

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF TEMPLETON, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2020



TOWN OF TEMPLETON, MASSACHUSETTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Selectmen
Town of Templeton, 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 Templeton, Massachusetts, (the "Town") as of and for the year ended June 30, 2020 which collectively comprise the Town's basic financial statements as listed in the table of contents, (except for the Templeton Municipal Light Department, (the "Light Department", "Electric Light Department" or "TMLD") which is as of December 31, 2019). We did not audit the financial statements of the Light Department which represented 49% and 71% of the assets and revenues of the combined enterprise funds; or the Water Department which represented 21% and 16% of the assets and revenues of the combined enterprise funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those amounts is based solely on the report of the other auditors.

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 includes 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 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 as of June 30, 2020 (except for the TMLD, which is as of December 31, 2019) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note V to the financial statements, TMLD restated its previously reported total net position which also restated the business-type activities in the Statement of Net Position.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2021 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
January 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Templeton, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020 (December 31, 2019 for the Light Department). We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of financial resources for the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$48.9 million (*total net position*). This was an increase of over \$4.0 million over the prior year. This consisted of an increase to governmental activities by nearly \$2.1 million and business-type activities by over \$1.9 million.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of nearly \$7.3 million, which is approximately \$6.8 million higher than the prior year, mainly due to bond proceeds of nearly \$8.7 million. The Town reported a fund balance increase in its community preservation and school capital project major funds of over \$0.3 million and almost \$6.3 million, respectively. The general fund and the nonmajor governmental funds each increased approximately \$0.1 million.
- Of the ending fund balance in the Town's governmental funds, the Town reports unassigned fund balance at year-end of approximately \$1.8 million, consisting of a nearly \$2.7 million balance in the general fund and an unassigned fund deficit reported in the school capital project major fund of over \$0.8 million. The remaining balances are earmarked for specific expenditures or is in nonspendable form.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was over 17% of the total general fund expenditures and the total general fund balance was almost 25% of the total general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities increased by over \$8.1 million in 2020. The Town's total long-term debt was over \$26.6 million at June 30, 2020.

Overview of the Financial Statements

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

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, 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 of the Town is improving or deteriorating.

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

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*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 of the Town include general government, public safety, highways and streets, regionalized education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include sewer, cable, water and electric light enterprise funds.

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing

so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the basic financial statements to help the reader understand the difference.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Preservation Fund, Community Development Fund and School Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, cable, water and electric light 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 proprietary funds.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-Wide Financial Analysis

The following table present the condensed comparative statements of net position:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<u>Assets</u>						
Current and other assets	\$ 13,424,330	\$ 18,880,417	\$ 7,970,582	\$ 9,111,191	\$ 21,394,912	\$ 27,991,608
Capital assets, net	58,052,511	53,841,237	28,361,009	27,489,196	86,413,520	81,330,433
Total Assets	71,476,841	72,721,654	36,331,591	36,600,387	107,808,432	109,322,041
<u>Deferred Outflows of Resources</u>						
Related to net pension liability	520,177	935,964	722,178	430,567	1,242,355	1,366,531
Related to net other postemployment benefits liability	738,332	978,258	155,921	23,986	894,253	1,002,244
Total Deferred Outflows of Resources	1,258,509	1,914,222	878,099	454,553	2,136,608	2,368,775
<u>Liabilities</u>						
Long-term liabilities	35,899,477	29,859,781	13,780,446	12,435,772	49,679,923	42,295,553
Other liabilities	4,367,769	16,864,202	1,503,354	3,959,054	5,871,123	20,823,256
Total Liabilities	40,267,246	46,723,983	15,283,800	16,394,826	55,551,046	63,118,809
<u>Deferred Inflows of Resources</u>						
Related to net pension liability	718,160	733,410	365,501	514,067	1,083,661	1,247,477
Related to net other postemployment benefits liability	2,482,363	-	1,009,748	620,143	3,492,111	620,143
Electric light department	-	-	933,419	1,855,885	933,419	1,855,885
Total Deferred Inflows of Resources	3,200,523	733,410	2,308,668	2,990,095	5,509,191	3,723,505
<u>Net Position</u>						
Net investment in capital assets	35,119,127	31,603,441	20,929,436	19,289,460	56,048,563	50,892,901
Restricted	4,285,223	3,949,671	809,211	1,425,705	5,094,434	5,375,376
Unrestricted	(10,136,769)	(8,374,629)	(2,121,425)	(3,045,146)	(12,258,194)	(11,419,775)
Total Net Position	\$ 29,267,581	\$ 27,178,483	\$ 19,617,222	\$ 17,670,019	\$ 48,884,803	\$ 44,848,502

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by almost \$48.9 million (total net position).

By far the largest portion (over \$56.0 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's total net position (almost \$5.1 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position*, which is currently in a deficit position of nearly \$12.3 million. This is primarily a result of the recognition of net other postemployment benefit and net pension liabilities. The Town expects the annual provision for this liability will continue to decrease unrestricted net position for the foreseeable future.

The following table presents the condensed comparative statement of activities in net position:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,125,181	\$ 1,404,127	\$ 10,086,388	\$ 10,175,197	\$ 11,211,569	\$ 11,579,324
Operating grants and contributions	235,338	459,904	117,295	99,751	352,633	559,655
Capital grants and contributions	1,571,875	14,666,991	871,215	100,355	2,443,090	14,767,346
General revenues:						
Property taxes	12,123,397	11,463,604	-	-	12,123,397	11,463,604
Intergovernmental	1,562,447	1,552,520	-	-	1,562,447	1,552,520
Other	1,516,137	1,598,899	51,994	71,543	1,568,131	1,670,442
Total revenues	18,134,375	31,146,045	11,126,892	10,446,846	29,261,267	41,592,891
<u>Expenses</u>						
General government	1,450,339	1,326,486	-	-	1,450,339	1,326,486
Public safety	3,566,599	3,619,735	-	-	3,566,599	3,619,735
Education	7,469,963	7,417,604	-	-	7,469,963	7,417,604
Public works	1,970,749	1,925,968	-	-	1,970,749	1,925,968
Health and human services	300,703	450,281	-	-	300,703	450,281
Culture and recreation	184,129	227,427	-	-	184,129	227,427
Debt service	918,670	587,262	-	-	918,670	587,262
Sewer services	-	-	1,605,559	1,553,403	1,605,559	1,553,403
Cable services	-	-	118,410	92,092	118,410	92,092
Water services	-	-	1,227,755	1,350,269	1,227,755	1,350,269
Electric Light services	-	-	6,412,090	6,571,644	6,412,090	6,571,644
Total expenses	15,861,152	15,554,763	9,363,814	9,567,408	25,224,966	25,122,171
Excess (deficiency) in net position before transfers	2,273,223	15,591,282	1,763,078	879,438	4,036,301	16,470,720
Transfers	(184,125)	(327,528)	184,125	644,447	-	316,919
Change in net position	2,089,098	15,263,754	1,947,203	1,523,885	4,036,301	16,787,639
Net position, beginning of year, as restated	27,178,483	11,914,729	17,670,019	16,146,134	44,848,502	28,060,863
Net position, end of year	\$ 29,267,581	\$ 27,178,483	\$ 19,617,222	\$ 17,670,019	\$ 48,884,803	\$ 44,848,502

Governmental Activities – Total revenues in fiscal year 2020 in the Town’s governmental activities decreased over \$13.0 million from fiscal year 2019. The decrease is primarily due to a \$14.4 million Massachusetts School Building Authority (MSBA) reimbursement related to the construction of a new school building received in the prior year.

The Town’s largest revenue source is property taxes which represented 67% of total revenues. The current amount represented a dollar increase of almost \$0.7 million. This increase was expected as the Town is allowed to assess property taxes at 2 ½% of the prior year amount. In addition, amounts assessed greater than this that are attributed to debt exclusion and new growth are also legally permissible.

Other revenue amounts were minor in amount or did not vary greatly from the prior year.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education expenses total approximately 47% of total annual expenditures in current year. In terms of gross dollars, education expenses were consistent with the prior year. Debt services expenses increased approximately \$0.3 million due to borrowing costs associated with the school construction. All other expense categories were consistent with the prior year.

Business-Type Activities – User charges for sewer, cable, water and electric light services represent virtually all the reported fiscal year 2020 revenues in the Town’s business-type activities. The Town’s cable fund, electric light and water enterprise funds reported positive results from operations; the Town’s sewer enterprise fund reported a loss from operations and requires annual debt subsidies from the general

fund to balance annual operations. Combined net position increased by over \$1.9 million which was about \$0.4 million higher than the prior year increase. This was mainly due to increased capital contributions in the current year as normal operations were consistent.

Government Funds Financial Analysis

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

Governmental Funds – The focus of the Town’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town’s financing requirements.

The following describe activity in each of the major funds that make up the governmental funds:

General Fund – Unassigned fund balance in the General Fund is perhaps the most important number on the balance sheet it serves as a useful measure of a government’s net resources available for spending at the end of the fiscal year and an amount that is commonly measured against its peers when assessing a bond rating.

As of the close of the fiscal year, the Town’s unassigned fund balance had reached nearly \$2.7 million (about 17.2% of expenditures) while total fund balance exceeded \$3.8 million (nearly 25% of expenditures). This represented an increase of over \$0.1 million over the prior year as revenues approximated expenditures.

Community Preservation Fund - The Community Preservation Fund increased almost \$340,000; the Town appropriated about \$40,000 for eligible projects against receipts of over \$375,000. The Town continues to grow this fund on an annual basis. Fund balance reached almost \$2.0 million and was classified as restricted.

School Capital Projects Fund – This account was set up to report the activity related to the Town’s elementary school project. Over \$0.5 million in revenues from the MSBA were offset by over \$3.5 million in expenses related to school construction. In addition, almost \$9.2 million was received in bond proceeds and premiums. This activity netted to decrease the legal deficit in this account by about \$6.3 million to about \$0.8 million. This deficit is expected to be cured at the time the Town converts its remaining short-term debt to permanent financing and has been classified as unassigned since it is a deficit.

Combined Nonmajor Fund - Revenue and expenditures in the combined nonmajor fund are expected to net over time and any increases or decreases are a product of timing of revenues and expenses. In the current year operations were virtually flat as expected and fund balances of nearly \$2.3 million are classified as over \$300,000 in nonspendable representing corpus of endowment and the majority of the remainder as restricted.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the sewer, cable, water and electric funds were approximately \$5.1 million, \$0.3 million, \$3.1 million and \$11.1 million respectively. The Town’s cable, electric light and water enterprise funds reported positive results from operations; the Town’s sewer enterprise fund reported a loss from operations and requires annual debt subsidies from the general fund to balance annual operations. Combined net position increased by over \$1.9 million. This was consistent with the prior year except capital contributions were greater.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the Private Purpose Trust Funds, agency funds and Other Postemployment Benefit Trust Funds for the Town, Sewer and Light Department.

