

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF WALPOLE, MASSACHUSETTS**

Report on Examination of the  
Basic Financial Statements  
and Additional Information

Year Ended June 30, 2020



**TOWN OF WALPOLE, MASSACHUSETTS**

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**YEAR ENDED JUNE 30, 2020**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund

and the aggregate remaining fund information of the Town as of June 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark and Associates  
Certified Public Accountants  
Woburn, Massachusetts  
January 5, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Financial Highlights

- Fiscal 2020 can be characterized as a year that was dealt many financial challenges due to the emergence of the novel coronavirus, COVID-19. Reaching the United States west coast in January of 2020, the virus spread to pandemic proportions nationally; quickly spreading and reaching Massachusetts in late February. The strength in transmission of the virus forced lock downs of businesses, schools, restaurants and all non-essential activity in many states including Massachusetts. These lockdowns essentially brought most economic activity to a halt as its impact was felt globally. Despite this, the Town was able to navigate through these challenges and end up with a relatively positive outcome. This was leveraged mostly in part to a strong first three quarters of the year bolstered by significant reserves the Town has accumulated. In addition, the Town was the beneficiary of numerous grants created to assist communities during this very challenging time. Its impact on fiscal 2021 is yet to be determined, however the impact to fiscal 2020 is included in various areas of this Management Discussion and Analysis.
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by almost \$126.7 million (*total net position*).
- The government's total net position increased by almost \$6.1 million. The governmental activities increased net position by about \$5.3 million, while the business - type activities increased net position by almost \$0.8 million.
- The Town's unassigned fund balance reported in the General Fund was over \$11.5 million (10.5% of General Fund expenditures). Total fund balance in the General Fund was nearly \$18.4 million (16.8% of General Fund expenditures).
- The Town reported a total fund deficit in its Capital Project Fund of approximately (\$1.0) million. This was made up of nearly \$1.0 million as restricted and a deficit of approximately \$2.0 million as unassigned. The deficit portion is funded from short-term borrowings and will be cured at the time such borrowings are refinanced to long-term debt or paid down utilizing other Town funds.
- The Town reported fund balances of nearly \$10.2 million in the combined Nonmajor Governmental Funds. This amount is comprised of about \$9.9 million in Restricted fund balances, combined with nearly \$0.3 million in Nonspendable fund balances made up this amount.
- The Town's total bonded debt decreased by approximately \$3.4 million during the fiscal year as bond issuances of nearly \$0.4 million were offset by regular scheduled maturities of principal of almost \$3.8 million.

## Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town include water and sewer enterprise funds.

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

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

- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed – amounts constrained by a government using its highest level of decision-making authority
- Assigned – amounts a government intends to use for a particular purpose
- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major funds if balance is in deficit

**Governmental Funds** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows*

*of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Reconciliations are provided in the financial statements to facilitate this comparison.

The Town maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation under the heading of Nonmajor governmental funds.

The Town adopts an annual appropriated budget for its general fund and its enterprise funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes after the footnotes to the financial statements.

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

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

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's proportionate share of its net pension liability and contributions to its pension plan, the Commonwealth's share of the net pension liability of the Massachusetts Teacher's Retirement System, and various other postemployment benefit information; as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

## Government-wide Financial Analysis

The condensed statement of net position is as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Assets</b>						
Current and other assets	\$ 43,468,506	\$ 40,691,893	\$ 17,267,684	\$ 18,889,997	\$ 60,736,190	\$ 59,581,890
Capital assets, net	148,508,549	142,798,258	63,158,298	62,691,868	211,666,847	205,490,126
<b>Total assets</b>	<b>191,977,055</b>	<b>183,490,151</b>	<b>80,425,982</b>	<b>81,581,865</b>	<b>272,403,037</b>	<b>265,072,016</b>
<b>Deferred Outflows of Resources</b>	<b>12,225,745</b>	<b>11,020,250</b>	<b>1,045,097</b>	<b>1,246,760</b>	<b>13,270,842</b>	<b>12,267,010</b>
<b>Liabilities</b>						
Long-term liabilities	6,450,068	6,146,928	211,973	1,014,600	6,662,041	7,161,528
Other liabilities	120,879,922	119,344,212	20,046,338	21,724,583	140,926,260	141,068,795
<b>Total liabilities</b>	<b>127,329,990</b>	<b>125,491,140</b>	<b>20,258,311</b>	<b>22,739,183</b>	<b>147,588,301</b>	<b>148,230,323</b>
<b>Deferred Inflows of Resources</b>	<b>10,490,510</b>	<b>7,934,606</b>	<b>908,991</b>	<b>549,741</b>	<b>11,399,501</b>	<b>8,484,347</b>
<b>Net Position</b>						
Net investment in capital assets	112,354,176	108,255,249	48,900,517	49,655,496	161,254,693	157,910,745
Restricted	10,162,289	8,676,688	-	-	10,162,289	8,676,688
Unrestricted	(56,134,165)	(55,847,282)	11,403,260	9,884,205	(44,730,905)	(45,963,077)
<b>Net position</b>	<b>\$ 66,382,300</b>	<b>\$ 61,084,655</b>	<b>\$ 60,303,777</b>	<b>\$ 59,539,701</b>	<b>\$ 126,686,077</b>	<b>\$ 120,624,356</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows at the close of the most recent fiscal year by almost \$126.7 million (*total net position*).

