,870	11,690,591	4,699	97,580
Public works.....	1,177,101	1,269,618	1,201,088	44,535	23,995
Airport.....	203,257	203,257	162,789	39,663	805
Health and human services.....	247,274	247,274	215,601	107	31,566
Culture and recreation.....	346,100	346,100	326,201	361	19,538
Pension benefits.....	925,592	925,592	925,592	-	-
Employee benefits.....	2,533,666	2,502,496	2,380,635	22,253	99,608
State and county charges.....	602,978	602,978	562,992	-	39,986
Debt service:					
Principal.....	387,896	387,896	111,013	-	276,883
Interest.....	112,099	112,099	100,436	-	11,663
<b>TOTAL EXPENDITURES.....</b>	<b>22,110,731</b>	<b>22,193,941</b>	<b>21,241,199</b>	<b>222,177</b>	<b>730,565</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(890,818)</b>	<b>(974,028)</b>	<b>(75,036)</b>	<b>(222,177)</b>	<b>676,815</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	-	398,210	398,210	-	-
Transfers out.....	-	(276,882)	(276,882)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>121,328</b>	<b>121,328</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(890,818)</b>	<b>(852,700)</b>	<b>46,292</b>	<b>(222,177)</b>	<b>676,815</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>1,461,770</b>	<b>1,461,770</b>	<b>1,461,770</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 570,952</b>	<b>\$ 609,070</b>	<b>\$ 1,508,062</b>	<b>\$ (222,177)</b>	<b>\$ 676,815</b>

See notes to required supplementary information.

# ***Pension Plan Schedules***

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

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

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

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



**SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FRANKLIN REGIONAL RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of Covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	13.47%	\$ 6,583,507	\$ 4,148,020	158.71%	76.30%
December 31, 2018.....	14.17%	8,693,790	4,038,150	215.29%	68.98%
December 31, 2017.....	14.64%	6,692,078	4,069,644	164.44%	75.89%
December 31, 2016.....	15.24%	8,007,780	3,873,126	206.75%	70.75%
December 31, 2015.....	16.04%	7,474,423	4,111,318	181.80%	71.73%
December 31, 2014.....	12.97%	4,868,195	4,001,848	121.65%	75.98%

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

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**  
**FRANKLIN REGIONAL RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of Covered payroll
June 30, 2019.....	\$ 925,592	\$ (925,592)	-	\$ 4,230,980	21.88%
June 30, 2018.....	922,264	(922,264)	-	4,118,913	22.39%
June 30, 2017.....	902,626	(902,626)	-	4,151,037	21.74%
June 30, 2016.....	895,582	(895,582)	-	3,950,589	22.67%
June 30, 2015.....	905,685	(905,685)	-	4,193,544	21.60%
June 30, 2014.....	740,049	(740,049)	-	4,081,885	18.13%

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

See notes to required supplementary information.

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

---

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 12,289,584	\$ 1,490,325	53.95%
2019.....	12,380,879	1,254,623	54.84%
2018.....	12,509,047	1,305,606	54.25%
2017.....	12,443,456	1,269,314	52.73%
2016.....	10,945,084	887,744	55.38%
2015.....	9,012,647	626,152	61.64%

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

See notes to required supplementary information.

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

The Schedule of Changes in the Town's Total Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability.

The Schedule of the Town's Contributions presents, over time, the ratio of the actual annual employer contribution to the annual required contribution.

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

**SCHEDULE OF CHANGES IN THE  
OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2018	June 30, 2019	June 30, 2020
<b>Total OPEB Liability</b>			
Service Cost.....	\$ 781,865	\$ 835,653	\$ 1,272,573
Interest.....	1,189,271	901,260	950,339
Changes of benefit terms.....	(3,175,698)	-	-
Differences between expected and actual experience.....	(7,688,266)	-	(269,941)
Changes of assumptions.....	1,329,972	-	2,800,922
Benefit payments.....	(693,903)	(746,259)	(797,306)
Net change in total OPEB liability.....	(8,256,759)	990,654	3,956,587
Total OPEB liability - beginning.....	33,541,289	25,284,530	26,275,184
Total OPEB liability - ending (a).....	\$ 25,284,530	\$ 26,275,184	\$ 30,231,771
Covered payroll.....	\$ 9,545,603	\$ 9,831,971	\$ 9,919,884
OPEB liability as a percentage of covered payroll.....	265%	267%	305%

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

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of Covered payroll
June 30, 2020.....	\$ 2,222,912	\$ (797,306)	\$ 1,425,606	\$ 9,919,884	8.04%
June 30, 2019.....	1,736,913	(746,259)	990,654	9,831,971	7.59%
June 30, 2018.....	1,971,136	(693,903)	1,277,233	9,545,603	7.27%

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

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Special Town Meeting approval via a special article.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original year 2020 approved budget authorized approximately \$22.2 million in appropriations and other amounts to be raised.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$	46,292
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		(73,616)
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		170,004
Net change in recording accrued expenses.....		2,529
Recognition of revenue for on-behalf payments.....		1,490,325
Recognition of expenditures for on-behalf payments.....		<u>(1,490,325)</u>
Net change in fund balance - GAAP basis.....	\$	<u>145,209</u>

**NOTE B – PENSION PLAN**Schedule of the Town's Proportionate Share of the Net Pension Liability

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

Schedule of Town's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes in Assumptions

- Administrative expense assumption has increased from \$550,000 to \$600,000.
- The net 3(8)(c) transfer assumption has increased from \$725,800 to \$1,000,000.
- The mortality and mortality improvement rates have been updated.

Changes in Plan Provisions

None.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan ("the Other Postemployment Benefit Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

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

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



liability and the Plan's total other postemployment benefit liability as a percentage of covered payroll.

### Schedule of the Town's Contributions

The Schedule of the Town's Contribution includes the Town's actuarially determined contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of the covered payroll. Actuarial contribution rates are calculated as of June 30, 2020. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2019
Actuarial cost method.....	Individual Entry Age Normal.
Municipal Bond rate.....	2.66% as of June 30, 2020 (Source: S&P Municipal Bond 20-Year High Grade Index- SAPIHG)
Single Equivalent Discount rate.....	2.75%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	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.
Mortality Rates:	
Pre-Retirement Mortality.....	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post- Retirement Mortality.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled Mortality.....	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

### Changes in Assumptions

- The discount rate has been changes from 3.50% to 2.75%.
- The mortality table has been updated from the RP-2000 Employee Mortality Table projected generationally with scale BB and a base year of 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
- The expected long-term medical trend has been updated to 4.50%.
- The assumptions for morbidity or age-related costs of medical care has been updated.

### Changes in Provisions

None.