General Fund Budgetary Highlights

Differences between the original operating budget and the final amended operating budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets –The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to over \$86.4 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$5.1 million. This increase was a result of current year additions exceeding depreciation and additions mainly attributed to the construction of the new school building.

The Town is continuing the construction for a brand new elementary school. The project is expected to approximate \$48 million in costs at completion.

Additional information on the Town capital assets can be found in Note II, Section D of this report.

Long-Term Debt – The Town’s total general obligation bond and notes payable debt increased by almost \$8.1 million to over \$26.6 million. This increase was due to bond issuances of nearly \$9.5 million offset by maturities of nearly \$1.4 million.

The Town anticipates issuing a significant level of debt in connection with new elementary school discussed above.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town. Additional information on the Town’s debt can be found in Note II, Sections F, G and H of this report.

Economic Factors and Next Year’s Budgets and Rates

- The COVID-19 pandemic has had a catastrophic impact nationwide. With much of the country under lockdown measures during the 4th quarter, the impacts have caused significant reductions in revenue and thus an adverse impact on operations. The Town survived fiscal 2020 due to a strong first three quarters and conservative revenue estimates. However, future impacts are uncertain and thus the Town has taken a very conservative approach in estimating revenues for fiscal year 2021.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in setting the tax rate is typically 90% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.
- Consistent with both State and National indices, the Town’s housing market experienced a downward trend from 2005 to 2010. However, unlike the majority of the Commonwealth, which has seen a resurgence, housing prices in the region have not recovered at the same pace. Recent years have seen this trend begin to finally change.

- Unemployment rates across the Commonwealth continue to be among the highest in the country as the effects of the COVID-19 pandemic has hit states with higher pre-pandemic employments rates the hardest.
- The Town's median household income is significantly less than the state-wide and national averages.
- The Town anticipates state aid for 2021 to remain consistent with the prior year as the State has guaranteed aid to be level funded.

The above items were considered when the Town authorized its budget for fiscal year 2021 at the May 2020 Town Meeting. The Town's tax rate for fiscal 2021 is expected to be set in November 2020.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 160 Patriots Road, East Templeton, Massachusetts 01438.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,376,467	\$ 3,735,769	\$ 10,112,236
Investments	4,395,649	1,024,303	5,419,952
Receivables, net:			
Property taxes	405,899	-	405,899
User fees	-	950,402	950,402
Departmental and other	1,757,956	-	1,757,956
Intergovernmental	426,387	-	426,387
Apportioned assessments	-	57,459	57,459
Working capital deposit	-	1,161,699	1,161,699
Due from other funds	61,972	60,144	122,116
Other assets	-	980,806	980,806
Land	935,838	-	935,838
Construction in-process	42,142,230	253,828	42,396,058
Capital assets, net of accumulated depreciation	14,974,443	28,107,181	43,081,624
Total Assets	<u>71,476,841</u>	<u>36,331,591</u>	<u>107,808,432</u>
Deferred Outflows of Resources			
Related to net pension liability	520,177	722,178	1,242,355
Related to net other postemployment benefits liability	738,332	155,921	894,253
Deferred Outflows of Resources	<u>1,258,509</u>	<u>878,099</u>	<u>2,136,608</u>
Liabilities			
Warrants and accounts payable	276,695	1,266,034	1,542,729
Payroll and related liabilities	156,583	47,271	203,854
Retainage payable	-	-	-
Customer and advanced deposits	-	126,089	126,089
Accrued interest	258,796	53,954	312,750
Other liabilities	695	-	695
Due to other funds	-	10,006	10,006
Bond anticipation notes payable	3,675,000	-	3,675,000
Noncurrent liabilities:			
Due within one year	898,850	985,003	1,883,853
Due in more than one year	35,000,627	12,795,443	47,796,070
Total Liabilities	<u>40,267,246</u>	<u>15,283,800</u>	<u>55,551,046</u>
Deferred Inflows of Resources			
Related to net pension liability	718,160	365,501	1,083,661
Related to net other postemployment benefits liability	2,482,363	1,009,748	3,492,111
Unavailable revenue	-	933,419	933,419
Deferred Inflows of Resources	<u>3,200,523</u>	<u>2,308,668</u>	<u>5,509,191</u>
Net Position			
Net investment in capital assets	35,119,127	20,929,436	56,048,563
Restricted:			
Nonexpendable permanent funds	323,328	-	323,328
Expendable permanent funds	262,727	-	262,727
Capital projects	59,594	-	59,594
Community preservation	1,981,059	-	1,981,059
Gifts and donations	431,287	-	431,287
Depreciation	-	751,752	751,752
Other purposes	1,227,228	57,459	1,284,687
Unrestricted	(10,136,769)	(2,121,425)	(12,258,194)
Total Net Position	<u>\$ 29,267,581</u>	<u>\$ 19,617,222</u>	<u>\$ 48,884,803</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,450,339	\$ 462,661	\$ 22,547	\$ -	\$ (965,131)		\$ (965,131)
Public safety	3,566,599	562,936	30,632	396,696	(2,576,335)		(2,576,335)
Education	7,469,963	-	-	529,119	(6,940,844)		(6,940,844)
Public works	1,970,749	3,735	9,920	495,248	(1,461,846)		(1,461,846)
Health and human services	300,703	95,849	144,346	150,812	90,304		90,304
Culture and recreation	184,129	-	27,893	-	(156,236)		(156,236)
Interest expense	918,670	-	-	-	(918,670)		(918,670)
Total governmental activities	15,861,152	1,125,181	235,338	1,571,875	(12,928,758)		(12,928,758)
Business-Type activities:							
Sewer	1,605,559	1,170,610	22,462	582,795		\$ 170,308	170,308
Cable	118,410	126,958	-	-		8,548	8,548
Water	1,227,755	1,520,781	94,833	-		387,859	387,859
Electric Light	6,412,090	7,268,039	-	288,420		1,144,369	1,144,369
Total business-type activities	9,363,814	10,086,388	117,295	871,215		1,711,084	1,711,084
Total Primary Government	\$ 25,224,966	\$ 11,211,569	\$ 352,633	\$ 2,443,090	(12,928,758)	1,711,084	(11,217,674)
General Revenues:							
					12,123,397	-	12,123,397
					1,262,989	-	1,262,989
					1,562,447	-	1,562,447
					70,459	-	70,459
					182,689	51,994	234,683
					(184,125)	184,125	-
					15,017,856	236,119	15,253,975
					2,089,098	1,947,203	4,036,301
Net Position:							
					27,178,483	17,670,019	44,848,502
					\$ 29,267,581	\$ 19,617,222	\$ 48,884,803

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	General Fund	Community Preservation	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,551,139	\$ 266,306	\$ 2,471,821	\$ 1,087,201	\$ 6,376,467
Investments	1,431,071	1,693,238	-	1,271,340	4,395,649
Receivables, net of allowance for uncollectibles:					
Property taxes	384,384	21,515	-	-	405,899
Departmental and other	1,337,548	-	-	420,408	1,757,956
Intergovernmental	-	-	380,049	46,338	426,387
Due from other funds	61,972	-	-	-	61,972
Total Assets	<u>5,766,114</u>	<u>1,981,059</u>	<u>2,851,870</u>	<u>2,825,287</u>	<u>13,424,330</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,766,114</u>	<u>\$ 1,981,059</u>	<u>\$ 2,851,870</u>	<u>\$ 2,825,287</u>	<u>\$ 13,424,330</u>
Liabilities:					
Warrants and accounts payable	\$ 203,205	\$ -	\$ -	\$ 73,490	\$ 276,695
Accrued payroll and withholdings	150,873	-	-	5,710	156,583
Other liabilities	695	-	-	-	695
Bond anticipation notes payable	-	-	3,675,000	-	3,675,000
Total Liabilities	<u>354,773</u>	<u>-</u>	<u>3,675,000</u>	<u>79,200</u>	<u>4,108,973</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	265,085	21,515	-	-	286,600
Unavailable revenue - other	1,337,548	-	-	420,408	1,757,956
Total Deferred Inflows of Resources	<u>1,602,633</u>	<u>21,515</u>	<u>-</u>	<u>420,408</u>	<u>2,044,556</u>
Fund Balances:					
Nonspendable	-	-	-	323,328	323,328
Restricted	38,047	1,959,544	-	2,002,351	3,999,942
Committed	1,062,534	-	-	-	1,062,534
Assigned	46,606	-	-	-	46,606
Unassigned:	2,661,521	-	(823,130)	-	1,838,391
Total Fund Balances	<u>3,808,708</u>	<u>1,959,544</u>	<u>(823,130)</u>	<u>2,325,679</u>	<u>7,270,801</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,766,114</u>	<u>\$ 1,981,059</u>	<u>\$ 2,851,870</u>	<u>\$ 2,825,287</u>	<u>\$ 13,424,330</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

Total Governmental Fund Balances		\$ 7,270,801
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		58,052,511
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.		2,044,556
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net pension liability	520,177	
Deferred inflows related to net pension liability	(718,160)	
Deferred outflows related to net other postemployment benefits liability	738,332	
Deferred inflows related to net other postemployment benefits liability	<u>(2,482,363)</u>	
Net effect of reporting deferred outflows and inflows of resources		(1,942,014)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:		
Bonds and notes payable	(21,707,231)	
Landfill closure	(197,000)	
Capital lease obligations	(587,611)	
Net pension liability	(8,400,699)	
Net other postemployment benefits liability	(4,670,730)	
Compensated absences	<u>(336,206)</u>	
Net effect of reporting long-term liabilities		<u>(35,899,477)</u>
Net Position of Governmental Activities		<u><u>\$ 29,267,581</u></u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	General Fund	Community Preservation	School Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 11,841,879	\$ 190,439	\$ -	\$ -	\$ 12,032,318
Intergovernmental	1,668,732	150,812	529,119	970,854	3,319,517
Motor vehicle and other excises	1,199,277	-	-	-	1,199,277
Licenses and permits	173,402	-	-	-	173,402
Penalties and interest on taxes	70,459	-	-	-	70,459
Fines and forfeitures	54,798	-	-	-	54,798
Investment income	135,796	35,049	-	11,844	182,689
Departmental and other revenue	455,388	479	-	437,030	892,897
Contributions and donations	-	-	-	50,143	50,143
Total Revenues	15,599,731	376,779	529,119	1,469,871	17,975,500
Expenditures:					
Current:					
General government	960,478	2,543	-	101,410	1,064,431
Public safety	2,450,773	-	-	742,451	3,193,224
Education	7,322,365	-	3,517,897	-	10,840,262
Public works	1,579,928	-	-	567,564	2,147,492
Health and human services	184,636	-	-	28,802	213,438
Culture and recreation	89,095	37,908	-	13,917	140,920
Pension and fringe benefits	1,487,332	-	-	-	1,487,332
State and county assessments	54,328	-	-	-	54,328
Debt service:					
Principal	333,476	-	-	-	333,476
Interest	1,022,577	-	-	-	1,022,577
Total Expenditures	15,484,988	40,451	3,517,897	1,454,144	20,497,480
Excess (Deficiency) of Revenues Over (Under) Expenditures	114,743	336,328	(2,988,778)	15,727	(2,521,980)
Other Financing Sources (Uses):					
Proceeds from bonds and notes	-	-	8,655,000	-	8,655,000
Proceeds from capital leases	-	-	-	324,827	324,827
Premiums from bonds and notes	-	-	524,845	5,414	530,259
Transfers in	418,557	-	75,000	185,505	679,062
Transfers out	(430,925)	-	(2,581)	(429,681)	(863,187)
Total Other Financing Sources (Uses)	(12,368)	-	9,252,264	86,065	9,325,961
Net Change in Fund Balances	102,375	336,328	6,263,486	101,792	6,803,981
Fund balances - Beginning of year	3,706,333	1,623,216	(7,086,616)	2,223,887	466,820
Fund Balances - End of year	<u>\$ 3,808,708</u>	<u>\$ 1,959,544</u>	<u>\$ (823,130)</u>	<u>\$ 2,325,679</u>	<u>\$ 7,270,801</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