By far, the largest portion of the Town's net position (approximately \$161.3 million) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less related debt used to acquire those assets that is still outstanding, net of unexpended portions. The Town uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$10.2 million) represents resources that are subject to external restrictions on how they may be used. The remaining category of *unrestricted net position* reflects the remainder of net position, a deficit of approximately \$44.7 million. Surpluses of about \$11.4 million in the business-type activities are offset by a deficit of over \$56.1 million in governmental activities. This deficit is largely the result of the recognition of the liabilities related to OPEB (approximately \$46.5 million) and pensions (approximately \$39.9 million). These deficits are expected to continue into the foreseeable future.

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

	<u>Governmental activities</u>		<u>Business activities</u>		<u>Total</u>	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services	\$ 8,925,295	\$ 10,557,247	\$ 10,508,487	\$ 13,247,072	\$ 19,433,782	\$ 23,804,319
Operating grants and contributions	28,153,172	24,906,928	1,136,776	94,009	29,289,948	25,000,937
Capital grants and contributions	2,157,425	2,138,774	187,000	457,220	2,344,425	2,595,994
General revenues:						
Property taxes	74,259,042	72,064,576	-	-	74,259,042	72,064,576
Intergovernmental	3,506,343	3,501,644	-	-	3,506,343	3,501,644
Other	6,423,745	6,535,164	558	-	6,424,303	6,535,164
<b>Total revenues</b>	<b>123,425,022</b>	<b>119,704,333</b>	<b>11,832,821</b>	<b>13,798,301</b>	<b>135,257,843</b>	<b>133,502,634</b>
<b><u>Expenses</u></b>						
General government	6,426,481	5,674,005	-	-	6,426,481	5,674,005
Public safety	14,984,160	14,663,323	-	-	14,984,160	14,663,323
Education	80,506,918	77,282,668	-	-	80,506,918	77,282,668
Public works	9,786,217	10,707,293	-	-	9,786,217	10,707,293
Health and human services	1,343,418	1,269,580	-	-	1,343,418	1,269,580
Culture and recreation	3,969,533	4,866,093	-	-	3,969,533	4,866,093
Debt service	1,110,650	1,107,827	-	-	1,110,650	1,107,827
Water	-	-	5,128,498	5,390,452	5,128,498	5,390,452
Sewer	-	-	5,940,247	6,396,724	5,940,247	6,396,724
<b>Total expenses</b>	<b>118,127,377</b>	<b>115,570,789</b>	<b>11,068,745</b>	<b>11,787,176</b>	<b>129,196,122</b>	<b>127,357,965</b>
Increase (decrease) in net position before transfers	5,297,645	4,133,544	764,076	2,011,125	6,061,721	6,144,669
Transfers	-	(109,761)	-	109,761	-	-
Change in net position	5,297,645	4,023,783	764,076	2,120,886	6,061,721	6,144,669
Net position, beginning of year	61,084,655	57,521,755	59,539,701	58,704,794	120,624,356	116,226,549
Restatement	-	(460,883)	-	(1,285,979)	-	(1,746,862)
Net position, beginning of year, as restated	61,084,655	57,060,872	59,539,701	57,418,815	120,624,356	114,479,687
Net position, end of year	<u>\$ 66,382,300</u>	<u>\$ 61,084,655</u>	<u>\$ 60,303,777</u>	<u>\$ 59,539,701</u>	<u>\$ 126,686,077</u>	<u>\$ 120,624,356</u>

**Governmental Activities** – The governmental activities increased in net position by approximately \$4.4 million which was primarily the result of positive actual revenue versus forecast of nearly \$2.3 million and increases in grants and contributions.

The Town relies to a great extent on property taxes, which during 2020, made up approximately 60.2% of total revenues which is consistent with 60.2% in the prior year. The dollar increase from year to year is consistent with legal statutory increases imposed by the Commonwealth of Massachusetts, commonly referred to as proposition 2 1/2. Thus, the dollar increase met expectations that were predetermined. Operating grants and contributions comprised about 22.8% of total revenues and increased nearly \$3.2 million over the prior year. This was primarily a result of the special funding requirement the City has with the State as it relates to Teacher's Retirement. The amount contributed by the State was \$3.1 million greater than the previous fiscal year. This has the exact correlative impact on expense as well (see below). All other revenues which are smaller in amount were fairly consistent with the prior year.

