



## **TOWN OF TOWNSEND, MASSACHUSETTS**

Annual Financial Statements  
For the Year Ended June 30, 2020

(With Independent Auditor's Report Thereon)

## CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
<b>Proprietary Funds:</b>	
Statement of Net Position	17
Statement of Revenues, Expenses, and Changes in Fund Net Position	18
Statement of Cash Flows	19
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
<b>Notes to Financial Statements</b>	22

**REQUIRED SUPPLEMENTARY INFORMATION:**

**Budget and Actual:**

Schedule of Revenues, Expenditures, and Other Financing Sources and Uses – Budget and Actual – General Fund	50
Notes to Required Supplementary Information for Budget	51

**Pension:**

Schedule of Proportionate Share of the Net Pension Liability	52
Schedule of Pension Contributions	53



## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Townsend, 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 Townsend, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

---

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

800.282.2440 | [melansoncpas.com](http://melansoncpas.com)



entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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

### **Other Matters**

#### ***Required Supplementary Information***

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

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

Andover, Massachusetts  
March 11, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, sanitation, health and human services, culture and recreation, interest on long-term debt, and intergovernmental expenses. The business-type activities include water operations.

#### ***Fund Financial Statements***

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

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town'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 Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds***

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

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. The Town uses one enterprise fund to account for water operations, which is considered to be a major fund.

***Fiduciary Funds***

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

***Notes to Financial Statements***

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

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

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

## Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$24,370,918, a change of \$(1,539,154), and net position in business-type activities was \$4,776,624, a change of \$(255,099).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,637,089, a change of \$(685,794), or (10.85)%, in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,725,518, a change of \$(323,977), or (15.81)%, in comparison to the prior year.

## Government-Wide Financial Analysis

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

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 7,841,440	\$ 8,264,325	\$ 1,943,498	\$ 2,959,762	\$ 9,784,938	\$ 11,224,087
Capital assets	<u>29,784,230</u>	<u>30,695,786</u>	<u>5,149,124</u>	<u>4,328,880</u>	<u>34,933,354</u>	<u>35,024,666</u>
Total Assets	37,625,670	38,960,111	7,092,622	7,288,642	44,718,292	46,248,753
Deferred outflows of resources	1,303,687	1,683,628	81,446	105,182	1,385,133	1,788,810
Liabilities						
Long-term liabilities	12,647,058	13,555,148	1,166,583	1,292,370	13,813,641	14,847,518
Other liabilities	<u>748,001</u>	<u>593,823</u>	<u>1,158,181</u>	<u>1,033,202</u>	<u>1,906,182</u>	<u>1,627,025</u>
Total Liabilities	13,395,059	14,148,971	2,324,764	2,325,572	15,719,823	16,474,543
Deferred inflows of resources	1,163,380	584,696	72,680	36,529	1,236,060	621,225
Net investment in capital assets	26,811,600	27,510,228	3,681,265	3,515,994	30,492,865	31,026,222
Restricted	3,271,905	3,337,854	-	-	3,271,905	3,337,854
Unrestricted	<u>(5,712,587)</u>	<u>(4,938,010)</u>	<u>1,095,359</u>	<u>1,515,729</u>	<u>(4,617,228)</u>	<u>(3,422,281)</u>
Total Net Position	<u>\$ 24,370,918</u>	<u>\$ 25,910,072</u>	<u>\$ 4,776,624</u>	<u>\$ 5,031,723</u>	<u>\$ 29,147,542</u>	<u>\$ 30,941,795</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$29,147,542, a change of \$(1,794,253), or (5.80)% in comparison to the prior year.

The largest portion of net position, \$30,492,865, reflects our investment in capital assets (e.g., buildings and improvements, capital improvements, machinery, equipment, and furnishings, vehicles, library books, infrastructure, land, art and historical treasures, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$3,271,905, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(4,617,228) primarily resulting from the Town's unfunded net pension liability.

The following is a summary of condensed government-wide statement of changes in net position financial data for the current and prior fiscal years:

	CHANGES IN NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,315,397	\$ 1,472,461	\$ 1,058,050	\$ 1,054,363	\$ 2,373,447	\$ 2,526,824
Operating grants and contributions	437,942	403,058	-	-	437,942	403,058
Capital grants and contributions	748,251	495	-	-	748,251	495
General revenues:						
Property taxes	18,723,452	18,067,608	-	-	18,723,452	18,067,608
Excises	1,402,487	1,411,523	-	-	1,402,487	1,411,523
Penalties, interest, and other taxes	83,416	134,763	-	-	83,416	134,763
Grants and contributions not restricted to specific programs	1,605,636	1,659,952	-	-	1,605,636	1,659,952
Investment income	87,498	90,795	18,173	18,109	105,671	108,904
Miscellaneous	62,584	87,294	-	-	62,584	87,294
<b>Total Revenues</b>	<b>24,466,663</b>	<b>23,327,949</b>	<b>1,076,223</b>	<b>1,072,472</b>	<b>25,542,886</b>	<b>24,400,421</b>
<b>Expenses</b>						
General government	2,929,940	2,992,362	-	-	2,929,940	2,992,362
Public safety	4,980,561	5,372,115	-	-	4,980,561	5,372,115
Education	13,401,926	12,837,223	-	-	13,401,926	12,837,223
Public works	2,681,550	1,763,503	-	-	2,681,550	1,763,503
Sanitation	638,885	668,054	-	-	638,885	668,054
Health and human services	502,517	483,861	-	-	502,517	483,861
Culture and recreation	700,046	720,577	-	-	700,046	720,577
Debt service interest	95,320	103,287	-	-	95,320	103,287
Intergovernmental	75,072	73,452	-	-	75,072	73,452
Water operations	-	-	1,331,322	1,024,744	1,331,322	1,024,744
<b>Total Expenses</b>	<b>26,005,817</b>	<b>25,014,434</b>	<b>1,331,322</b>	<b>1,024,744</b>	<b>27,337,139</b>	<b>26,039,178</b>
Change in net position	(1,539,154)	(1,686,485)	(255,099)	47,728	(1,794,253)	(1,638,757)
Net position - beginning of year	25,910,072	27,596,557	5,031,723	4,983,995	30,941,795	32,580,552
Net position - end of year	\$ 24,370,918	\$ 25,910,072	\$ 4,776,624	\$ 5,031,723	\$ 29,147,542	\$ 30,941,795

### **Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$(1,539,154). This change is largely attributable to an increase in the Town's net pension liability and depreciation expense (non-budgeted) exceeding debt service payments (budgeted).

### **Business-Type Activities**

Business-type activities (water fund) for the year resulted in a change in net position of \$(255,099), or (5.07)%. This change is largely attributable to depreciation expense (non-budgeted) exceeding debt service payments (budgeted).