Net Change in Fund Balances - Total Governmental Fund Balances \$ 6,803,981

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. This amount represents the net amount of the depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital outlays	4,827,558	
Depreciation expense	(616,284)	
Net effect of reporting capital assets		4,211,274

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

Proceeds from bonds and notes	(8,655,000)	
Premiums from bonds	(503,842)	
Repayments of capital lease obligations	(100,131)	
Repayments of bonds and notes	333,476	
Net effect of reporting long-term debt		(8,925,497)

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. The amount presented represents the following differences derived from unavailable revenue.

158,875

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:

Net Pension benefits	(149,884)	
Other postemployment benefits	194,065	
Interest expense payable	77,490	
Compensated Absences	(302,206)	
Landfill closure	21,000	
Net effect of reporting long-term liabilities		(159,535)

Change in Net Position of Governmental Activities \$ 2,089,098

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	Business-Type Activities				Total
	Sewer	Cable	Water	Light Department (December 31, 2019)	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 873,127	\$ 258,387	\$ 391,508	\$ 2,212,747	\$ 3,735,769
Investments	1,024,303	-	-	-	1,024,303
Working capital deposit	-	-	-	1,161,699	1,161,699
User charges and other receivables, net	410,470	-	196,626	343,306	950,402
Apportioned assessments	57,459	-	-	-	57,459
Prepaid expenses	-	-	7,950	55,184	63,134
Materials and supplies	-	-	41,255	123,759	165,014
Other assets	-	-	-	98,772	98,772
Total current assets	2,365,359	258,387	637,339	3,995,467	7,256,552
Noncurrent assets:					
Intergovernmental receivables	60,144	-	-	-	60,144
Other assets	-	-	-	653,886	653,886
Construction in-process	-	-	-	253,828	253,828
Capital assets, net of accumulated depreciation	8,238,716	-	6,920,402	12,948,063	28,107,181
Total noncurrent assets	8,298,860	-	6,920,402	13,855,777	29,075,039
Total Assets	10,664,219	258,387	7,557,741	17,851,244	36,331,591
Deferred Outflows of Resources:					
Related to net pension liability	57,288	-	45,729	619,161	722,178
Related to net other postemployment benefits liability	2,084	-	1,866	151,971	155,921
Total Deferred Outflows of Resources	59,372	-	47,595	771,132	878,099
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 49,563	\$ 4,203	\$ 20,889	\$ 1,191,379	\$ 1,266,034
Payroll and related liabilities	16,712	805	25,696	4,058	47,271
Due to other funds	9,476	-	530	-	10,006
Customer and advanced deposits	-	-	-	126,089	126,089
Accrued interest	53,954	-	-	-	53,954
Compensated absences	9,033	-	-	1,135	10,168
Bonds and notes payable	399,563	-	363,297	211,975	974,835
Total current liabilities	538,301	5,008	410,412	1,534,636	2,488,357
Noncurrent liabilities:					
Compensated absences	27,100	-	25,711	18,585	71,396
Bonds and notes payable	3,159,067	-	2,019,103	1,284,754	6,462,924
Net pension liability	925,179	-	738,515	2,633,763	4,297,457
Net other postemployment benefits liability	499,042	-	605,407	859,217	1,963,666
Total noncurrent liabilities	4,610,388	-	3,388,736	4,796,319	12,795,443
Total Liabilities	5,148,689	5,008	3,799,148	6,330,955	15,283,800
Deferred Inflows of Resources:					
Related to net pension liability	79,092	-	63,134	223,275	365,501
Related to net other postemployment benefits liability	362,783	-	608,554	38,411	1,009,748
Unavailable revenues	-	-	-	933,419	933,419
Total Deferred Inflows of Resources	441,875	-	671,688	1,195,105	2,308,668
Net Position:					
Net investment in capital assets	4,686,276	-	4,538,002	11,705,158	20,929,436
Restricted for debt service	57,459	-	-	-	57,459
Restricted for depreciation	-	-	-	751,752	751,752
Unrestricted	389,292	253,379	(1,403,502)	(1,360,594)	(2,121,425)
Total Net Position	\$ 5,133,027	\$ 253,379	\$ 3,134,500	\$ 11,096,316	\$ 19,617,222

See accompanying notes to basic financial statements.

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

	Business-Type Activities				Total
	Sewer	Cable	Water	Light Department (December 31, 2019)	
Operating Revenues:					
Charges for services	\$ 1,169,528	\$ -	\$ 1,520,781	\$ 7,268,039	\$ 9,958,348
Other	22,462	126,958	83,535	-	232,955
Total Operating Revenues	<u>1,191,990</u>	<u>126,958</u>	<u>1,604,316</u>	<u>7,268,039</u>	<u>10,191,303</u>
Operating Expenses:					
Personnel	394,070	80,605	-	-	474,675
Operations	769,944	37,805	894,480	5,814,057	7,516,286
Depreciation	318,236	-	240,224	555,404	1,113,864
Total Operating Expenses	<u>1,482,250</u>	<u>118,410</u>	<u>1,134,704</u>	<u>6,369,461</u>	<u>9,104,825</u>
Total Operating Income (Loss)	<u>(290,260)</u>	<u>8,548</u>	<u>469,612</u>	<u>898,578</u>	<u>1,086,478</u>
Nonoperating Revenues (Expenses):					
Investment income	24,830	-	588	26,576	51,994
Interest expense	(123,309)	-	(93,051)	(42,629)	(258,989)
Other	1,082	-	11,298	-	12,380
Total Nonoperating Revenues (Expenses)	<u>(97,397)</u>	<u>-</u>	<u>(81,165)</u>	<u>(16,053)</u>	<u>(194,615)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(387,657)</u>	<u>8,548</u>	<u>388,447</u>	<u>882,525</u>	<u>891,863</u>
Capital Contributions:					
Intergovernmental	582,795	-	-	194,668	777,463
Other	-	-	-	93,752	93,752
Total Capital Contributions	<u>582,795</u>	<u>-</u>	<u>-</u>	<u>288,420</u>	<u>871,215</u>
Transfers:					
Transfers in	184,125	-	-	-	184,125
Transfers out	-	-	-	-	-
Transfers, net	<u>184,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,125</u>
Change in Net Position	<u>379,263</u>	<u>8,548</u>	<u>388,447</u>	<u>1,170,945</u>	<u>1,947,203</u>
Total Net Position - Beginning of Year, as restated (See Note V)	<u>4,753,764</u>	<u>244,831</u>	<u>2,746,053</u>	<u>9,925,371</u>	<u>17,670,019</u>
Total Net Position- Ending	<u>\$ 5,133,027</u>	<u>\$ 253,379</u>	<u>\$ 3,134,500</u>	<u>\$ 11,096,316</u>	<u>\$ 19,617,222</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	Business-Type Activities				
	Sewer	Cable	Water	Light Department (December 31, 2019)	Total
Cash Flows from Operating Activities					
Receipts from users	\$ 1,228,078	\$ -	\$ 1,660,968	\$ 7,655,480	\$ 10,544,526
Receipts from other operating revenues	22,462	126,958	-	-	149,420
Payments to employees and vendors	(1,172,129)	(122,491)	(1,070,340)	(6,171,421)	(8,536,381)
Net Cash Provided by Operating Activities	<u>78,411</u>	<u>4,467</u>	<u>590,628</u>	<u>1,484,059</u>	<u>2,157,565</u>
Cash Flows from Noncapital Financing Activities					
Apportioned assessments	27,280	-	-	-	27,280
Intergovernmental	117,170	-	-	-	117,170
Other	1,082	-	5,235	288,421	294,738
Payments to other funds	2,474	(5,955)	-	-	(3,481)
Transfers in	184,125	-	-	-	184,125
Net Cash Provided by Noncapital Financing Activities	<u>332,131</u>	<u>(5,955)</u>	<u>5,235</u>	<u>288,421</u>	<u>619,832</u>
Cash Flows from Capital and Related Financing Activities					
Contribution in aid of construction	525,411	-	-	-	525,411
Acquisition and construction of capital assets	(137,225)	-	(102,099)	(1,775,222)	(2,014,546)
Repayments of bond anticipation notes	(2,300,000)	-	-	-	(2,300,000)
Proceeds from long-term debt issuance	1,725,000	-	-	900,000	2,625,000
Principal payments on bonds and notes	(549,285)	-	(363,297)	(196,771)	(1,109,353)
Interest payments on bonds and notes	(166,907)	-	(93,051)	(42,629)	(302,587)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(903,006)</u>	<u>-</u>	<u>(558,447)</u>	<u>(1,114,622)</u>	<u>(2,576,075)</u>
Cash Flows from Investing Activities					
Investment income	24,830	-	588	26,576	51,994
Investment of operating cash	175,631	-	-	-	175,631
Net Cash Provided by Investing Activities	<u>200,461</u>	<u>-</u>	<u>588</u>	<u>26,576</u>	<u>227,625</u>
Net Increase in Cash and Cash Equivalents	(292,003)	(1,488)	38,004	684,434	428,947
Cash and Cash Equivalents					
Beginning of the year	<u>1,165,130</u>	<u>259,875</u>	<u>353,504</u>	<u>1,528,313</u>	<u>3,306,822</u>
End of the year	<u>\$ 873,127</u>	<u>\$ 258,387</u>	<u>\$ 391,508</u>	<u>\$ 2,212,747</u>	<u>\$ 3,735,769</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (loss)	\$ (290,260)	\$ 8,548	\$ 469,612	\$ 898,578	\$ 1,086,478
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	318,236	-	240,224	555,404	1,113,864
Changes in assets and liabilities:					
Receivables	14,413	-	56,652	169,826	240,891
Other assets	-	-	-	176,195	176,195
Prepaid expenses and materials	-	-	137	(92,712)	(92,575)
Deferred outflow of resources	44,137	-	37,062	(432,776)	(351,577)
Accounts payable, accrued expenses and other liabilities	(369,219)	(4,081)	(201,564)	301,332	(273,532)
Deferred inflow of resources	361,104	-	(11,495)	(91,788)	257,821
Net Cash Provided by Operating Activities	<u>\$ 78,411</u>	<u>\$ 4,467</u>	<u>\$ 590,628</u>	<u>\$ 1,484,059</u>	<u>\$ 2,157,565</u>
Noncash investing capital and financing activities:					
Intergovernmental subsidies of debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of bond premiums	-	-	-	-	-