The majority of expenses were directed to benefit the School Department operations, which continues to be an area the Town commits a majority of its financial resources. Approximately 68.2% percent of total disbursements related to educational services; which is slightly higher than the 66.9% in the prior year. The increase of over \$3.2 million is primarily related to the special funding situation described above. Other large expenses relate to Public Safety which represented nearly 12.7% of total expenses respectively. These and all other smaller functional expense categories were fairly consistent with the prior year amounts.

**Business-type Activities** – Business-type activities of water and sewer enterprise funds increased net position by almost \$0.8 million. Charges for services decreased over \$2.7 million which was due to one-time revenues for sewer extensions in the prior year, not realized in the current year. This was offset by operating grants and contributions over \$1.0 million and expense decreases of over \$0.7 million. Additionally, current year revenues were positively impacted by approximately \$0.2 million of developer donated infrastructure capital assets, which were approximately \$0.3 million less than prior year donated capital assets.

### **Financial Analysis of the Government's Funds**

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of approximately \$27.5 million, a decrease of approximately \$0.9 million from the prior year. Of the ending fund balance approximately \$9.5 million is *available for spending* at the government's discretion as *unassigned fund balance*. The majority of the remainder fund balances of approximately \$17.8 million is earmarked for specific expenditures

The General Fund is the chief operating fund of the Town; the unassigned fund balance reported was over \$11.5 million, or 10.5% of General Fund expenditures. Total fund balance in the General Fund was nearly \$18.4 million or 16.8% of General Fund expenditures. Favorable operating results as discussed above, offset by the use of free cash appropriated at Special Town Meeting was the primary cause of a decrease of approximately \$1.1 million to the total General Fund balance.

The Capital Projects Fund had a restricted fund balance of approximately \$1.0 million; approximately \$1.0 million lower than the prior year. Capital spending for the year consisted of educational facilities for nearly \$0.5 million, public works facilities and roadways of approximately \$0.5 million, and the route 1A field project for over \$3.9 million. These expenditures were offset by transfers from other funds and nearly \$0.9 million in intergovernmental revenue. The Fund also has an unassigned deficit balance of approximately \$2.0 million as several projects are expected to be permanently financed in subsequent fiscal years through borrowing.

The Town reported total fund balances of approximately \$10.2 million in the Combined Nonmajor Governmental Funds; about \$9.9 million is restricted due to constraints placed externally by third parties, and over \$0.3 million is nonspendable in the form of the corpus of an endowment.

**Proprietary Funds** – The Town's proprietary funds consist of the Water and Sewer Enterprise Funds which provide the same type of information found in the government-wide financial statements under Business-type activities. At year end, the net position of the Water and Sewer Funds were about \$34.5 million and \$25.8 million, respectively.

***Fiduciary Funds*** – The Town’s fiduciary funds are comprised primarily of private purpose trust funds totaling \$7.7 million and are earmarked for use as educational scholarships or personal assistance to Town residents. Additionally, the fiduciary funds include a fund established to offset the costs of other postemployment benefit expenses, the net position in this fund approximates \$4.6 million. Neither fund may be used for Town operating purposes. Remaining holdings within the fiduciary funds relate to agency amounts held by the Town on-behalf of other specific groups.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget included revisions to the following:

- Approximately \$0.1 million of increased allocations to general government
- Approximately \$0.7 million of increased allocations to public safety
- Approximately \$1.6 million of increased allocations to education
- Approximately \$1.4 million of increased allocations to public works
- Approximately \$0.1 million of increased allocations to health and human services
- Approximately \$0.1 million of increased allocations to culture and recreation
- Approximately \$0.1 million of increased allocations to debt service
- Approximately \$3.0 million of increased allocations to transfers to other funds

The majority of this net increase was subsidized with appropriations from surplus (free cash) of over \$5.4 million with lesser amounts funded from transfers from other funds and release of property tax overlay.

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

**Capital Assets** – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2020, is approximately \$211.7 million (net of accumulated depreciation) an increase of approximately \$6.2 million from the prior year. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, and equipment. The total increase is due to capital investments of \$13.0 million exceeding depreciation of approximately \$6.8 million.

Major additions to the Town’s governmental capital assets included various infrastructure acquisitions, machinery and equipment, and vehicles. The business-type activities were mostly focused on infrastructure acquisitions.

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

**Long-Term Debt** – At the end of the current fiscal year, the Town had total bonded debt outstanding of approximately \$44.2 million. Total debt decreased by nearly \$3.2 million from the previous year due to nearly \$0.4 million of bond issues offset by scheduled maturities of principal of approximately \$3.6 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation of approximately \$4.59 billion. The current debt limitation for the Town is approximately \$230 million, which is significantly in excess of the Town’s outstanding general obligation debt classified as inside the debt limit.