## Financial Analysis of the Town's Funds

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

### Governmental Funds

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

#### General Fund

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,725,518, while total fund balance was \$2,769,264. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures as illustrated in the table below:

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures</u>
Unassigned fund balance	\$ 1,725,518	\$ 2,049,495	\$ (323,977)	7.52%
Total fund balance	2,769,264	3,353,957	(584,693)	12.07%

The decrease in the Town's June 30, 2020 unassigned fund balance from the prior year is largely attributable to the use of free cash for current year activities as noted in the following table as well as the Town committing \$248,831 to be used in fiscal year 2021.

The total fund balance of the general fund changed by \$(584,693) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source <sup>1</sup>	\$ (692,800)
Revenues less than budgeted	(338,025)
Expenditures less than budgeted	297,033
Change in stabilization accounts	64,097
Expenditures of prior year encumbrances and special articles less than current year encumbrances and special articles	114,779
Transfers in less than budgeted	<u>(29,777)</u>
Total	\$ <u><u>(584,693)</u></u>

<sup>1</sup> The use of free cash for the general fund operating budget is further detailed in the required supplementary information section of the financial statements.

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>Fund Balance Classification</u>
General stabilization	\$ 1,496,509	\$ 1,361,448	\$ 135,061	Unassigned
Capital stabilization	<u>267,640</u>	<u>338,604</u>	<u>(70,964)</u>	Committed
Total	<u>\$ 1,764,149</u>	<u>\$ 1,700,052</u>	<u>\$ 64,097</u>	

The net increase in the Town’s June 30, 2020 stabilization fund balances from the prior year is largely attributable to the following activities:

- \$200,000 to supplement the capital stabilization fund
- \$105,000 to supplement the general stabilization fund
- \$(280,000) to supplement the acquisition of capital outlay in the general fund

All actions noted above were approved at Town Meeting during the fiscal year. Additional activity is attributable to interest earnings.

*Ambulance Fund*

The total ambulance fund balance changed by \$61,287, or 8.50% in the current year primarily driven by current year revenues exceeding appropriated operating expenditures.

*Non-Major Governmental Funds*

The non-major fund balance changed by \$(162,388) primarily resulting from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

**Proprietary Funds**

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,095,359, a change of \$(420,370), in comparison to the prior year.

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

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$676,200.

Significant budget increases were for the following purposes:

- \$402,000 for the use of prior year carryforwards for current year expenditures
- \$200,000 to supplement the capital stabilization fund
- \$74,200 for various departmental expenditures

## **Capital Asset and Debt Administration**

### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$34,933,354 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, capital improvements, machinery, equipment, and furnishings, vehicles, library books, infrastructure, land, art and historical treasures, and construction in progress.

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

### ***Governmental Activities***

- \$331,532 Radio tower upgrades
- \$88,059 Greenville Road bridge improvements
- \$87,141 Telephone system upgrades
- \$66,340 Public safety vehicles

### ***Business-Type Activities***

- \$1,080,795 Water infrastructure and utility truck

Additional information on capital assets can be found in Note 7 of the Notes to Financial Statements.

### ***Credit Rating***

The Town is currently assigned an Aa3 rating from Moody's Investors Services for its general obligation debt.

### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$3,965,546 and capital lease obligations was \$56,765, all of which was backed by the full faith and credit of the Town.

Additional information on long-term debt can be found in Note 12 of the Notes to Financial Statements.

## **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 Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Administrator  
Memorial Hall, Upper Level  
272 Main Street  
Townsend, Massachusetts 01469

**TOWN OF TOWNSEND, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 3,720,381	\$ 1,217,984	\$ 4,938,365
Investments	2,215,300	395,120	2,610,420
Receivables, net of allowance for uncollectibles:			
Property taxes	445,711	-	445,711
Excises	224,118	-	224,118
User fees	-	330,394	330,394
Departmental and other	177,651	-	177,651
Intergovernmental	195,821	-	195,821
Loans	50,770	-	50,770
Other assets	<u>35,246</u>	<u>-</u>	<u>35,246</u>
Total Current Assets	7,064,998	1,943,498	9,008,496
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	776,442	-	776,442
Capital assets, depreciable	26,097,530	4,313,013	30,410,543
Capital assets, nondepreciable	<u>3,686,700</u>	<u>836,111</u>	<u>4,522,811</u>
Total Noncurrent Assets	<u>30,560,672</u>	<u>5,149,124</u>	<u>35,709,796</u>
Total Assets	37,625,670	7,092,622	44,718,292
<b>Deferred Outflows of Resources</b>			
Related to pensions	1,303,687	81,446	1,385,133
<b>Liabilities</b>			
Current:			
Warrants payable	280,618	248,038	528,656
Accrued payroll	205,989	11,611	217,600
Accrued liabilities	41,741	5,884	47,625
Unearned revenues	15,650	-	15,650
Notes payable	200,000	881,200	1,081,200
Other	4,003	11,448	15,451
Current portion of long-term liabilities:			
Bonds payable	363,725	92,040	455,765
Capital leases	56,765	-	56,765
Landfill postclosure	20,200	-	20,200
Compensated absences	<u>83,149</u>	<u>1,685</u>	<u>84,834</u>
Total Current Liabilities	1,271,840	1,251,906	2,523,746
Noncurrent:			
Bonds payable, net of current portion	2,959,952	549,829	3,509,781
Landfill postclosure, net of current portion	285,600	-	285,600
Compensated absences, net of current portion	748,345	15,162	763,507
Net pension liability	<u>8,129,322</u>	<u>507,867</u>	<u>8,637,189</u>
Total Noncurrent Liabilities	<u>12,123,219</u>	<u>1,072,858</u>	<u>13,196,077</u>
Total Liabilities	13,395,059	2,324,764	15,719,823
<b>Deferred Inflows of Resources</b>			
Related to pensions	1,163,380	72,680	1,236,060
<b>Net Position</b>			
Net investment in capital assets	26,811,600	3,681,265	30,492,865
Restricted for:			
Grants and other statutory restrictions	2,785,071	-	2,785,071
Permanent funds:			
Nonexpendable	340,351	-	340,351
Expendable	146,483	-	146,483
Unrestricted	<u>(5,712,587)</u>	<u>1,095,359</u>	<u>(4,617,228)</u>
Total Net Position	\$ <u>24,370,918</u>	\$ <u>4,776,624</u>	\$ <u>29,147,542</u>