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Town Other Postemployment Benefits Trust Fund	Sewer Other Postemployment Benefits Trust Fund	Water Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2019 Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
Assets:						
Cash and cash equivalents	\$ 3,036	\$ 972	\$ -	\$ -	\$ -	\$ 125,252
Investments	163,323	52,275	78,803	363,986	145,586	-
Total Assets	<u>166,359</u>	<u>53,247</u>	<u>78,803</u>	<u>363,986</u>	<u>145,586</u>	<u>125,252</u>
				-		
Liabilities:						
Warrants and accounts payable	-	-	-	-	-	4,316
Planning board deposits	-	-	-	-	-	72,442
Agency liabilities	-	-	-	-	-	48,494
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,252</u>
Net Position:						
Restricted for other postemployment benefits	166,359	53,247	78,803	363,986	-	
Held in trust for private purposes	-	-	-	-	145,586	
Total Net Position	<u>\$ 166,359</u>	<u>\$ 53,247</u>	<u>\$ 78,803</u>	<u>\$ 363,986</u>	<u>\$ 145,586</u>	

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	Town Other Postemployment Benefits Trust Fund	Sewer Other Postemployment Benefits Trust Fund	Water Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2019 Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions:					
Contributions:					
Employer contributions	\$ 245,313	\$ 14,143	\$ 35,588	\$ 82,282	\$ -
Total Contributions	245,313	14,143	35,588	82,282	-
Investment income:					
Interest and dividends	4,188	1,216	23,320	55,774	2,891
Net investment earnings	4,188	1,216	23,320	55,774	2,891
Total Additions	249,501	15,359	58,908	138,056	2,891
Deductions:					
Benefits and refunds to Plan members:					
Benefits paid	225,313	14,143	10,588	40,643	-
Health and human services	-	-	-	-	-
Total Deductions	225,313	14,143	10,588	40,643	-
Change in Net Position	24,188	1,216	48,320	97,413	2,891
Net Position - Beginning of Year	142,171	52,031	51,483	266,573	142,695
Net Position - End of Year	\$ 166,359	\$ 53,247	\$ 99,803	\$ 363,986	\$ 145,586

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town, which was incorporated in 1762, is located in Worcester County, approximately sixty miles west of the City of Boston. The governing structure utilizes an open town meeting with an elected five-member Board of Selectmen and an appointed Town Administrator, who performs and oversees the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms.

The Town provides governmental services for the territory within its boundaries, including public safety, education through a regional school district, public works, health and human services, culture and recreation, general governmental services, sewer, water and electricity. The sewer, water and electricity services are funded through user charges and treated as business enterprises.

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

The Town is a member community of the Narragansett Regional School District, which provides educational services to two communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2020, the Town’s share of operating and debt service expenses was \$6,682,836. Complete audited financial statements can be obtained directly from the District’s administrative office located at the Superintendent and District Offices, 462 Baldwinville Road, Baldwinville, MA 01436.

In addition, the Town is a member community of the Montachusett Regional Vocational Technical School. This joint venture assesses each of the eighteen-member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2020, the Town’s share of operating and debt service expenses was \$636,279. Complete audited financial statements can be obtained directly from the District’s administrative office located at 1050 Westminster Street, Fitchburg, MA 01420.

The Town does not have any equity interest in either of the joint ventures.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units if any for which the primary government is financially accountable.

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

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

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

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

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when

susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

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

The government reports the following major Governmental Funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

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

School Capital Projects Fund – is used to account for funds received and spent related to the feasibility study and schematic design for the Templeton Elementary School.

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:

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

Capital Projects Funds - are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary funds:

Sewer Enterprise Fund – is used to account for the operation of the Town's sewer activities.

Cable Enterprise Fund – is used to account for the operation of the Town's cable operations.

Water Enterprise Fund – is used to account for the operation of the Town's water activities.

Templeton Municipal Light Department(TMLD) – is used to account for the operation of the Town's electrical power distribution activities.

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

The Town reports the following fiduciary funds:

Town Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

Sewer Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Sewer Department to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Light Department to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

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

Agency Fund – is used to account for assets held in a purely custodial capacity. The Town's agency funds consist primarily of student activities, off-duty work details and escrow and other deposits.

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

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

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

Real estate taxes, sewer, water and user fees are secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – In the case of the Town, inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. With respect to the TMLD, materials and supplies are inventories of parts and accessories purchased for use in TMLD’s operations. Materials and supplies inventory are stated at the lower of cost or market with cost being determined on a first-in, first-out basis.

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

Capital Assets – Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, vehicles, software and infrastructure (e.g. roads, sidewalks, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated by the Town and the TMLD on a straight-line-basis.

The estimated useful lives of capital assets being depreciated are as follows:

Land improvements	40 years
Buildings and improvements	20 years
Vehicles, machinery and equipment	5 years
Infrastructure	30 -75 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

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

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

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

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Town has two types of items that are reported on the government-wide statement of net position. These relate to outflows from changes in the net pension and net other postemployment benefits liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection B.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred*

inflows 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 three types of items which qualify for reporting in this category. The first arises under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes, and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to inflows from changes in the net pension and net other postemployment benefit liabilities. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection B.

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

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

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

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

Capital projects funds represent remaining balances from bond proceeds or other financing sources that are restricted by state law to specific capital purposes and borrowing terms.

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act.

Gifts and donations represent assets that have restrictions placed on them from benefactors and may only be used for the intended purpose.

Depreciation represents assets that have been restricted by Massachusetts Department of Public Utility regulations for certain capital additions.

Other purposes –represent assets that are restricted by Federal and State laws for specific governmental programs and uses.

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

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

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

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

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority, which is the Town Meeting action, and can be modified or rescinded on through these actions.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

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

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

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of Town Meeting. The balance of the fund totals \$888,233 at June 30, 2020 and is reported as unassigned fund balance in the general fund.

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchases made or to be made resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$46,606 of encumbrances from normal purchasing activity in the general fund as assigned and \$439,784 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

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

	General	Community Preservation	School Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ 323,328	\$ 323,328
Restricted:					
General government	-	-	-	67,000	67,000
Public safety	-	-	-	698,188	698,188
Education	-	-	-	12,980	12,980
Public works	-	-	-	172,455	172,455
Health and human services	-	-	-	515,012	515,012
Culture and recreation	-	1,959,544	-	536,716	2,496,260
Debt service	38,047	-	-	-	38,047
Committed:					
General government	122,385	-	-	-	122,385
Public safety	49,489	-	-	-	49,489
Education	6,765	-	-	-	6,765
Public works	230,309	-	-	-	230,309
Health and human services	20,836	-	-	-	20,836
Culture and recreation	10,000	-	-	-	10,000
Capital purposes	622,750	-	-	-	622,750
Assigned:					
Purchase orders	46,606	-	-	-	46,606
Unassigned:					
Unrestricted	2,661,521	-	(823,130)	-	1,838,391
	<u>\$ 3,808,708</u>	<u>\$ 1,959,544</u>	<u>\$ (823,130)</u>	<u>\$ 2,325,679</u>	<u>\$ 7,270,801</u>

E. Excess of Expenditures Over Appropriations and Deficits

The Town carries a deficit of \$823,130 in the School Capital Project Major Fund at year end. This deficit will be funded through available revenues, grant funds or bond proceeds in future fiscal years.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

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

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

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

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

<u>Investments by Fair Value Level</u>	<u>6/30/2020</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
Corporate fixed income securities	\$ 1,867,709	\$ -	\$ 1,867,709	\$ -
Certificates of deposit	900,012	900,012	-	-
U.S. government obligations	<u>2,276,846</u>	<u>1,016,473</u>	<u>1,260,373</u>	<u>-</u>
Equity securities	520,972	520,972	-	-
Mutual funds	215,597	215,597	-	-
Total investments at Fair Value	<u>\$ 5,781,136</u>	<u>\$ 2,653,054</u>	<u>\$ 3,128,082</u>	<u>\$ -</u>

Debt and equity classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued based on matrix pricing based on the securities' relationship to benchmark quoted prices.

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

Investment Type	Fair Value	Maturities in Years	
		Less than 1 year	1 - 5 years
Debt securities:			
Corporate fixed income securities	\$ 1,867,709	\$ 663,251	\$ 1,204,458
Certificates of deposit	900,012	551,202	348,810
U.S. government obligations	<u>2,276,846</u>	<u>397,095</u>	<u>1,879,751</u>
Total investments with maturities	5,044,567	<u>\$ 1,611,548</u>	<u>\$ 3,433,019</u>
<u>Other Investments</u>			
Equities	520,972		
Mutual funds	215,597		
Total Town Investments	<u>\$ 5,781,136</u>		

The following table presents the Light Department's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2019:

Investments by Fair Value Level	12/31/2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Description:				
Investments measured at the net asset value (NAV):				
External investment pool	\$ 363,986	\$ 363,986	\$ -	\$ -
Total investments at Fair Value	<u>\$ 363,986</u>	<u>\$ 363,986</u>	<u>\$ -</u>	<u>\$ -</u>

The Light Department categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

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

At year-end, the carrying amount of all the Town's deposits was \$7,596,690 and bank balance was \$8,987,306. The full bank balance was covered by either federal depository insurance or by the depositors' insurance fund.

As of June 30, 2020, the Water Department had a bank balance of \$392,852 that was subject to custodial credit risk.