The Town maintains an “AA+” rating from Standard and Poor Investment Services for general obligation debt. The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

The Town currently has bond anticipation note payables outstanding of \$5.5 million which are scheduled to mature within the next year and will likely be paid off with some combination of Town funds, proceeds from the issuance of long-term debt, or rollover funds from new short-term debt issuances.

Additional information on the Town's short-term and long-term debt can be found in Note II., subsections E. and F. of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The Town's fiscal year 2021 property taxes are made up predominantly of residential taxes, which comprise nearly 83.6% of the Town's property tax base. The Town also relies heavily on its commercial and industrial real estate tax base, which in aggregate comprise 12.6% of the Town's property tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase property taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- As previously discussed, the COVID-19 pandemic has had a catastrophic impact nation-wide. With the majority of the Country under lockdown for the entire 4<sup>th</sup> quarter, the impacts have caused significant reductions in revenue and thus an adverse impact on operations. The Town survived fiscal 2020 due to a strong first three quarters and conservative revenue estimates. However, the impact to fiscal year 2021 is uncertain and thus, the Town has taken a very conservative approach in estimating revenues for fiscal year 2021.
- Unemployment rates across the Commonwealth continue to be among the highest in the country as the effects of the COVID-19 pandemic has hit states with higher pre-pandemic employment rates the hardest.
- The Town's housing market is very strong. This has been driven by low interest rates which are making homes much more affordable. Current interest rates are at historic lows. Property values are near their historic highs however the extent to which the real estate boom can continue will be based mostly in part to continued low interest rates, in addition to how quickly the local economy will rebound from the pandemic.
- The Town anticipates state aid for 2021 of approximately \$11.3 million and has factored this amount into its tax rate process. This is a significant budget source for the Town as a substantial portion of this aid, more commonly referred to as Chapter 70 is used to subsidize the education budget. In July, the State voted to maintain this aid level with the prior year.

All the above items were considered when the Town developed its budget for fiscal year 2020. The budget was adopted in June 2020. The Town set its tax rate in December 2020.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, Town Hall, 135 School Street, Walpole, Massachusetts, 02081.

**TOWN OF WALPOLE, MASSACHUSETTS**

**STATEMENT OF NET POSITION**

**JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 31,599,596	\$ 13,496,363	\$ 45,095,959
Investments	7,169,219	-	7,169,219
Receivables, net of allowance for uncollectibles:			
Property taxes	1,232,131	-	1,232,131
Tax titles	1,259,401	-	1,259,401
Excise taxes	639,980	-	639,980
User fees	-	3,164,182	3,164,182
Departmental and other	288,951	13,715	302,666
Intergovernmental	735,755	593,424	1,329,179
Tax foreclosures	543,473	-	543,473
Capital assets, not being depreciated	33,060,189	7,203,108	40,263,297
Depreciable Capital assets, net of depreciation	115,448,360	55,955,190	171,403,550
<b>Total Assets</b>	<b>191,977,055</b>	<b>80,425,982</b>	<b>272,403,037</b>
<b>Deferred Outflows of Resources</b>			
Related to other postemployment benefits liability	3,806,704	91,610	3,898,314
Related to net pension liability	8,419,041	953,487	9,372,528
<b>Total Deferred Outflows of Resources</b>	<b>12,225,745</b>	<b>1,045,097</b>	<b>13,270,842</b>
<b>Liabilities</b>			
Current liabilities:			
Warrants and accounts payable	6,443,921	133,116	6,577,037
Unearned revenue	86,342	-	86,342
Other liabilities	6,147	-	6,147
Temporary notes payable	5,423,418	78,857	5,502,275
Noncurrent liabilities:			
Due in one year or less	2,821,890	1,512,778	4,334,668
Due in more than one year	112,548,272	18,533,560	131,081,832
<b>Total Liabilities</b>	<b>127,329,990</b>	<b>20,258,311</b>	<b>147,588,301</b>
<b>Deferred Inflows of Resources</b>			
Related to other postemployment benefits liability	3,129,312	75,308	3,204,620
Related to net pension liability	7,361,198	833,683	8,194,881
<b>Total Deferred Inflows of Resources</b>	<b>10,490,510</b>	<b>908,991</b>	<b>11,399,501</b>
<b>Net Position</b>			
Net investment in capital assets	112,354,176	48,900,517	161,254,693
Restricted for:			
Nonexpendable permanent funds	261,719	-	261,719
Expendable permanent funds	1,869,504	-	1,869,504
Federal and state grants	1,517,473	-	1,517,473
Other purposes	6,513,593	-	6,513,593
Unrestricted	(56,134,165)	11,403,260	(44,730,905)
<b>Total Net Position</b>	<b>\$ 66,382,300</b>	<b>\$ 60,303,777</b>	<b>\$ 126,686,077</b>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 6,426,481	\$ 2,618,556	\$ 1,213,916	\$ -	\$ (2,594,009)		\$ (2,594,009)
Public safety	14,984,160	2,456,535	258,630	-	(12,268,995)		(12,268,995)
Education	80,506,918	3,181,143	26,285,078	-	(51,040,697)		(51,040,697)
Public works	9,786,217	54,757	14,800	2,039,525	(7,677,135)		(7,677,135)
Health and human services	1,343,418	141,911	276,902	-	(924,605)		(924,605)
Culture and recreation	3,969,533	472,393	103,846	117,900	(3,275,394)		(3,275,394)
Interest expense	1,110,650	-	-	-	(1,110,650)		(1,110,650)
Total Governmental Activities	118,127,377	8,925,295	28,153,172	2,157,425	(78,891,485)		(78,891,485)
<b>Business-Type Activities</b>							
Water	5,128,498	5,256,492	50,776	88,000		\$ 266,770	266,770
Sewer	5,940,247	5,251,995	1,086,000	99,000		496,748	496,748
Total Primary Government	\$ 129,196,122	\$ 19,433,782	\$ 29,289,948	\$ 2,344,425	(78,891,485)	763,518	(78,127,967)
<b>General Revenues</b>							
					74,259,042	-	74,259,042
					3,506,343	-	3,506,343
					5,281,247	-	5,281,247
					236,599	-	236,599
					905,899	558	906,457
					-	-	-
					84,189,130	558	84,189,688
					5,297,645	764,076	6,061,721
<b>Net Position</b>							
					61,084,655	59,539,701	120,624,356
					\$ 66,382,300	\$ 60,303,777	\$ 126,686,077