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
General government	\$ 2,929,940	\$ 307,054	\$ 144,545	\$ -	\$ (2,478,341)	\$ -	\$ (2,478,341)
Public safety	4,980,561	861,342	42,440	-	(4,076,779)	-	(4,076,779)
Education	13,401,926	-	-	-	(13,401,926)	-	(13,401,926)
Public works	2,681,550	35,790	70,000	748,251	(1,827,509)	-	(1,827,509)
Sanitation	638,885	-	-	-	(638,885)	-	(638,885)
Health and human services	502,517	13,807	156,517	-	(332,193)	-	(332,193)
Culture and recreation	700,046	97,404	24,440	-	(578,202)	-	(578,202)
Interest on long-term debt	95,320	-	-	-	(95,320)	-	(95,320)
Intergovernmental	75,072	-	-	-	(75,072)	-	(75,072)
Total Governmental Activities	26,005,817	1,315,397	437,942	748,251	(23,504,227)	-	(23,504,227)
<b>Business-Type Activities</b>							
Water operations	1,331,322	1,058,050	-	-	-	(273,272)	(273,272)
Total	\$ 27,337,139	\$ 2,373,447	\$ 437,942	\$ 748,251	(23,504,227)	(273,272)	(23,777,499)
			<b>General Revenues</b>				
			Property taxes		18,723,452	-	18,723,452
			Excises		1,402,487	-	1,402,487
			Penalties, interest, and other taxes		83,416	-	83,416
			Grants and contributions not restricted to specific programs		1,605,636	-	1,605,636
			Investment income		87,498	18,173	105,671
			Miscellaneous		62,584	-	62,584
			Total General Revenues		21,965,073	18,173	21,983,246
			Change in net position		(1,539,154)	(255,099)	(1,794,253)
			<b>Net Position</b>				
			Beginning of year		25,910,072	5,031,723	30,941,795
			End of year		\$ 24,370,918	\$ 4,776,624	\$ 29,147,542

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

Governmental Funds

Balance Sheet

June 30, 2020

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 1,221,521	\$ 782,588	\$ 1,716,272	\$ 3,720,381
Investments	1,764,149	-	451,151	2,215,300
Receivables:				
Property taxes	1,368,700	-	-	1,368,700
Excises	314,344	-	-	314,344
Departmental and other	-	291,518	-	291,518
Intergovernmental	-	-	195,821	195,821
Loans	-	-	50,770	50,770
Other assets	-	-	35,246	35,246
<b>Total Assets</b>	<b>\$ 4,668,714</b>	<b>\$ 1,074,106</b>	<b>\$ 2,449,260</b>	<b>\$ 8,192,080</b>
<b>Liabilities</b>				
Warrants payable	\$ 187,018	\$ -	\$ 93,600	\$ 280,618
Accrued payroll	205,989	-	-	205,989
Unearned revenue	-	-	15,650	15,650
Notes payable	-	-	200,000	200,000
Other liabilities	-	-	4,003	4,003
<b>Total Liabilities</b>	<b>393,007</b>	<b>-</b>	<b>313,253</b>	<b>706,260</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	1,506,443	291,518	50,770	1,848,731
<b>Fund Balances</b>				
Nonspendable	-	-	340,351	340,351
Restricted	647	782,588	1,833,675	2,616,910
Committed	881,157	-	63,792	944,949
Assigned	161,942	-	-	161,942
Unassigned	1,725,518	-	(152,581)	1,572,937
<b>Total Fund Balances</b>	<b>2,769,264</b>	<b>782,588</b>	<b>2,085,237</b>	<b>5,637,089</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,668,714</b>	<b>\$ 1,074,106</b>	<b>\$ 2,449,260</b>	<b>\$ 8,192,080</b>

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

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

<b>Total governmental fund balances</b>	\$ 5,637,089
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	29,784,230
Deferred outflows of resources related to pensions to be recognized as an increase to pension expenses in future periods.	1,303,687
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,498,091
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(3,323,677)
Capital lease obligations	(56,765)
Landfill postclosure	(305,800)
Compensated absences	(831,494)
Net pension liability	(8,129,322)
Deferred inflows of resources related to pensions to be recognized as a decrease to pension expenses in future periods.	(1,163,380)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	<u>(41,741)</u>
<b>Net position of governmental activities</b>	<u>\$ 24,370,918</u>

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

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

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 18,596,407	\$ -	\$ -	\$ 18,596,407
Excises	1,347,340	-	-	1,347,340
Penalties, interest, and other taxes	83,416	-	-	83,416
Charges for services	117,094	487,332	587,790	1,192,216
Intergovernmental	1,681,558	-	1,110,271	2,791,829
Licenses and permits	184,465	-	-	184,465
Fines and forfeitures	16,336	-	-	16,336
Investment income	66,309	-	21,189	87,498
Miscellaneous	4,004	48,955	9,625	62,584
Total Revenues	<u>22,096,929</u>	<u>536,287</u>	<u>1,728,875</u>	<u>24,362,091</u>
<b>Expenditures</b>				
Current:				
General government	1,839,128	-	252,654	2,091,782
Public safety	3,049,547	475,000	274,504	3,799,051
Education	13,401,926	-	-	13,401,926
Public works	1,230,127	-	886,277	2,116,404
Sanitation	638,885	-	-	638,885
Health and human services	288,229	-	97,035	385,264
Culture and recreation	403,854	-	117,267	521,121
Employee benefits	1,544,393	-	-	1,544,393
Debt service:				
Principal	362,538	-	-	362,538
Interest	111,449	-	-	111,449
Intergovernmental	75,072	-	-	75,072
Total Expenditures	<u>22,945,148</u>	<u>475,000</u>	<u>1,627,737</u>	<u>25,047,885</u>
Excess (deficiency) of revenues over (under) expenditures	(848,219)	61,287	101,138	(685,794)
<b>Other Financing Sources (Uses)</b>				
Transfers in	263,526	-	-	263,526
Transfers out	-	-	(263,526)	(263,526)
Total Other Financing Sources (Uses)	<u>263,526</u>	<u>-</u>	<u>(263,526)</u>	<u>-</u>
Change in fund balance	(584,693)	61,287	(162,388)	(685,794)
Fund Balance at Beginning of Year	<u>3,353,957</u>	<u>721,301</u>	<u>2,247,625</u>	<u>6,322,883</u>
Fund Balance at End of Year	<u>\$ 2,769,264</u>	<u>\$ 782,588</u>	<u>\$ 2,085,237</u>	<u>\$ 5,637,089</u>

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

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

<b>Net change in governmental fund balances</b>	\$ (685,794)																
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="width: 20%; text-align: right;">599,755</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,511,311)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property taxes, excises, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. <span style="float: right;">104,572</span></li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Repayments of general obligation bonds, refunding bonds, and state revolving loans</td> <td style="width: 20%; text-align: right;">362,538</td> </tr> <tr> <td>Repayments of capital lease obligations</td> <td style="text-align: right;">54,017</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, interest is not reported until due. This amount reflects the change in accrued interest. <span style="float: right;">4,159</span></li> <li>• 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Amortization of bond premiums</td> <td style="width: 20%; text-align: right;">11,970</td> </tr> <tr> <td>Change in landfill postclosure liability</td> <td style="text-align: right;">20,200</td> </tr> <tr> <td>Change in compensated absences</td> <td style="text-align: right;">(123,071)</td> </tr> <tr> <td>Change in pension expense from GASB 68</td> <td style="text-align: right;"><u>(376,189)</u></td> </tr> </table> </li> </ul>		Capital outlay	599,755	Depreciation	(1,511,311)	Repayments of general obligation bonds, refunding bonds, and state revolving loans	362,538	Repayments of capital lease obligations	54,017	Amortization of bond premiums	11,970	Change in landfill postclosure liability	20,200	Change in compensated absences	(123,071)	Change in pension expense from GASB 68	<u>(376,189)</u>
Capital outlay	599,755																
Depreciation	(1,511,311)																
Repayments of general obligation bonds, refunding bonds, and state revolving loans	362,538																
Repayments of capital lease obligations	54,017																
Amortization of bond premiums	11,970																
Change in landfill postclosure liability	20,200																
Change in compensated absences	(123,071)																
Change in pension expense from GASB 68	<u>(376,189)</u>																
<b>Change in net position of governmental activities</b>	<b>\$ <u>(1,539,154)</u></b>																