At December 31, 2019 the Light Department had a bank balance was \$1,977,405 that was subject to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town's investments in United States governmental obligations are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town does not have a formal investment policy related to custodial credit risk.

Interest Rate Risk: Deposits– This is the risk that fair value losses may arise due to increasing interest rates. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Credit Risk – The Town has not adopted a formal policy related to credit risk. The Town's investments had the following ratings at year end:

<u>S&P's Rating</u>	<u>U.S. Government Obligations</u>	<u>Corporate Fixed Income</u>	<u>Certificates of Deposit</u>	<u>Total</u>
AAA	\$ -	\$ 302,286	\$ -	\$ 302,286
AA	2,276,846	241,336	-	2,518,182
A	-	979,717	-	979,717
BBB	-	344,370	-	344,370
Not rated	-	-	900,012	900,012
Total	<u>\$ 2,276,846</u>	<u>\$ 1,867,709</u>	<u>\$ 900,012</u>	<u>\$ 5,044,567</u>

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 405,899	\$ -	\$ 405,899
Tax liens	1,144,033	-	1,144,033
Motor vehicle and other excise taxes	193,515	-	193,515
Departmental and other	367,575	(91,497)	276,078
Title V loan receivables	144,330	-	144,330
Intergovernmental	426,387	-	426,387
Total	<u>\$ 2,681,739</u>	<u>\$ (91,497)</u>	<u>\$ 2,590,242</u>

Receivables as of year-end for the Town's proprietary funds (the TMLD's activity is for the year ended December 31, 2019) are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer user charges	\$ 410,470	\$ -	\$ 410,470
Sewer betterment fees	57,459	-	57,459
Water user charges	196,626	-	196,626
TMLD user charges	386,498	(72,000)	314,498
TMLD other receivable	28,808	-	28,808
Total	<u>\$ 1,079,861</u>	<u>\$ (72,000)</u>	<u>\$ 1,007,861</u>

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

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 265,085	\$ 21,515	\$ 286,600
Tax liens	1,144,033	-	1,144,033
Motor vehicle and other excise taxes	193,515	-	193,515
Departmental and other	-	420,408	420,408
Total	<u>\$ 1,602,633</u>	<u>\$ 441,923</u>	<u>\$ 2,044,556</u>

Massachusetts Clean Water Trust – The Town has entered into numerous loan agreements with the Massachusetts Clean Water Trust (MCWT). It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$60,144 and interest in the amount of \$133,964 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, a receivable totaling \$60,144 has been reported in the Sewer Enterprise Fund.

Massachusetts School Building Authority – As of June 30, 2020, the Town expects to receive \$380,049 applicable to approved eligible school construction costs from the MSBA. The amount is recorded as an intergovernmental receivable in the School Capital Projects major fund.

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

Transfers Out	Transfers In				Total
	General Fund	School Capital Project Fund	Nonmajor Governmental Funds	Sewer Enterprise	
General Fund	\$ -	\$ 75,000	\$ 171,800	\$ 184,125	\$ 430,925 (1)
Nonmajor Funds	415,976	-	13,705	-	429,681 (2)
School CP Fund	2,581	-	-	-	2,581 (3)
Total	<u>\$ 418,557</u>	<u>\$ 75,000</u>	<u>\$ 185,505</u>	<u>\$ 184,125</u>	<u>\$ 863,187</u>

- (1) Transfer to school capital for BAN paydowns, transfers to nonmajor funds for capital outlay and other purposes, transfer to sewer enterprise for operating expenses.
- (2) Transfer to general fund from Title V and Ambulance receipts to supplement operating budget.
- (3) Transfer to general fund from capital projects for interest.

Interfund transfers between the general fund and TMLD are not reflected due to the presentation of different year-ends.

D. Capital Assets

Capital asset activity for the year ended June 30, 2020 (the TMLD's activity is for the year ended December 31, 2019) is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated:				
Land	\$ 935,838	\$ -	\$ -	\$ 935,838
Construction in process	42,555,480	3,370,299	(3,783,549)	42,142,230
Total capital assets not being depreciated	43,491,318	3,370,299	(3,783,549)	43,078,068
Capital assets being depreciated:				
Buildings and improvements	3,516,158	3,972,180	-	7,488,338
Infrastructure	12,032,949	557,957	-	12,590,906
Vehicles	339,558	433,387	-	772,945
Machinery and equipment	3,847,006	277,284	-	4,124,290
Total capital assets being depreciated	19,735,671	5,240,808	-	24,976,479
Less accumulated depreciation for:				
Buildings and improvements	(2,948,134)	(78,246)	-	(3,026,380)
Infrastructure	(3,525,543)	(307,095)	-	(3,832,638)
Vehicles	(22,627)	(72,352)	-	(94,979)
Machinery and equipment	(2,889,448)	(158,591)	-	(3,048,039)
Total accumulated depreciation	(9,385,752)	(616,284)	-	(10,002,036)
Total capital assets being depreciated, net	10,349,919	4,624,524	-	14,974,443
Total governmental activities capital assets, net	\$ 53,841,237	\$ 7,994,823	\$ (3,783,549)	\$ 58,052,511
<u><i>Business-Type Activities:</i></u>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in process	3,471,496	1,330,125	(4,736,971)	64,650
Total capital assets not being depreciated	3,660,674	1,330,125	(4,736,971)	253,828
Capital assets being depreciated:				
Electric plant	19,461,527	3,133,843	(181,953)	22,413,417
Buildings and improvements	19,651	-	-	19,651
Infrastructure	28,389,900	2,411,409	(97,329)	30,703,980
Vehicles	-	42,528	-	42,528
Machinery and equipment	1,353,077	1,282	-	1,354,359
Total capital assets being depreciated	49,224,155	5,589,062	(279,282)	54,533,935
Less accumulated depreciation for:				
Electric plant	(8,895,364)	(569,990)	-	(9,465,354)
Buildings and improvements	(6,388)	(982)	-	(7,370)
Infrastructure	(15,275,020)	(493,839)	97,329	(15,671,530)
Vehicles	-	(4,253)	-	(4,253)
Machinery and equipment	(1,218,861)	(59,386)	-	(1,278,247)
Total accumulated depreciation	(25,395,633)	(1,128,450)	97,329	(26,426,754)
Total capital assets being depreciated, net	23,828,522	4,460,612	(181,953)	28,107,181
Total business-type activities capital assets, net	\$ 27,489,196	\$ 5,790,737	\$ (4,918,924)	\$ 28,361,009

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-Type Activities: Sewer</i></u>				
Capital assets not being depreciated:				
Construction in process	\$ 2,215,896	\$ -	\$ (2,215,896)	\$ -
Total capital assets not being depreciated	<u>2,215,896</u>	<u>-</u>	<u>(2,215,896)</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and improvements	19,651	-	-	19,651
Infrastructure	18,888,922	2,310,593	-	21,199,515
Machinery and equipment	709,473	-	-	709,473
Vehicles	-	42,528	-	42,528
Total capital assets being depreciated	<u>19,618,046</u>	<u>2,353,121</u>	<u>-</u>	<u>21,971,167</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,388)	(982)	-	(7,370)
Infrastructure	(12,779,356)	(304,420)	-	(13,083,776)
Machinery and equipment	(628,471)	(8,581)	-	(637,052)
Vehicles	-	(4,253)	-	(4,253)
Total accumulated depreciation	<u>(13,414,215)</u>	<u>(318,236)</u>	<u>-</u>	<u>(13,732,451)</u>
Total capital assets being depreciated, net	<u>6,203,831</u>	<u>2,034,885</u>	<u>-</u>	<u>8,238,716</u>
Total Sewer capital assets, net	<u>\$ 8,419,727</u>	<u>\$ 2,034,885</u>	<u>\$ (2,215,896)</u>	<u>\$ 8,238,716</u>
<u><i>Business-Type Activities: TMLD</i></u>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in-process	<u>1,255,600</u>	<u>1,330,125</u>	<u>(2,521,075)</u>	<u>64,650</u>
Total capital assets not being depreciated	<u>1,444,778</u>	<u>1,330,125</u>	<u>(2,521,075)</u>	<u>253,828</u>
Capital assets being depreciated:				
Production plant	4,023,430	-	-	4,023,430
Distribution plant	11,290,467	3,075,950	-	14,366,417
General plant	<u>4,147,630</u>	<u>57,893</u>	<u>(181,953)</u>	<u>4,023,570</u>
Total capital assets being depreciated	<u>19,461,527</u>	<u>3,133,843</u>	<u>(181,953)</u>	<u>22,413,417</u>
Less accumulated depreciation for:				
Production plant	(1,021,056)	(106,418)	-	(1,127,474)
Distribution plant	(5,793,975)	(339,144)	-	(6,133,119)
General plant	<u>(2,080,333)</u>	<u>(124,428)</u>	<u>-</u>	<u>(2,204,761)</u>
Total accumulated depreciation	<u>(8,895,364)</u>	<u>(569,990)</u>	<u>-</u>	<u>(9,465,354)</u>
Total capital assets being depreciated, net	<u>10,566,163</u>	<u>2,563,853</u>	<u>(181,953)</u>	<u>12,948,063</u>
Total TMLD capital assets, net	<u>\$ 12,010,941</u>	<u>\$ 3,893,978</u>	<u>\$ (2,703,028)</u>	<u>\$ 13,201,891</u>

<u>Business-type Activities: Water</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Infrastructure	\$ 9,500,978	\$ 100,816	\$ (97,329)	\$ 9,504,465
Machinery and equipment	643,604	1,282	-	644,886
Total capital assets being depreciated	10,144,582	102,098	(97,329)	10,149,351
Less accumulated depreciation for:				
Infrastructure	(2,495,664)	(189,419)	97,329	(2,587,754)
Machinery and equipment	(590,390)	(50,805)	-	(641,195)
Total accumulated depreciation	(3,086,054)	(240,224)	97,329	(3,228,949)
Total capital assets being depreciated, net	7,058,528	(138,126)	-	6,920,402
Total Water capital assets, net	\$ 7,058,528	\$ (138,126)	\$ -	\$ 6,920,402

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 13,116	Sewer	\$ 318,236
Public safety	180,645	Water	240,224
Public works	404,805	TMLD	569,990
Health and human services	15,966		<u>\$ 1,128,450</u>
Culture and recreation	1,752		
	<u>\$ 616,284</u>		

E. Purchased Power Working Capital

The TMLD is a member and participant of the Massachusetts Municipal Wholesale Electric Company ("MMWEC"). The purchased power working capital is an amount held by MMWEC as an escrow. The purchased power working capital fund is replenished as needed from the TMLD's monthly invoice payments. The income earned from the purchased power working capital fund applicable to the TMLD's deposit is applied as a credit to MMWEC's power sales billings. The balance in the fund as of December 31, 2019 is \$1,161,699.

F. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and generally carry maturity dates of less than one year and are interest bearing and will be paid through future issuance of general obligation bonds.

The Town's temporary borrowing activity for fiscal year 2020 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
<u>Governmental Activities:</u>						
BAN	3.00%	matured	\$ 4,000,000	\$ -	\$ (4,000,000)	\$ -
BAN	2.65%	matured	5,000,000	-	(5,000,000)	-
BAN	3.00%	matured	4,000,000	-	(4,000,000)	-
BAN	2.15%	matured	-	2,300,000	(2,300,000)	-
BAN	2.25%	matured	-	8,750,000	(8,750,000)	-
BAN	2.00%	02/26/21	-	3,675,000		3,675,000
Total Governmental Notes			13,000,000	14,725,000	(24,050,000)	3,675,000
<u>Business-Type Activities:</u>						
BAN	2.70%	matured	2,300,000	-	(2,300,000)	-
Total Business-Type Notes			2,300,000	-	(2,300,000)	-
Total Short Term Notes Payable			<u>\$ 15,300,000</u>	<u>\$ 14,725,000</u>	<u>\$ (26,350,000)</u>	<u>\$ 3,675,000</u>

Short-term (BANs) issued for Governmental Funds were used for School Building Construction.

G. Long-term Obligations

Bond and Note Indebtedness - The Town issues general obligation bonds and notes to provide funds for acquisition and construction of major capital facilities and equipment. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, the Town may authorize debt in excess of that limit for specific purposes; such as debt when issued is designated as being "outside the debt limit".

The following reflects the current year activity (the TMLD's activity is for the year ended December 31, 2019) in the long-term liability accounts:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<u><i>Governmental Activities:</i></u>					
Bond and note indebtedness	\$ 12,195,000	\$ 8,655,000	\$ (295,000)	\$ 20,555,000	\$ 525,000
Unamortized bond premiums	302,235	524,845	(21,003)	806,077	60,318
Notes from direct borrowings and placements	384,630	-	(38,476)	346,154	38,476
Capital lease obligations	487,480	324,827	(224,696)	587,611	170,004
Compensated absences	34,000	310,706	(8,500)	336,206	84,052
Landfill closure	218,000	-	(21,000)	197,000	21,000
Net pension liability	8,651,352	1,244,698	(1,495,351)	8,400,699	-
Net other postemployment benefits liability	7,587,084	789,580	(3,705,934)	4,670,730	-
Total Governmental Activities	<u>\$ 29,859,781</u>	<u>\$ 11,849,656</u>	<u>\$ (5,809,960)</u>	<u>\$ 35,899,477</u>	<u>\$ 898,850</u>
<u><i>Business-Type Activities - Sewer:</i></u>					
Bond and note indebtedness	\$ 120,000	\$ -	\$ (30,000)	\$ 90,000	\$ 30,000
Notes from direct borrowings and placements	2,262,915	1,725,000	(519,285)	3,468,630	369,563
Compensated absences	-	36,133	-	36,133	9,033
Net pension liability	952,784	137,080	(164,685)	925,179	-
Net other postemployment benefits liability	895,459	2,084	(398,501)	499,042	-
Total Sewer	<u>4,231,158</u>	<u>1,900,297</u>	<u>(1,112,471)</u>	<u>5,018,984</u>	<u>408,596</u>
<u><i>Business-Type Activities - Water:</i></u>					
Bond and note indebtedness	1,680,000	-	(305,000)	1,375,000	305,000
Notes from direct borrowings and placements	1,065,697	-	(58,297)	1,007,400	58,297
Compensated absences	18,738	6,973	-	25,711	-
Net pension liability	777,958	-	(39,443)	738,515	-
Net other postemployment benefits liability	754,418	-	(149,011)	605,407	-
Total Water	<u>4,296,811</u>	<u>6,973</u>	<u>(551,751)</u>	<u>3,752,033</u>	<u>363,297</u>
<u><i>Business-Type Activities - TMLD:</i></u>					
Notes from direct borrowings and placements	793,500	835,479	(132,250)	1,496,729	211,975
Compensated absences	16,604	3,116	-	19,720	1,135
Net pension liability	2,346,111	287,652	-	2,633,763	-
Net other postemployment benefits liability	751,588	107,629	-	859,217	-
Total TMLD	<u>3,907,803</u>	<u>1,233,876</u>	<u>(132,250)</u>	<u>5,009,429</u>	<u>213,110</u>
Total Business-Type Activities	<u>\$ 12,435,772</u>	<u>\$ 3,141,146</u>	<u>\$ (1,796,472)</u>	<u>\$ 13,780,446</u>	<u>\$ 985,003</u>
Total Long-term Obligations	<u>\$ 42,295,553</u>	<u>\$ 14,990,802</u>	<u>\$ (7,606,432)</u>	<u>\$ 49,679,923</u>	<u>\$ 1,883,853</u>

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

The following is a summary of outstanding long-term obligations as of June 30, 2020 (the TMLD's activity is for the year ended December 31, 2019):

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	3.0 - 5.0%	\$ 12,195,000	\$ 8,655,000	\$ (295,000)	\$ 20,555,000
MCWT notes payable	0 - 5.125%	384,630	-	(38,476)	346,154
Total Governmental Activities		\$ 12,579,630	\$ 8,655,000	\$ (333,476)	\$ 20,901,154
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.6 - 4.0%	\$ 120,000	\$ -	\$ (30,000)	\$ 90,000
USDA Rural Utilities Loan	2.25%	-	1,725,000	-	1,725,000
MCWT notes payable	0 - 5.75%	2,262,915	-	(519,285)	1,743,630
Total Sewer Activities		2,382,915	1,725,000	(549,285)	3,558,630
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.6 - 4.75 %	1,680,000	-	(305,000)	1,375,000
USDA Rural Utilities Loan	2.25%	1,065,697	-	(58,297)	1,007,400
Total Water Activities		2,745,697	-	(363,297)	2,382,400
<i>Business-Type Activities - TMLD</i>					
Battery storage - direct borrowing	3.20%	-	835,479	-	835,479
Clean Renewable Energy Bond	2%	793,500	-	(132,250)	661,250
Total TMLD Activities		793,500	835,479	(132,250)	1,496,729
Total Business-Type Activities		\$ 5,922,112	\$ 2,560,479	\$ (1,044,832)	\$ 7,437,759

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

Project	Amount
<i>Governmental:</i>	
School building renovations	\$ 7,257,883
Total Authorized and Unissued	\$ 7,257,883

Payments on outstanding general obligation bonds and notes payable due in future years consist of the following:

<i>Governmental Activities</i>							
Year Ending June 30,	Principal			Interest			Total
	General Obligation	Direct Borrowings	Total Principal	General Obligation	Direct Borrowings	Total Interest	
2021	\$ 525,000	\$ 38,476	\$ 563,476	\$ 712,264	\$ 1,440	\$ 713,704	\$ 1,277,180
2022	535,000	38,476	573,476	694,044	1,028	695,072	1,268,548
2023	570,000	38,476	608,476	667,292	617	667,909	1,276,385
2024	590,000	38,476	628,476	638,793	206	638,999	1,267,475
2025	620,000	30,250	650,250	616,944	-	616,944	1,267,194
2026-200	3,535,000	131,250	3,666,250	2,636,320	-	2,636,320	6,302,570
2031-2035	4,265,000	30,750	4,295,750	1,903,470	-	1,903,470	6,199,220
2036-2040	4,925,000	-	4,925,000	1,237,101	-	1,237,101	6,162,101
2041-2045	4,990,000	-	4,990,000	423,813	-	423,813	5,413,813
Total	<u>\$ 20,555,000</u>	<u>\$ 346,154</u>	<u>\$ 20,901,154</u>	<u>\$ 9,530,041</u>	<u>\$ 3,291</u>	<u>\$ 9,533,332</u>	<u>\$ 30,434,486</u>
<i>Business-Type Activities - Sewer</i>							
2021	\$ 30,000	\$ 369,563	\$ 399,563	\$ 3,526	\$ 106,691	\$ 110,217	\$ 509,780
2022	30,000	384,298	414,298	2,370	89,520	91,890	506,188
2023	30,000	394,121	424,121	1,200	70,888	72,088	496,209
2024	-	408,856	408,856	-	51,301	51,301	460,157
2025	-	413,767	413,767	-	34,727	34,727	448,494
2026-2030	-	226,975	226,975	-	158,314	158,314	385,289
2031-2035	-	226,975	226,975	-	132,779	132,779	359,754
2036-2040	-	226,975	226,975	-	107,245	107,245	334,220
2041-2045	-	226,975	226,975	-	81,710	81,710	308,685
2046-2050	-	226,975	226,975	-	56,175	56,175	283,150
2051-2055	-	226,975	226,975	-	30,640	30,640	257,615
2056-2058	-	136,175	136,175	-	6,128	6,128	142,303
	<u>\$ 90,000</u>	<u>\$ 3,468,630</u>	<u>\$ 3,558,630</u>	<u>\$ 7,096</u>	<u>\$ 926,118</u>	<u>\$ 933,214</u>	<u>\$ 4,491,844</u>
<i>Business-Type Activities - Water</i>							
2021	\$ 305,000	\$ 58,297	\$ 363,297	\$ 52,225	\$ 27,592	\$ 79,817	\$ 443,114
2022	305,000	58,297	363,297	40,310	26,082	66,392	429,689
2023	305,000	58,297	363,297	28,300	24,575	52,875	416,172
2024	115,000	58,297	173,297	16,100	23,066	39,166	212,463
2025	115,000	58,297	173,297	11,500	21,557	33,057	206,354
2026-2030	230,000	291,485	521,485	9,200	85,255	94,455	615,940
2031-2035	-	291,485	291,485	-	47,437	47,437	338,922
2036-2040	-	132,945	132,945	-	22,219	22,219	155,164
	<u>\$ 1,375,000</u>	<u>\$ 1,007,400</u>	<u>\$ 2,382,400</u>	<u>\$ 157,635</u>	<u>\$ 277,783</u>	<u>\$ 435,418</u>	<u>\$ 2,817,818</u>
<i>Business-Type Activities - TMLD</i>							
Year Ending December 31,	Principal			Interest			Total
	General Obligation	Direct Borrowings	Total Principal	General Obligation	Direct Borrowings	Total Interest	
2020	\$ -	\$ 211,975	\$ 211,975	\$ -	\$ 38,986	\$ 38,986	\$ 250,961
2021	-	214,560	214,560	-	33,711	33,711	248,271
2022	-	217,230	217,230	-	28,352	28,352	245,582
2023	-	219,986	219,986	-	22,907	22,907	242,893
2024	-	222,832	222,832	-	17,373	17,373	240,205
2025-2029	-	410,146	410,146	-	28,460	28,460	438,606
	<u>\$ -</u>	<u>\$ 1,496,729</u>	<u>\$ 1,496,729</u>	<u>\$ -</u>	<u>\$ 169,789</u>	<u>\$ 169,789</u>	<u>\$ 1,666,518</u>

MCWT Loan Subsidies – As previously noted in Note I. B., the Town has entered into loan agreements with the MCWT. It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$60,144 and interest in the amount of \$133,964 until the maturity of these agreements.