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 18,411,553	\$ 5,460,413	\$ 7,727,630	\$ 31,599,596
Investments	5,047,683	-	2,121,536	7,169,219
Receivables, net of allowance:				
Property taxes	1,232,131	-	-	1,232,131
Tax titles	1,259,401	-	-	1,259,401
Excise taxes	639,980	-	-	639,980
Other	1,736	-	287,215	288,951
Due from Commonwealth	-	-	735,755	735,755
Tax foreclosures	543,473	-	-	543,473
<b>Total Assets</b>	<u>27,135,957</u>	<u>5,460,413</u>	<u>10,872,136</u>	<u>43,468,506</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u><b>\$ 27,135,957</b></u>	<u><b>\$ 5,460,413</b></u>	<u><b>\$ 10,872,136</b></u>	<u><b>\$ 43,468,506</b></u>
<b>Liabilities</b>				
Warrants and accounts payable	\$ 4,993,812	\$ 1,027,477	\$ 422,632	\$ 6,443,921
Unearned revenue	86,342	-	-	86,342
Other liabilities	6,147	-	-	6,147
Temporary notes payable	-	5,423,418	-	5,423,418
<b>Total Liabilities</b>	<u>5,086,301</u>	<u>6,450,895</u>	<u>422,632</u>	<u>11,959,828</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	2,491,532	-	-	2,491,532
Unavailable revenue - excise taxes	639,980	-	-	639,980
Unavailable revenue - other	545,209	-	287,215	832,424
<b>Total Deferred Inflows of Resources</b>	<u>3,676,721</u>	<u>-</u>	<u>287,215</u>	<u>3,963,936</u>
<b>Fund Balances</b>				
Nonspendable	-	-	261,719	261,719
Restricted	-	1,015,977	9,900,570	10,916,547
Committed	5,714,963	-	-	5,714,963
Assigned	1,152,342	-	-	1,152,342
Unassigned	11,505,630	(2,006,459)	-	9,499,171
<b>Total Fund Balances</b>	<u>18,372,935</u>	<u>(990,482)</u>	<u>10,162,289</u>	<u>27,544,742</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u><b>\$ 27,135,957</b></u>	<u><b>\$ 5,460,413</b></u>	<u><b>\$ 10,872,136</b></u>	<u><b>\$ 43,468,506</b></u>

See accompanying notes to basic financial statements.

**TOWN OF WALPOLE, MASSACHUSETTS**

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

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<b>Total Governmental Fund Balances</b>	<b>\$ 27,544,742</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	148,508,549
Other long-term assets are unavailable to pay current-period expenditures	3,963,936
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net pension liability	8,419,041
Deferred outflows related to net other postemployment benefits liability	3,806,704
Deferred inflows related to net pension liability	(7,361,198)
Deferred inflows related to net other postemployment benefits liability	(3,129,312)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds and notes payable	(31,574,992)
Compensated absences	(2,526,353)
Net other postemployment benefits liability	(45,435,638)
Net pension liability	<u>(35,833,179)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 66,382,300</u></b>

See accompanying notes to basic financial statements.