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2020

	<u>Water Enterprise Fund</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 1,217,984
Investments	395,120
User fees, net of allowance for uncollectibles	<u>330,394</u>
Total Current Assets	1,943,498
Noncurrent:	
Capital assets depreciable, net	4,313,013
Capital assets non-depreciable	<u>836,111</u>
Total Noncurrent Assets	<u>5,149,124</u>
Total Assets	7,092,622
<b>Deferred Outflows of Resources</b>	
Related to pensions	81,446
<b>Liabilities</b>	
Current:	
Warrants payable	248,038
Accrued payroll	11,611
Accrued liabilities	5,884
Notes payable	881,200
Other current liabilities	11,448
Current portion of long-term liabilities:	
Bonds payable	92,040
Compensated absences	<u>1,685</u>
Total Current Liabilities	1,251,906
Noncurrent:	
Bonds payable, net of current portion	549,829
Compensated absences, net of current portion	15,162
Net pension liability	<u>507,867</u>
Total Noncurrent Liabilities	<u>1,072,858</u>
Total Liabilities	2,324,764
<b>Deferred Inflows of Resources</b>	
Related to pensions	72,680
<b>Net Position</b>	
Net investment in capital assets	3,681,265
Unrestricted	<u>1,095,359</u>
Total Net Position	<u>\$ 4,776,624</u>

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2020

	Water Enterprise Fund
<b>Operating Revenues</b>	
Charges for services	\$ 1,055,744
Other	<u>2,306</u>
Total Operating Revenues	1,058,050
<b>Operating Expenses</b>	
Salaries and benefits	535,169
Other operating expenses	501,201
Depreciation	<u>260,551</u>
Total Operating Expenses	<u>1,296,921</u>
Operating (Loss)	(238,871)
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	18,173
Interest expense	<u>(34,401)</u>
Total Nonoperating Revenues (Expenses)	<u>(16,228)</u>
Change in net position	(255,099)
Net Position at Beginning of Year	<u>5,031,723</u>
Net Position at End of Year	<u>\$ 4,776,624</u>

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2020

	Water Enterprise Fund
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 1,018,371
Payments to vendors	(276,499)
Payments to employees	<u>(509,748)</u>
Net cash provided by operating activities	232,124
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(1,080,795)
Principal payments on bonds	(90,217)
Proceeds from notes	881,200
Principal payments on notes	(981,200)
Interest expense	<u>(35,228)</u>
Net cash (used for) capital and related financing activities	(1,306,240)
<b>Cash Flows From Investing Activities</b>	
Investment income	18,173
Investment sales	<u>540,478</u>
Net cash provided by investing activities	<u>558,651</u>
Net change in cash and short-term investments	(515,465)
Cash and Short-Term Investments, Beginning of Year	<u>1,733,449</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,217,984</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by (Used For) Operating Activities</b>	
Operating (Loss)	\$ (238,871)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	260,551
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	(39,679)
Deferred outflows of resources related to pensions	23,736
Warrants payable	224,702
Accrued payroll	1,104
Net pension liability	(36,386)
Deferred inflows of resources related to pensions	36,151
Compensated absences	<u>816</u>
Net cash provided by operating activities	<u>\$ 232,124</u>

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2020

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash and short-term investments	\$ -	\$ 224,733
Investments:		
Market-linked certificates of deposit	<u>147,556</u>	<u>-</u>
Total Assets	147,556	224,733
<b>Liabilities</b>		
Warrants payable	-	258
Other liabilities	<u>-</u>	<u>224,475</u>
Total Liabilities	<u>-</u>	<u>\$ 224,733</u>
<b>Net Position</b>		
Restricted for individual organizations and other governments	<u>147,556</u>	
Total Net Position	<u>\$ 147,556</u>	

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

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

	Private Purpose <u>Trust Fund</u>
<b>Additions</b>	
Interest income	\$ <u>5,482</u>
Total Additions	5,482
<b>Deductions</b>	
Benefit payments	<u>3,575</u>
Total Deductions	<u>3,575</u>
Net increase	1,907
<b>Net Position</b>	
Beginning of year	<u>145,649</u>
End of year	\$ <u><u>147,556</u></u>

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

## TOWN OF TOWNSEND, MASSACHUSETTS

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

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

##### ***Reporting Entity***

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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*.

###### *Fund Financial Statements*

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

## ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

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

### ***Fund Financial Statements***

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

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Ambulance Fund* accumulates the Town's receipts for ambulance services. The receipts of the ambulance fund are used to support operations related to the Emergency Medical Services (EMS) department incurred throughout the fiscal year. As such, these funds are reserved for appropriation by Town Meeting votes.

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 recognized when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Water Enterprise Fund* accounts for the resources and costs associated with the Town's water supply and distribution.

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

The Town reports the following fiduciary funds:

- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in permanent funds, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency Fund* accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. This fund is primarily used for performance deposits and payroll withholdings. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

### ***Cash and Investments***

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

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

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

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. Municipalities having such funds in the custody of the treasurer in an aggregate amount in excess of two hundred and fifty thousand dollars may also invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than 15% of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company.

Investments consist of certificates of deposit, corporate bonds, corporate equities, federal agency securities, fixed income mutual funds, market-linked certificated of deposits, and U.S. Treasury notes. Investments are carried at fair value, except certificates of deposit which are reported at cost.

#### ***Property Tax Limitations***

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$8,713. Certain provisions of Proposition 2½ can be overridden by a referendum.

#### ***Capital Assets***

Capital assets, which include buildings and improvements, capital improvements, machinery, equipment, and furnishings, vehicles, library books, infrastructure, land, art and historical treasures, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Value Amount</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	40
Building improvements	25,000	20
Infrastructure	150,000	5 - 40
Machinery and equipment	25,000	3 - 10
Vehicles	5,000	5
Library books	5,000	10
Software	5,000	3
Land	25,000	N/A
Land improvements	5,000	N/A
Works of art and historical treasures	2,500	N/A

***Compensated Absences***

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

***Long-Term Obligations***

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

***Fund Equity***

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

***Fund Balance***

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

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

### *Net Position*

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

### *Use of Estimates*

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

## **2. Stewardship, Compliance, and Accountability**

### *Budgetary Information*

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

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

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

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

**Deficit Fund Equity**

Certain individual funds reflected deficit balances as of June 30, 2020. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

**3. Deposits and Investments**

**Town**

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

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have formal deposit policies related to custodial credit risk of deposits.