H. Capital Leases

The Town has entered into non-cancelable leases for the purchases of vehicles and equipment. These long-term leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

<u>Asset Description</u>	<u>Amount</u>
One Ton Pickup	\$ 86,361
Police Cruiser	31,980
Fire Engine	503,139
Ambulance	324,827
Less accumulated depreciation	<u>(119,812)</u>
Net carrying value	<u>\$ 826,495</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 190,500
2022	148,500
2023	148,500
2024	<u>148,500</u>
Total minimum lease payments	636,000
Less amount representing interest	<u>(48,389)</u>
Present value of minimum lease payments	<u>\$ 587,611</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Worcester County Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of Massachusetts General Laws. The System is administered by the Worcester Regional Retirement Board (the “Board”). Stand-alone financial statements for the year ended December 31, 2018 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Membership – Membership in the System as of December 31, 2019 was as follows:

Retirees and beneficiaries currently receiving benefits	3,802
Active plan members	7,024
Inactive plan members	2,247
Total	<u>13,073</u>
Number of employers	99

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

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

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

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

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

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

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

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified

in sections or provisions of such laws. There were no significant changes to the System's benefit terms in fiscal year 2020. There were no material changes made in this update to the actuarial assumptions (see below).

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

The Town (including the TMLD) contributed \$797,870 to the Retirement System in fiscal year 2020, which equaled the actuarially determined contribution requirement for the fiscal year. However, this does not equal the amount recorded because the Light Department uses a year earlier measurement period. Contributions as a percentage of covered payroll was approximately 22.3% in fiscal year 2020.

Net Pension Liability – At June 30, 2020, the Town proportionate share of the net pension liability was \$11,644,176 however this does not equal the amount recorded because the Light Department uses a year earlier measurement period. The net pension liability was measured as of January 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2019. There were no material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town and TMLD's proportion were approximately 1.31% and 1.32% respectively at December 31, 2019 and 2018.

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

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

Pension Expense – The Town recognized \$1,005,981 in pension expense in the statement of activities in fiscal year 2020. This does not agree to the amount calculated by the actuary because the Light Department uses a year earlier measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions in its governmental activities and sewer enterprise fund from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,386	\$ 55,874
Net differences between projected and actual earnings on pension plan investments	-	256,151
Changes of assumptions	521,243	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	28,837	485,228
Total	<u>\$ 577,465</u>	<u>\$ 797,253</u>

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

<u>Year ended June 30,</u>	
2021	\$ (156,395)
2022	36,008
2023	(709)
2024	(112,042)
2025	13,351
Total	<u>\$ (219,788)</u>

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,169	\$ 4,425
Net differences between projected and actual earnings on pension plan investments	-	20,285
Changes of assumptions	41,277	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,283	38,424
Total	<u>\$ 45,729</u>	<u>\$ 63,134</u>

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

<u>Year ended June 30,</u>		
2021	\$	(12,385)
2022		2,852
2023		(56)
2024		(8,873)
2025		1,057
Total	\$	<u>(17,405)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2019, the Light Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,674	\$ 19,525
Net differences between projected and actual earnings on pension plan investments	99,090	-
Changes of assumptions	163,652	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,523	203,750
Cotributions made subsequent to measurement date	334,222	-
Total	<u>\$ 619,161</u>	<u>\$ 223,275</u>

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

<u>Year ended December 31</u>		
2020	\$	343,468
2021		(13,435)
2022		39,069
2023		28,881
2024		(2,097)
Total	\$	<u>395,886</u>

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2019. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

Actuarial cost method	Entry Age Normal
Amortization method	Increasing dollar amount at 4%. Annual increase in appropriation is further limited to 9.95%
Remaining amortization period	16 years (2035), except for the 2002 and 2003 ERI which are 9 years (2028) and 2010 ERI which is 3 years (2020)
Asset valuation method	5-year smoothed market value
Investment rate of return / discount rate	7.65%, net of pension plan investment expense, including inflation
Projected salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Inflation rate	3.4%
Mortality rates:	
Healthy retiree	RP-2000 Mortality Table base year 2009) with full generational mortality improvement using Scale BB.
Disabled retiree	RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System’s target allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	39%	4.75%
Fixed income	23%	2.28%
Private equity	13%	8.15%
Real Estate	10%	3.43%
Timber/Natural Resources	4%	4.00%
Hedge Funds	11%	3.76%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2018 actuarial valuation report was 7.65%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate.

Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.65% as well as the proportionate share of the net pension liability using a discount rate that is one percentage point lower, or one percentage point higher than the current rate:

	Current Discount 7.65%	1% Decrease \$ 14,233,332	Current \$ 11,664,176	1% Increase \$ 9,494,597
Town proportionate share of net pension liability				

The net pension liability in the sensitivity analysis does not agree to the aggregate net pension liabilities recorded in the financial statements due to the Light Department recording its liability based on a measurement date that was a year earlier.

B. Other Postemployment Benefits

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

An employee hired before April 2, 2012 shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service or shall be eligible if able to retire with 20 years of service regardless of age. Those hired on or after April 2, 2012 shall be eligible to retire upon attainment of age 60 with 10 years of creditable service.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program, currently Blue Cross Blue Shield of New England. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2020 (December 31, 2019 for the Light Department):

	Inactive employees or beneficiaries receiving benefits	Active employees	Total
Town	35	33	68
Sewer	4	7	11
Water	2	6	8
Light	9	10	19
Total	50	56	106

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contributed 28% of the set premium for medical, dental and life insurance during fiscal 2020 and contribution rates increase by 1% at every renewal rate until reaching 35% in 2026. The remainder of the cost is funded from taxation and user rates from the enterprise funds effected.

The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town.

For the year ended June 30, 2020, the average contribution rates of covered-employee payroll were 10.9%. The Light Department December 31, 2019 amounts are blended into this rate.

Net OPEB Liability – The Town’s net OPEB liability was measured as of July 1, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

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

Investment rate of return	6.80%, net of OPEB plan investment expense, 6.24% for water and light including inflation.
Municipal bond rate	2.79% as of June 30, 2020
Single Equivalent Discount Rate	5.0% Town; 6.0% sewer; 6.0% water and 5.5% light net of OPEB plan investment expense including inflation. Using a blend of the Municipal Bond Index Rate for unfunded periods and the Investment Rate of Return.
Inflation	2.75% annually
Health Care Trend Rate	5.00% for Town, sewer, and light; 4.5% for water
Salary Increases	3.00% annually
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Key assumption changes effective Fiscal Year ending June 30, 2020

Single Equivalent Discount Rate Town Discount rate increases from 4.0% to 5.0%

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
Domestic Equity - Large Cap	19.00%	4.80%
Domestic Equity - Small/Mid Cap	18.25%	5.29%
International Equity - Developed Market	15.25%	5.45%
International Equity - Emerging Market	7.50%	6.42%
Domestic Fixed Income	30.50%	2.05%
International Fixed Income	0.00%	3.00%
Alternatives	7.75%	6.50%
Cash	1.75%	0.00%
	<u>100.00%</u>	

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

Net OPEB Liability	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Town	5.00%	\$5,387,850	\$4,670,730	\$ 4,096,401
Sewer	6.00%	571,939	499,042	436,183
Water	6.00%	702,423	605,407	525,797
Light	5.50%	1,086,007	859,217	681,717
Total		<u>\$7,748,219</u>	<u>\$6,634,396</u>	<u>\$ 5,740,098</u>

Net OPEB Liability	Health Care Rate			
	Current Rate	1% lower	Current	1% greater
Town	5.00%	\$4,112,235	\$4,670,730	\$ 5,356,488
Sewer	5.00%	433,938	499,042	578,601
Water	4.50%	519,886	605,407	710,543
Light	5.00%	620,858	859,217	1,173,943
Total		<u>\$5,686,917</u>	<u>\$6,634,396</u>	<u>\$ 7,819,575</u>

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2020 (except that the Light department is as of December 31, 2019):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 10,500,807	\$ 512,258	\$ 9,988,549
Changes for the year:			
Service cost	182,837	-	182,837
Interest	480,617	-	480,617
Change in assumptions	(1,873,514)	-	(1,873,514)
Difference between expected and actual	(1,703,270)	-	(1,703,270)
Employer contributions	-	377,326	(377,326)
Benefit payments withdrawn from trust	-	(290,687)	290,687
Net investment income	-	63,497	(63,497)
Benefit payments	(290,687)	-	(290,687)
Net changes	(3,204,017)	150,136	(3,354,153)
Balances at June 30, 2020	\$ 7,296,790	\$ 662,394	\$ 6,634,396

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2020 (December 31, 2019 for the Light Department) OPEB expense was \$250,082 and deferred inflows and outflows are reflected as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 885,515	\$ 1,873,624
Differences between expected and actual experience	-	1,606,020
Differences between projected and actual earnings on investments	8,738	12,467
	\$ 894,253	\$ 3,492,111

Deferred inflows and outflows are amortized to expense as follows:

June 30	
2020	\$ (624,158)
2021	(624,158)
2022	(605,350)
2023	(775,679)
2024	10,079
thereafter	21,408
	\$ (2,597,858)

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

Investment Policy – The OPEB Plan does not have a formal investment policy at this time. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2020 (December 31, 2019 for TMLD) the annual money-weighted rate of return on investments, net of investment expense, was 2.72% for the Town, less than 2.34% for the Sewer Department, 4.51% for the water Department and negative 18.77% for TMLD. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability – The components of the net OPEB liability of the Town at June 30, 2020 (December 31, 2019 for TMLD) were as follows:

	Component				Total
	Town	Sewer	Water	Light	
Total OPEB Liability	\$ 4,837,089	\$ 552,288	\$ 684,210	\$ 1,223,203	\$ 7,296,790
Plan fiduciary net position	166,359	53,246	78,803	363,986	\$ 662,394
Net OPEB liability	<u>\$ 4,670,730</u>	<u>\$ 499,042</u>	<u>\$ 605,407</u>	<u>\$ 859,217</u>	<u>\$ 6,634,396</u>
	3.4%	9.6%	11.5%	29.8%	9.1%

C. Risk Financing

The Town is exposed to various risks of loss related to general liability; 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.