**TOWN OF WALPOLE, MASSACHUSETTS**

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

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Real estate and personal property taxes, net	\$ 74,953,527	\$ -	\$ -	\$ 74,953,527
Intergovernmental	26,306,531	846,503	5,679,872	32,832,906
Motor vehicle and other excises	5,029,508	-	-	5,029,508
License and permits	1,281,560	-	-	1,281,560
Departmental and other revenue	976,086	-	6,538,142	7,514,228
Penalties and interest on taxes	236,599	-	-	236,599
Fines and forfeitures	18,656	-	-	18,656
Investment income	831,585	-	74,314	905,899
Contributions and donations	-	-	984,034	984,034
<b>Total Revenues</b>	<b>109,634,052</b>	<b>846,503</b>	<b>13,276,362</b>	<b>123,756,917</b>
<b>Expenditures</b>				
Current:				
General government	2,881,241	74,694	1,844,017	4,799,952
Public safety	12,972,540	66,420	313,823	13,352,783
Education	47,868,155	477,563	5,751,736	54,097,454
Public works	7,802,866	493,472	1,138,207	9,434,545
Health and human services	743,257	31,421	198,655	973,333
Culture and recreation	2,284,333	3,918,471	882,360	7,085,164
Pensions and other fringes	29,731,819	-	-	29,731,819
State and county tax assessments	1,827,545	-	-	1,827,545
Debt service:				
Principal maturities	2,071,763	-	-	2,071,763
Interest	1,277,204	-	-	1,277,204
<b>Total Expenditures</b>	<b>109,460,723</b>	<b>5,062,041</b>	<b>10,128,798</b>	<b>124,651,562</b>
Excess (Deficiency) of Revenues Over Expenditures	173,329	(4,215,538)	3,147,564	(894,645)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,919,101	3,431,577	6,560	5,357,238
Transfers out	(3,169,884)	(518,831)	(1,668,523)	(5,357,238)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,250,783)</b>	<b>2,912,746</b>	<b>(1,661,963)</b>	<b>-</b>
Net Change in Fund Balances	(1,077,454)	(1,302,792)	1,485,601	(894,645)
FUND BALANCES - Beginning of year	19,450,389	312,310	8,676,688	28,439,387
FUND BALANCES - Ending of year	<b>\$ 18,372,935</b>	<b>\$ (990,482)</b>	<b>\$ 10,162,289</b>	<b>\$ 27,544,742</b>

See accompanying notes to basic financial statements.

**TOWN OF WALPOLE, MASSACHUSETTS**

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

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ (894,645)**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items.

Capital outlays	\$ 9,979,142	
Depreciation expense	<u>(4,268,851)</u>	
Net effect of reporting capital assets		5,710,291

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

Amortization of debt premium	166,554	
Repayments of debt	<u>2,071,763</u>	
Net effect of reporting long-term debt		2,238,317

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

(324,900)

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

Compensated absences	(223,695)	
Other postemployment benefits	(1,051,419)	
Pension benefits	<u>(156,304)</u>	
Net effect of reporting long-term liabilities		<u>(1,431,418)</u>

**Change in Net Position of Governmental Activities** **\$ 5,297,645**

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,231,047	\$ 7,265,316	\$ 13,496,363
Receivables:			
User charges and fees	1,579,938	1,584,244	3,164,182
Betterments	-	13,715	13,715
Intergovernmental	193,249	-	193,249
Total current assets	<u>8,004,234</u>	<u>8,863,275</u>	<u>16,867,509</u>
Noncurrent assets:			
Receivables:			
Intergovernmental	400,175	-	400,175
Capital assets, not being depreciated	7,104,452	98,656	7,203,108
Capital assets, net of depreciation	<u>37,310,723</u>	<u>18,644,467</u>	<u>55,955,190</u>
Total noncurrent assets	<u>44,815,350</u>	<u>18,743,123</u>	<u>63,558,473</u>
<b>Total Assets</b>	<u>52,819,584</u>	<u>27,606,398</u>	<u>80,425,982</u>
<b>Deferred Outflows of Resources</b>			
Related to other postemployment benefits liability	74,068	17,542	91,610
Related to net pension liability	<u>662,675</u>	<u>290,812</u>	<u>953,487</u>
<b>Total Deferred Outflows of Resources</b>	<u>736,743</u>	<u>308,354</u>	<u>1,045,097</u>
<b>Liabilities</b>			
Current liabilities:			
Warrants payable and accrued expenses	112,998	20,118	133,116
Temporary notes payable	78,857	-	78,857
Bond and note indebtedness	1,449,427	36,200	1,485,627
Compensated absences	<u>20,731</u>	<u>6,420</u>	<u>27,151</u>
Total current liabilities	<u>1,662,013</u>	<u>62,738</u>	<u>1,724,751</u>
Noncurrent liabilities:			
Bond and note indebtedness	12,974,636	325,800	13,300,436
Compensated absences	62,192	19,259	81,451
Net other postemployment benefits liability	884,052	209,381	1,093,433
Net pension liability	<u>2,820,483</u>	<u>1,237,757</u>	<u>4,058,240</u>
Total noncurrent liabilities	<u>16,741,363</u>	<u>1,792,197</u>	<u>18,533,560</u>
<b>Total Liabilities</b>	<u>18,403,376</u>	<u>1,854,935</u>	<u>20,258,311</u>
<b>Deferred Inflows of Resources</b>			
Related to other postemployment benefits liability	60,888	14,420	75,308
Related to net pension liability	<u>579,411</u>	<u>254,272</u>	<u>833,683</u>
<b>Total Deferred Inflows of Resources</b>	<u>640,299</u>	<u>268,692</u>	<u>908,991</u>
<b>Net Position</b>			
Net investment in capital assets	30,505,679	18,394,838	48,900,517
Unrestricted	<u>4,006,973</u>	<u>7,396,287</u>	<u>11,403,260</u>
<b>Total Net Position</b>	<u>\$ 34,512,652</u>	<u>\$ 25,791,125</u>	<u>\$ 60,303,777</u>