As of June 30, 2020, \$428,000, of the Town’s bank balance of \$5,388,342, was exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Summary**

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

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 3,050
Corporate bonds	1,034,242
Corporate equities	278,518
Federal agency securities	176,223
Fixed income mutual funds	110,291
Market-linked certificates of deposit	698,220
U.S. Treasury notes	<u>457,432</u>
Total investments	<u>\$ 2,757,976</u>

**Custodial Credit Risk – Investments**

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

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

**Credit Risk – Investments of Debt Securities**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations.

As of June 30, 2020, the credit quality ratings, as rated by S&P Global Ratings, of the Town’s debt securities are as follows (All U.S. Treasury notes and federal agency securities have an implied credit rating of AAA, and are excluded from the below table):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>			
		<u>AAA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 1,034,242	\$ 159,848	\$ 427,417	\$ 446,977	\$ -
Fixed income mutual funds	110,291	-	-	-	110,291
Market-linked certificates of deposit	698,220	-	-	-	698,220
Total	<u>\$ 1,842,753</u>	<u>\$ 159,848</u>	<u>\$ 427,417</u>	<u>\$ 446,977</u>	<u>\$ 808,511</u>

**Concentration of Credit Risk – Investments**

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town’s investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are excluded from concentration of credit disclosure.

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

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Wells Fargo National Bank CD	\$ 187,085	6.78%
Medallion Bank CD	<u>150,641</u>	5.46%
Total	<u>\$ 337,726</u>	

**Interest Rate Risk – Investments of Debt Securities**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater

the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 1,034,242	\$ 343,735	\$ 690,507	\$ -
Federal agency securities	176,223	-	161,134	15,089
Fixed income mutual funds	110,291	110,291	-	-
Market-linked certificates of deposit	698,220	552,708	145,512	-
U.S. Treasury notes	<u>457,432</u>	<u>210,866</u>	<u>246,566</u>	<u>-</u>
Total	<u>\$ 2,476,408</u>	<u>\$ 1,217,600</u>	<u>\$ 1,243,719</u>	<u>\$ 15,089</u>

**Foreign Currency Risk - Investments**

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

**Fair Value**

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

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

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

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 1,034,242	\$ -	\$ 1,034,242	\$ -
Corporate equities	278,518	278,518	-	-
Federal agency securities	176,223	-	176,223	-
Fixed income mutual funds	110,291	-	110,291	-
Market-linked certificates of deposit	698,220	-	698,220	-
U.S. Treasury notes	<u>457,432</u>	457,432	-	-
Total	\$ <u>2,754,926</u>			

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

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

#### 4. **Property Taxes and Excises Receivable**

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

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

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

A statewide property tax limitation known as “Proposition 2½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2½ limits the total levy to an amount not greater than 2.5% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2.5% of the prior year’s levy plus the taxes on property newly added to the tax rolls.

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

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

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 483,973	\$ (49,152)	\$ 434,821	\$ -
Personal property taxes	21,496	(11,072)	10,424	-
Deferred taxes	518	(52)	466	-
Tax liens	<u>862,713</u>	<u>(86,271)</u>	<u>-</u>	<u>776,442</u>
Total property taxes	<u>\$ 1,368,700</u>	<u>\$ (146,547)</u>	<u>\$ 445,711</u>	<u>\$ 776,442</u>
Excises	\$ 314,344	\$ (90,226)	\$ 224,118	\$ -

## 5. User Fees Receivables

Water user charges are based on meter readings that are done by the Townsend Water Department at the end of each quarter – March, June, September, and December – and are billed in the months following the meter readings. An overdue notice will be sent to water users whose bill remains outstanding by the end of the month in which the first bill is rendered. A demand charge of \$2 per unit will be added to the original bill, plus 1.5% interest. If the bill remains outstanding for 15 days following the overdue notice, the Water Commissioners may order the Superintendent to shut off the water service following Sec IIA, Chapter 165 of the Massachusetts General Laws. The water service will remain shut off until such time that the total outstanding bill is paid, plus an additional turn-on fee of \$35.

All outstanding balances of accumulated water charges plus demands and interest with no payments for more than three billing periods constitute a lien on the property, and may be turned over to the tax collector for collection.

Water service connection fees are charged for each new service tapped into the main. The charge covers the costs of digging, tapping the main, laying the standard water lines, and installation of a standard water meter. If larger services or meters are required, additional charges will be rendered.

Receivables for water user charges, water liens, and other water fees at June 30, 2020 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water user charges	\$ 344,915	\$ (34,492)	\$ 310,423
Water liens	14,833	(4,450)	10,383
Other	<u>15,977</u>	<u>(6,389)</u>	<u>9,588</u>
Total	<u>\$ 375,725</u>	<u>\$ (45,331)</u>	<u>\$ 330,394</u>

## 6. Interfund Fund Accounts

### Transfers

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

<b>Governmental Funds</b>	<u>Transfers In</u>	<u>Transfers</u>	
General fund	\$ 263,526	\$ -	(1)
Nonmajor Governmental Funds:			
Cable access	-	175,000	(1)
Title V betterments	-	27,538	(1)
LRTA state grant	-	18,088	(1)
WTRR receipts reserved	-	2,900	(1)
Recreation revolving	<u>-</u>	<u>40,000</u>	(1)
Total	<u>\$ 263,526</u>	<u>\$ 263,526</u>	

(1) Transfers from various special revenue funds to the general fund for capital improvements and operating budget support