D. Commitments and Contingencies

General – During its day-to-day operations, the Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2020, cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2020.

Appellate Tax Board – Generally the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). At June 30, 2020, there were zero pending cases in ATB.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, would not have a material effect on its financial condition.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

MMWEC Participation – The TMLD is a participant in certain projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a public corporation and a political subdivision of the Commonwealth, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (“Projects”). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix One project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for Millstone Unit 3 extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 3.7% interest in W.F. Wyman Unit No. 4 plant, which is owned and operated by its majority owner, FPL Energy Wyman IV, LLC.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Department has entered into PSAs with MMWEC. Under the PSAs, the Department is required to make certain payments to MMWEC solely from Department revenues. Among other things, PSAs require each Project Participant to pay its pro rata share of MMWEC’s costs related to the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants may be required to increase (step-up) their payments and correspondingly their Participant’s share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs. Under the PSAs each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. The Seabrook and Millstone Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the Act has been renewed several times. In July, 2005, Congress extended the Act until the end of 2025.

At December 31, 2019, MMWEC has no debt service obligations outstanding relating to the Projects. MMWEC is involved in various legal actions, the outcome of which, in the opinion of MMWEC management, will not have a material effect on the financial position of MMWEC.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses discussed above) associated with the Department's Project Capability of the Projects in which it participates was \$26,058,552 for the year ended December 31, 2019.

Berkshire Wind Cooperative – The TMLD is a member of the Berkshire Wind Cooperation Corporation (the “Cooperative”).

The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 14 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

The Berkshire Wind Facility is comprised of two Phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines which have been commercially operating since 2011, and Phase 2 is comprised of two 2.3-megawatt wind turbines which began commercial operations in November 2019.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility and its *pro rata* share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount. Additionally, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility.

The total capital expenditures, debt service and operation and maintenance (O&M) costs associated with the Plant's *pro rata* share of the Phases in which it participates for the year ended December 31, 2019 are listed in the table below:

Phase	Percentage Share	Total Capital Expenditures	Debt Service Billed	Operations & Maintenance Billed
Berkshire Phase 1	5.484%	\$ 3,002,672	\$ 269,247	\$ 80,775

The estimated aggregate amount of the required payments for future years for the TMLD's pro rata share of the Phases in which it participates is shown below:

<u>For Years Ending December 31,</u>	
2020	\$ 265,453
2021	265,371
2022	265,453
2023	265,398
2024	265,741
2025 - 2029	1,327,334
2030 - 2033	265,453
Total	<u>\$ 2,920,203</u>

E. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$197,000 has been recorded as a governmental activity's liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

IV. Implementation of New GASB Pronouncements

Current Year Implementations

None.

Future Year Implementations

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

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

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal

year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet

the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. Restatement

The beginning net position of the TMLD at January 1, 2019 was restated to recognize its Rate Stabilization fund. As a result, the beginning net position of the TMLD increased from \$9,032,290 to \$9,925,371 and the beginning net position of the business-type activities increased from \$16,776,938 to \$17,670,019.

TOWN OF TEMPLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2020

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

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	1.31%	1.32%	1.32%	1.37%	1.36%	1.73%
Town's proportionate share of the net pension liability (asset)	\$ 11,664,176	\$ 12,012,202	\$ 10,758,199	\$ 11,442,390	\$ 9,665,159	\$ 10,271,629
Town's covered-employee payroll	\$ 3,579,056	\$ 3,594,982	\$ 3,379,162	\$ 3,418,702	\$ 3,497,074	\$ 3,362,571
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	325.9%	334.1%	318.4%	334.7%	276.4%	305.5%
Plan fiduciary net position as a percentage of the total pension liability	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 797,870	\$ 737,540	\$ 667,573	\$ 663,582	\$ 612,557	\$ 682,149
Contributions in relation to the actuarially determined contribution	797,870	737,540	667,573	663,582	612,557	682,149
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 3,579,056	\$ 3,594,982	\$ 3,379,162	\$ 3,418,702	\$ 3,497,074	\$ 3,362,571
Contributions as a percentage of covered-employee payroll	22.3%	20.5%	19.8%	19.4%	17.5%	20.3%

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

See accompanying independent auditor's report.

TOWN OF TEMPLETON, MASSACHUSETTS

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	June 30		
	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 182,837	\$ 341,167	\$ 288,900
Interest	480,617	483,837	472,066
Differences between expected and actual experience	(1,703,270)	(3,396)	(833,857)
Changes of assumptions	(1,873,514)	867,112	-
Benefit payments	(290,687)	(258,191)	(381,968)
Net change in total OPEB liability	(3,204,017)	1,430,529	(454,859)
Total OPEB liability - beginning of year	10,500,307	9,069,778	9,524,637
Total OPEB liability - end of year (a)	<u>\$ 7,296,290</u>	<u>\$ 10,500,307</u>	<u>\$ 9,069,778</u>
Plan fiduciary net position:			
Contributions - employer	\$ 377,326	\$ 397,872	\$ 570,588
Net investment income	63,498	(1,534)	31,509
Benefit payments	(290,687)	(258,191)	(381,968)
Net change in Plan fiduciary net position	150,137	138,147	220,129
Plan fiduciary net position - beginning of year	512,258	374,111	153,982
Plan fiduciary net position - end of year (b)	<u>\$ 662,395</u>	<u>\$ 512,258</u>	<u>\$ 374,111</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 6,633,895</u>	<u>\$ 9,988,049</u>	<u>\$ 8,695,667</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.08%	4.88%	4.12%
Covered-employee payroll	\$ 3,453,446	\$ 3,257,410	\$ 3,082,121
Net OPEB liability as a percentage of covered-employee payroll	192.09%	306.63%	282.13%

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

See independent auditors' report.

TOWN OF TEMPLETON, MASSACHUSETTS

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

SCHEDULE OF CONTRIBUTIONS

	June 30		
	2020	2019	2018
Actuarially-determined contribution	\$ 604,776	\$ 930,416	\$ 846,863
Contributions in relation to the actuarially-determined contribution	(377,326)	(397,872)	(545,832)
Contribution deficiency (excess)	<u>\$ 227,450</u>	<u>\$ 532,544</u>	<u>\$ 301,031</u>
Covered-employee payroll	\$ 3,453,446	\$ 3,257,410	\$ 3,082,121
Contribution as a percentage of covered-employee payroll	10.9%	12.2%	17.7%
Valuation Date	July 1, 2019		
Actuarial Cost Method	Individual Entry Age Normal		
Amortization Period	30 years		
Asset Valuation Method	Market Value of Assets as of Reporting Date		
Investment rate of return	6.80%		
Municipal Bond Rate	2.79%		
Single Equivalent Discount Rate	5.00%		
Inflation	2.75%		
Healthcare cost trend rates	5.00%		
Salary increases	3.00%		

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

	June 30		
	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	2.72%	7.39%	0.00%

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

See independent auditors' report.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Positive
	Budget	Budget	Amounts		Adjusted	(Negative)
Revenues:						
Real estate and personal property	\$ 11,776,164	\$ 11,776,164	\$ 11,722,580		\$ 11,722,580	\$ (53,584)
Intergovernmental	1,710,429	1,710,429	1,668,732		1,668,732	(41,697)
Motor vehicle and other excises	1,067,000	1,067,000	1,199,277		1,199,277	132,277
Licenses and permits	133,000	133,000	173,402		173,402	40,402
Departmental and other revenue	417,500	417,500	455,388		455,388	37,888
Penalties and interest	87,500	87,500	70,459		70,459	(17,041)
Fines and forfeitures	52,750	52,750	54,798		54,798	2,048
Investment income	12,500	12,500	116,951		116,951	104,451
Total Revenues	15,256,843	15,256,843	15,461,587	-	15,461,587	204,744
Expenditures:						
General government	1,231,882	1,172,480	963,518	132,044	1,095,562	76,918
Public safety	2,559,910	2,600,300	2,450,773	50,824	2,501,597	98,703
Education	7,271,346	7,342,668	7,322,365	6,765	7,329,130	13,538
Public works	1,675,884	1,865,173	1,585,349	259,444	1,844,793	20,380
Health and human services	279,958	279,698	184,636	27,275	211,911	67,787
Culture and recreation	111,589	129,092	89,095	10,038	99,133	29,959
Fringe and pension benefits	2,445,000	2,362,480	2,221,176	-	2,221,176	141,304
State and county tax assessments	54,328	54,328	54,328	-	54,328	-
Debt service	2,590,147	2,632,647	2,486,423	-	2,486,423	146,224
Total Expenditures	18,220,044	18,438,866	17,357,663	486,390	17,844,053	594,813
Other Financing Sources (Uses):						
Transfers in	1,858,768	1,858,768	1,860,307		1,860,307	1,539
Transfers out	(170,000)	(170,000)	(170,000)		(170,000)	-
Total Other Financing Sources (Uses)	1,688,768	1,688,768	1,690,307		1,690,307	1,539
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(1,274,433)	(1,493,255)	(205,769)		(692,159)	801,096
Other Budgetary Items:						
Prior year encumbrances	709,611	709,611				
Free cash	584,500	803,322				
Other	(19,678)	(19,678)				
Total Other Budgetary Items	1,274,433	1,493,255				
Net Budget	\$ -	\$ -				

See accompanying independent auditors' report.

See notes to the required supplementary information of this schedule.

TOWN OF TEMPLETON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and each enterprise fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved by Town Meeting. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

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

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 15,461,587
Change in recording tax revenues	\$ 119,299	\$ -	119,299
Stabilization interest	-	18,845	18,845
Revenues on a GAAP basis	<u>\$ 119,299</u>	<u>\$ 18,845</u>	<u>\$ 15,599,731</u>
Expenditures on a budgetary basis			\$ 17,357,663
Paydowns of BANs	\$ (75,000)	\$ -	(75,000)
Reclass of enterprise indirect costs to expenditures	(1,797,675)	-	(1,797,675)
Expenditures on a GAAP basis	<u>\$ (1,872,675)</u>	<u>\$ -</u>	<u>\$ 15,484,988</u>
Other financing sources (uses) on a budgetary basis			\$ 1,690,307
Reclass of enterprise indirect costs to expenditures	\$ (1,797,675)	\$ -	(1,797,675)
Paydowns of BANs	(75,000)	-	(75,000)
Stabilization transfers	-	170,000	170,000
Other financing sources (uses) on a GAAP basis	<u>\$ (1,872,675)</u>	<u>\$ 170,000</u>	<u>\$ (12,368)</u>

Appropriation Deficits – During fiscal year 2020, there were no appropriation deficits.