See accompanying notes to basic financial statements.

**TOWN OF WALPOLE, MASSACHUSETTS**

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

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>Operating Revenues</b>			
Charges for services	\$ 5,072,009	\$ 4,880,345	\$ 9,952,354
Other operating income	184,483	371,650	556,133
Total Operating Revenues	<u>5,256,492</u>	<u>5,251,995</u>	<u>10,508,487</u>
<b>Operating Expenses</b>			
Operating costs	3,485,483	5,381,556	8,867,039
Depreciation	1,166,493	557,091	1,723,584
Total Operating Expenses	<u>4,651,976</u>	<u>5,938,647</u>	<u>10,590,623</u>
Total Operating Income	<u>604,516</u>	<u>(686,652)</u>	<u>(82,136)</u>
<b>Nonoperating Income (Expenses)</b>			
Intergovernmental	50,776	1,086,000	1,136,776
Investment income	558	-	558
Interest expense	(476,522)	(1,600)	(478,122)
Total Nonoperating Revenues (Expenses), net	<u>(425,188)</u>	<u>1,084,400</u>	<u>659,212</u>
Income (Loss) Before Capital Contributions	<u>179,328</u>	<u>397,748</u>	<u>577,076</u>
<b>Capital Contributions</b>			
Developer contributed assets	88,000	99,000	187,000
Total capital contributions	<u>88,000</u>	<u>99,000</u>	<u>187,000</u>
<b>Transfers In</b>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	267,328	496,748	764,076
Total Net Position - Beginning of the year	<u>34,245,324</u>	<u>25,294,377</u>	<u>59,539,701</u>
Total Net Position - Ending of the year	<u><b>\$ 34,512,652</b></u>	<u><b>\$ 25,791,125</b></u>	<u><b>\$ 60,303,777</b></u>

See accompanying notes to basic financial statements.

**TOWN OF WALPOLE, MASSACHUSETTS**

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

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from users	\$ 4,945,040	\$ 5,066,490	\$ 10,011,530
Payments to vendors	(2,499,323)	(6,072,997)	(8,572,320)
Payments to employees	(907,423)	(321,432)	(1,228,855)
Net Cash Provided By (Used For) Operating Activities	<u>1,538,294</u>	<u>(808,491)</u>	<u>729,803</u>
<b>Cash Flows from Noncapital Related Financing Activities</b>			
Intergovernmental subsidies	240,175	1,086,000	1,326,175
Net Cash Provided By Noncapital Related Financing Activities	<u>240,175</u>	<u>1,086,000</u>	<u>1,326,175</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from the issuance of bonds and notes	78,857	362,000	440,857
Acquisition and construction of capital assets	(1,538,323)	(464,691)	(2,003,014)
Proceeds from betterment assessment	-	2,056	2,056
Interest expense	(544,140)	(1,600)	(545,740)
Principal payments on bonds and notes	(1,794,283)	(84,227)	(1,878,510)
Net Cash Used For Capital and Related Financing Activities	<u>(3,797,889)</u>	<u>(186,462)</u>	<u>(3,984,351)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(2,018,862)	91,047	(1,927,815)
<b>Cash and Cash Equivalents</b>			
Beginning of year	8,249,909	7,174,269	15,424,178
End of year	<u><u>\$ 6,231,047</u></u>	<u><u>\$ 7,265,316</u></u>	<u><u>\$ 13,496,363</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities</b>			
Operating income (loss)	\$ 604,516	\$ (686,652)	\$ (82,136)
Depreciation	1,166,493	557,091	1,723,584
Changes in assets, deferred outflows, and liabilities, deferred inflows:			
Receivables (net)	(311,452)	(185,505)	(496,957)
Deferred outflows of resources	129,798	71,865	201,663
Deferred inflows of resources	247,542	111,708	359,250
Liabilities (net)	(298,603)	(676,998)	(975,601)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$ 1,538,294</u></u>	<u><u>\$ (808,491)</u></u>	<u><u>\$ 729,803</u></u>
<b>Noncash Capital and Related Financing Activities:</b>			
Developer donated infrastructure	\$ 88,000	\$ 99,000	\$ 187,000
Amortization of debt premium	67,618	-	67,618