## 7. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, depreciable:				
Buildings and improvements	\$ 24,698,509	\$ -	\$ -	\$ 24,698,509
Capital improvements	735,846	-	-	735,846
Machinery, equipment, and furnishings	5,954,154	445,356	-	6,399,510
Vehicles	2,112,100	66,340	-	2,178,440
Library books	520,003	-	-	520,003
Infrastructure	12,841,990	-	-	12,841,990
Total capital assets, depreciable	46,862,602	511,696	-	47,374,298
Less accumulated depreciation for:				
Buildings and improvements	(7,343,023)	(668,122)	-	(8,011,145)
Capital improvements	(433,586)	(26,732)	-	(460,318)
Machinery, equipment, and furnishings	(4,979,120)	(285,182)	-	(5,264,302)
Vehicles	(1,202,139)	(245,517)	-	(1,447,656)
Library books	(493,396)	(12,859)	-	(506,255)
Infrastructure	(5,314,193)	(272,899)	-	(5,587,092)
Total accumulated depreciation	(19,765,457)	(1,511,311)	-	(21,276,768)
Total capital assets, depreciable, net	27,097,145	(999,615)	-	26,097,530
Capital assets, non-depreciable:				
Land	3,543,441	-	-	3,543,441
Art and historical treasures	55,200	-	-	55,200
Construction in progress	-	88,059	-	88,059
Total capital assets, non-depreciable	3,598,641	88,059	-	3,686,700
Governmental activities capital assets, net	\$ 30,695,786	\$ (911,556)	\$ -	\$ 29,784,230
<b>Business-Type Activities</b>				
Capital assets, depreciable:				
Buildings and improvements	\$ 1,693,463	\$ -	\$ -	\$ 1,693,463
Capital improvements	733,936	-	-	733,936
Machinery, equipment, and furnishings	1,165,777	-	-	1,165,777
Vehicles	134,986	49,600	-	184,586
Infrastructure	2,638,571	881,281	-	3,519,852
Total capital assets, depreciable	6,366,733	930,881	-	7,297,614
Less accumulated depreciation for:				
Buildings and improvements	(591,571)	(39,511)	-	(631,082)
Capital improvements	(398,150)	(14,452)	-	(412,602)
Machinery, equipment, and furnishings	(586,433)	(132,058)	-	(718,491)
Vehicles	(129,269)	(8,771)	-	(138,040)
Infrastructure	(1,018,627)	(65,759)	-	(1,084,386)
Total accumulated depreciation	(2,724,050)	(260,551)	-	(2,984,601)
Total capital assets, depreciable, net	3,642,683	670,330	-	4,313,013
Capital assets, non-depreciable:				
Land	662,257	-	-	662,257
Construction in progress	23,940	149,914	-	173,854
Total capital assets, non-depreciable	686,197	149,914	-	836,111
Business-type activities capital assets, net	\$ 4,328,880	\$ 820,244	\$ -	\$ 5,149,124

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 469,951
Public safety	572,417
Public works	454,347
Health and human service	807
Culture and recreation	<u>13,789</u>
Total governmental activities	<u>\$ 1,511,311</u>
Business-Type Activities:	
Water	\$ 260,551

**8. Deferred Outflows of Resources**

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

**9. Warrants Payable**

Warrants payable represent fiscal year 2020 expenditures paid by July 15, 2020.

**10. Accrued Payroll**

Accrued payroll represents payroll expenditures related to fiscal year 2020 paid subsequent to June 30, 2020.

**11. Notes Payable**

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

	Interest Rate %	Date of Issue	Date of Maturity	Beginning Balance at 6/30/19	New Issues	Maturities	Ending Balance at 6/30/20
<b>Governmental Activities</b>							
Greenville Road bridge replacement	1.39	05/27/20	04/30/21	\$ -	\$ 200,000	\$ -	\$ 200,000
<b>Business-Type Activities</b>							
Water main improvements	2.19	05/01/19	05/01/20	981,200	-	(981,200)	-
Water main improvements	1.31	05/01/20	04/30/21	<u>-</u>	<u>881,200</u>	<u>-</u>	<u>881,200</u>
Total				<u>\$ 981,200</u>	<u>\$ 1,081,200</u>	<u>\$ (981,200)</u>	<u>\$ 1,081,200</u>

## 12. Long-Term Liabilities

### ***Long-Term Debt Supporting Activities***

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. Direct borrowings have been issued for the governmental activities and are further discussed on page 38.

General obligation bonds and direct borrowings currently outstanding are as follows:

#### Governmental Activities

	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/20</u>
<b>Public offerings:</b>				
Refunding of 2017	\$ 845,000	02/01/24	2.00 - 5.00	\$ 505,000
Fire sub-station	1,746,000	02/01/38	2.00 - 5.00	1,577,000
Fire truck	490,000	02/01/38	2.00 - 5.00	440,000
Capital improvements	430,000	02/01/38	2.00 - 5.00	344,000
Land acquisition	159,000	02/01/38	2.00 - 5.00	<u>144,000</u>
Total public offerings				3,010,000
<b>Loans - Direct Borrowings</b>				
Massachusetts Clean Water Trust	524,742	07/15/27	0.00	<u>98,227</u>
Total Governmental Activities				\$ <u><u>3,108,227</u></u>

#### Business-Type Activities

	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/20</u>
<b>Public offerings:</b>				
Water pumping station	\$ 695,639	07/15/25	2.00	\$ 239,588
Water improvements - East Side	930,929	07/15/26	2.00	<u>402,281</u>
Total Business-Type Activities				\$ <u><u>641,869</u></u>

### **Future Debt Service**

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

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 335,000	\$ 100,850	\$ 16,755	\$ -	\$ 452,605
2022	320,000	94,150	16,924	-	431,074
2023	255,000	87,750	16,924	-	359,674
2024	255,000	75,000	9,525	-	339,525
2025	165,000	62,250	9,525	-	236,775
2026	160,000	54,000	9,525	-	223,525
2027	160,000	46,000	9,525	-	215,525
2028	160,000	41,600	9,524	-	211,124
2029	120,000	37,200	-	-	157,200
2030	120,000	33,600	-	-	153,600
2031 - 2035	600,000	114,000	-	-	714,000
2036 - 2038	<u>360,000</u>	<u>23,400</u>	<u>-</u>	<u>-</u>	<u>383,400</u>
Total	\$ <u>3,010,000</u>	\$ <u>769,800</u>	\$ <u>98,227</u>	\$ <u>-</u>	\$ <u>3,878,027</u>

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 92,040	\$ 11,917	\$ -	\$ -	\$ 103,957
2022	93,900	10,057	-	-	103,957
2023	95,796	8,160	-	-	103,956
2024	97,732	6,225	-	-	103,957
2025	99,706	4,251	-	-	103,957
2026	101,720	2,237	-	-	103,957
2027	<u>60,975</u>	<u>610</u>	<u>-</u>	<u>-</u>	<u>61,585</u>
Total	\$ <u>641,869</u>	\$ <u>43,457</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>685,326</u>

The Town has issued direct borrowings from the Massachusetts Pollution Abatement Trust (MWPAT), a state revolving loan fund (SRF) of the Massachusetts Clean Water Trust (MCWT), a component unit of the Commonwealth of Massachusetts. MCWT issues special obligation bonds under its SRF programs to provide low cost financing to Cities, Towns, and other eligible borrowers, primarily for the construction and improvement of drinking water and wastewater infrastructure. There were no unused lines of credit or assets pledged as collateral for debt. The Town certified that rates and charges in the Water Enterprise fund has been set at a sufficient level to cover estimated operating expenses and debt service related to direct borrowings. In addition, the Town as an “obligated person” with respect to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, agrees with MCWT to provide an annual report, not later than 270 days after the close of each fiscal year, that incorporates the most recently available audited financial statements to meet continuing disclosure requirements.

**Changes in General Long-Term Debt and Other Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-term Portion
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 3,345,000	\$ -	\$ (335,000)	\$ 3,010,000	\$ (335,000)	\$ 2,675,000
Loans (direct borrowings)	125,765	-	(27,538)	98,227	(16,755)	81,472
Unamortized bond premiums	227,420	-	(11,970)	215,450	(11,970)	203,480
Subtotal bonds payable	3,698,185	-	(374,508)	3,323,677	(363,725)	2,959,952
Capital leases	110,782	-	(54,017)	56,765	(56,765)	-
Total long-term debt	3,808,967	-	(428,525)	3,380,442	(420,490)	2,959,952
Landfill liability	326,000	-	(20,200)	305,800	(20,200)	285,600
Compensated absences	708,423	123,071	-	831,494	(83,149)	748,345
Net pension liability	8,711,758	-	(582,436)	8,129,322	-	8,129,322
Total long-term liabilities	\$ 13,555,148	\$ 123,071	\$ (1,031,161)	\$ 12,647,058	\$ (523,839)	\$ 12,123,219
<b>Business-Type Activities</b>						
Bonds payable:						
Public offerings	\$ 732,086	\$ -	\$ (90,217)	\$ 641,869	\$ (92,040)	\$ 549,829
Compensated absences	16,031	816	-	16,847	(1,685)	15,162
Net pension liability	544,253	-	(36,386)	507,867	-	507,867
Total long-term liabilities	\$ 1,292,370	\$ 816	\$ (126,603)	\$ 1,166,583	\$ (93,725)	\$ 1,072,858

**Long-Term Liabilities Supporting Governmental and Business-Type Activities**

Bonds, loans, and leases issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in the water enterprise fund. All other long-term liabilities are repaid from the funds that the cost relates to, primarily the general fund and the water enterprise fund.

**13. Capital Lease Obligations**

The Town periodically purchases equipment using noncancelable lease financing which, for financial reporting purposes, are reported as capital leases in the government-wide financial statements. Future minimum lease payments on these capital leases under obligation consisted of the following as of June 30, 2020:

Fiscal Year	Principal	Interest	Total
2021	\$ 56,765	\$ 2,889	\$ 59,654

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

	Governmental <u>Activities</u>
Machinery, vehicles, and equipment	\$ 184,254
Less: accumulated depreciation	<u>(55,276)</u>
Equipment under capital leases, net	<u><u>\$ 128,978</u></u>

**14. Landfill Closure and Postclosure Care Costs**

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

The \$305,800 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in fiscal year 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**15. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources, one which is attributable to changes in the net pension liability and the other which arises from the *current financial resources measurement focus* and the *modified accrual basis of accounting* in governmental funds. Deferred inflows of resources related to pensions, in accordance with GASB Statement No. 68, will be recognized as a reduction to pension expense in future periods and are more fully described in the corresponding pension note.

*Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

The following is a summary of unavailable revenue balances as of June 30, 2020:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Nonmajor Funds</u>
Unavailable revenues:			
Property taxes	\$ 1,192,100	\$ -	\$ -
Excises	314,343	-	-
Title V	-	-	50,770
Ambulance charges	-	291,518	-
Total	<u>\$ 1,506,443</u>	<u>\$ 291,518</u>	<u>\$ 50,770</u>

**16. Governmental Funds - Balances**

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

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

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

***Nonspendable***

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

***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes funds set aside in the general fund for future debt service, the ambulance fund, various special revenue funds, capital project funds, and the income portion of permanent trust funds.

***Committed***

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. A similar action is needed to modify or rescind a commitment. This fund balance

classification includes funds set aside in the Town's capital stabilization fund\*, non-lapsing special article appropriations approved at Town Meeting, and surplus set aside to be used in the subsequent year's budget approved at Town Meeting.

***Assigned***

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

***Unassigned***

Represents amounts that are available to be spent in future periods, the Town's general stabilization account\*, and deficit balances in nonmajor governmental funds.

\*Massachusetts General Law Ch. 40B Section 5 allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Generally, any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

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

	General <u>Fund</u>	Ambulance <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Nonspendable</b>				
Permanent funds	\$ -	\$ -	\$ 340,351	\$ 340,351
Total Nonspendable	-	-	340,351	340,351
<b>Restricted</b>				
For debt service	647	-	-	647
Ambulance	-	782,588	-	782,588
Capital projects	-	-	159,266	159,266
Cablevision access receipts reserved	-	-	472,370	472,370
Septic Title V revolving fund	-	-	200,146	200,146
Bond premiums	-	-	140,500	140,500
Sidewalk earmark fund	-	-	70,000	70,000
CDBG program income	-	-	59,024	59,024
Cemetery sale of lots fund	-	-	48,966	48,966
EPS police grant	-	-	42,213	42,213
Solid waste revolving fund	-	-	39,125	39,125
Cemetery revolving fund	-	-	36,498	36,498
Recreation revolving fund	-	-	26,839	26,839
Other special revenue funds	-	-	392,245	392,245
Permanent funds	-	-	146,483	146,483
Total Restricted	647	782,588	1,833,675	2,616,910
<b>Committed</b>				
For next year's expenditures	248,831	-	-	248,831
Capital stabilization accounts	267,640	-	-	267,640
For continuing appropriations:				
General government	146,165	-	-	146,165
Public safety	80,081	-	-	80,081
Public works	47,540	-	63,792	111,332
Health and human services	36,426	-	-	36,426
Culture and recreation	50,000	-	-	50,000
Employee benefits	4,474	-	-	4,474
Total Committed	881,157	-	63,792	944,949
<b>Assigned</b>				
Encumbered for:				
General government	25,979	-	-	25,979
Public safety	60,542	-	-	60,542
Public works	59,482	-	-	59,482
Health and human services	283	-	-	283
Employee benefits	15,656	-	-	15,656
Total Assigned	161,942	-	-	161,942
<b>Unassigned</b>				
General operating fund	229,009	-	-	229,009
General stabilization fund	1,496,509	-	-	1,496,509
Deficit balances	-	-	(152,581)	(152,581)
Total Unassigned	1,725,518	-	(152,581)	1,572,937
Total Fund Balances	\$ 2,769,264	\$ 782,588	\$ 2,085,237	\$ 5,637,089

## 17. Retirement System

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

### *Plan Description*

Substantially all employees of the Town are members of the Middlesex County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 25 Linnell Circle, Billerica, Massachusetts 01865.

### *Participant Contributions*

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

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%
1979 - present	Additional 2.00% of salary in excess of \$30,000
Group 1 members hired on or after April 2, 2012	6.00% with 30 or more years of credible service

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

### *Participant Retirement Benefits*

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

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

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

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

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

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

### *Methods of Payment*

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member’s death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

### *Participant Refunds*

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3.00%.

### *Employer Contributions*

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

The Town’s contribution to the System for the year ended June 30, 2020 was \$854,966, which was equal to its annual required contribution.

### ***Summary of Significant Accounting Policies***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System’s

fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At June 30, 2020, the Town reported a liability of \$8,637,189 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2020. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town’s proportion was 0.539805%.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,254,656. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 210,161	\$ (19,561)
Changes of assumptions	594,809	-
Net difference between projected and actual investment earnings on pension plan investments	-	(224,134)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>580,163</u>	<u>(992,365)</u>
Total	<u>\$ 1,385,133</u>	<u>\$ (1,236,060)</u>

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

<u>Fiscal Year ended June 30:</u>	
2021	\$ 219,985
2022	(71,213)
2023	113,772
2024	<u>(113,471)</u>
Total	<u>\$ 149,073</u>

### **Actuarial Assumptions**

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

Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Remaining amortization period	17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI, 2 years from July 1, 2018 for 2033 ERI, and 4 years from July 1, 2018 for 2010 ERI
Actuarial assumptions:	
Investment rate of return	7.30%, previously 7.50%
Inflation rate	3.25%
Projected salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2, and 4.50% for Group 4
Post-retirement cost-of-living adjustment	3.00% of the first \$16,000 of retirement income, as of July 1, 2019

Mortality rates were based on:

- Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017
- Healthy Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017
- Disabled Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017

### **Target Allocations**

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

The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

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

***Discount Rate***

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

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

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

1% Decrease	Current Discount Rate	1% Increase
(6.30%)	(7.30%)	(8.30%)
\$ 10,614,421	\$ 8,637,189	\$ 6,973,399

***Pension Plan Fiduciary Net Position***

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

## **18. Commitments and Contingencies**

### ***COVID-19***

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

### ***Outstanding Legal Issues***

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

### ***Grants***

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

### ***Encumbrances***

At year-end the Town's general fund has \$161,942 in encumbrances that will be honored in the next fiscal year.

## **19. New Pronouncements**

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

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

**TOWN OF TOWNSEND, MASSACHUSETTS**

Schedule of Revenues, Expenditures, and Other Financing Sources and Uses - Budget and Actual - General Fund  
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	
<b>Revenues</b>				
Property taxes	\$ 18,793,564	\$ 18,793,564	\$ 18,596,407	\$ (197,157)
Excises	1,383,654	1,383,654	1,347,340	(36,314)
Penalties, interest, and other taxes	142,259	142,259	83,416	(58,843)
Charges for services	152,553	152,553	117,094	(35,459)
Intergovernmental	1,706,508	1,706,508	1,681,558	(24,950)
Licenses and permits	188,349	188,349	184,465	(3,884)
Fines and forfeitures	18,879	18,879	16,336	(2,543)
Investment income	10,000	10,000	27,212	17,212
Other	<u>91</u>	<u>91</u>	<u>4,004</u>	<u>3,913</u>
Total Revenues	22,395,857	22,395,857	22,057,832	(338,025)
<b>Expenditures</b>				
General government	1,966,461	2,178,041	2,070,855	107,186
Public safety	3,621,193	3,853,610	3,665,170	188,440
Education	13,401,926	13,401,926	13,401,926	-
Public works	1,187,712	1,187,955	1,270,050	(82,095)
Sanitation	701,400	701,400	696,135	5,265
Health and human services	338,875	347,389	324,938	22,451
Culture and recreation	475,796	486,222	453,854	32,368
Employee benefits	1,737,106	1,750,126	1,738,010	12,116
Debt service	483,438	483,438	473,987	9,451
Intergovernmental	<u>76,923</u>	<u>76,923</u>	<u>75,072</u>	<u>1,851</u>
Total Expenditures	23,990,830	24,467,030	24,169,997	297,033
Excess (deficiency) of revenues over (under) expenditures	(1,594,973)	(2,071,173)	(2,112,165)	(40,992)
<b>Other Financing Sources (Uses)</b>				
Use of free cash for:				
Capital improvements	-	6,700	-	(6,700)
Capital stabilization funding	290,000	490,000	-	(490,000)
Other departmental expenditures	3,600	67,600	-	(67,600)
Funding prior year bills	-	3,500	-	(3,500)
General stabilization funding	105,000	105,000	-	(105,000)
Overlay surplus	20,000	20,000	-	(20,000)
Transfers in	1,281,373	1,281,373	1,251,596	(29,777)
Transfers out	(105,000)	(305,000)	(305,000)	-
Use of prior year carryforwards (special articles and encumbrances)	<u>-</u>	<u>402,000</u>	<u>402,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	1,594,973	2,071,173	1,348,596	(722,577)
Deficiency of revenues and other financing sources under expenditures and other financing uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(763,569)</u>	\$ <u>(763,569)</u>

See Independent Auditors' Report.

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

**Budgetary Basis**

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**Budget/GAAP Reconciliation**

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP Basis	\$ 22,096,929	\$ 22,945,148	\$ 263,526
Add end-of-year appropriation carryforwards to expenditures	-	516,779	-
To record use of prior year carryforwards as a funding source	-	-	402,000
Reclass enterprise fund indirect cost reimbursement to budgetary basis	-	233,070	233,070
Reclass ambulance fund reimbursement to budgetary basis	-	475,000	475,000
Remove effect of combining stabilization funds with general fund:			
Interest income	(39,097)	-	-
Transfers, net	-	-	(25,000)
Budgetary Basis	<u>\$ 22,057,832</u>	<u>\$ 24,169,997</u>	<u>\$ 1,348,596</u>

See Independent Auditors’ Report.

TOWN OF TOWNSEND, MASSACHUSETTS

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

(Unaudited)

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	0.539805%	\$ 8,637,189	\$ 3,570,490	241.90%	49.45%
June 30, 2019	December 31, 2018	0.593537%	9,256,011	3,184,331	290.67%	46.40%
June 30, 2018	December 31, 2017	0.570052%	8,090,096	3,057,294	264.62%	49.27%
June 30, 2017	December 31, 2016	0.647040%	9,167,760	2,866,064	319.87%	45.49%
June 30, 2016	December 31, 2015	0.579497%	7,475,618	2,998,738	249.29%	46.13%
June 30, 2015	December 31, 2014	0.561285%	6,742,808	2,883,402	233.85%	47.65%

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

See Independent Auditors' Report.

TOWN OF TOWNSEND, MASSACHUSETTS

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	December 31, 2019	\$ 854,966	\$ 854,966	\$ -	\$ 3,677,605	23.25%
June 30, 2019	December 31, 2018	812,598	812,598	-	3,279,861	24.78%
June 30, 2018	December 31, 2017	764,434	764,434	-	3,149,013	24.28%
June 30, 2017	December 31, 2016	690,007	690,007	-	2,952,046	23.37%
June 30, 2016	December 31, 2015	650,040	650,040	-	3,088,700	21.05%
June 30, 2015	December 31, 2014	673,724	673,724	-	2,969,904	22.69%

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

See Independent Auditors' Report.