See accompanying notes to basic financial statements.

**TOWN OF WALPOLE, MASSACHUSETTS**

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

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund	Agency Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 652,625	\$ 43,430	\$ (1,752)
Investments (at fair value):			
U.S. government securities	-	352,599	-
Corporate fixed income	1,062,068	215,289	-
Fixed mutual funds	-	392,932	-
Equities	5,981,828	2,119,578	-
Equity mutual funds	-	1,501,474	-
Receivables	-	-	239,622
<b>Total Assets</b>	<b>7,696,521</b>	<b>4,625,302</b>	<b>237,870</b>
<b>Liabilities</b>			
Warrant and accounts payable	-	-	52,924
Planning board deposits	-	-	75,885
Other liabilities	-	-	109,061
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>237,870</b>
<b>Net Position</b>			
Held in trust for private benefit	7,696,521	-	-
Held in trust for other postemployment benefits	-	4,625,302	-
<b>Total Net Position</b>	<b>\$ 7,696,521</b>	<b>\$ 4,625,302</b>	<b>\$ -</b>

See accompanying notes to basic financial statements.

**TOWN OF WALPOLE, MASSACHUSETTS**

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

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund
<b>Additions</b>		
Contribution and donations:		
Public sources	\$ -	\$ -
Employer	-	3,055,604
Total contributions	-	3,055,604
Investment income:		
Interest and dividends	271,108	161,680
Investment management fees	-	(21,615)
Net investment earnings	271,108	140,065
<b>Total Additions</b>	<b>271,108</b>	<b>3,195,669</b>
<b>Deductions</b>		
Educational scholarships	112,873	-
Health and human service assistance	101,622	-
Other fringe benefits	-	2,263,604
<b>Total Deductions</b>	<b>214,495</b>	<b>2,263,604</b>
Change in Net Position	56,613	932,065
Total Net Position - Beginning	7,639,908	3,693,237
Total Net Position - Ending	<b>\$ 7,696,521</b>	<b>\$ 4,625,302</b>

See accompanying notes to basic financial statements.

## TOWN OF WALPOLE, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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#### **I. Summary of Significant Accounting Policies**

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

##### **A. Reporting Entity**

The Town is located in Norfolk County approximately 18 miles south of Boston and was incorporated as a town in 1724. The governing structure utilizes an open town meeting form, with an elected five-member Board of Selectmen, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish and recycling, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities, library and elderly services and inspectional services. The water and sewer services, funded almost entirely with user charges, are provided via connections installed and maintained by the Town directly.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major Governmental Funds:

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

Capital Projects Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

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

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

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

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

The government reports the following major proprietary fund:

Water Enterprise Fund – is used to account for the operation of the water department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Sewer Enterprise Fund – is used to account for the operation of the sewer department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

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

The government reports the following fiduciary funds:

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

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

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund consists primarily of student activities, public safety details, escrow and other deposits. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**

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

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

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. Motor vehicle excise is billed annually for vehicles registered in the Town as reported to the Town by the Commonwealth of Massachusetts. Water and sewer user fees are billed periodically multiple times annually based on individual meter readings and are subject to interest and penalties if not paid by the respective due dates. Property taxes, motor vehicle excise taxes, and water and sewer user fees are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water and sewer user fees may be secured through a lien process within 14 days after the due date and are considered 100% collectible. Accordingly, a provision for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental and other receivables are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

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

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

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

Capital assets (excluding land and construction-in-process) are depreciated by the Town on a straight-line-basis. The estimated useful lives of capital assets being depreciated are as follows:

Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	8 - 20 years
Infrastructure	20 - 65 years

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net

position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

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

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

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

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

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

*Federal and State grants* represent assets that have restrictions placed on them from federal and state granting agencies.

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

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

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

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

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

*Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, which consists of the Town Meeting members through Town Meeting votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting votes) it employed previously to commit those amounts.

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

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

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

The Town has established a financial policy targeting for the total of the General Fund undesignated fund balance plus stabilization funds be maintained at a ratio of 5-15% of the Town's General Fund operating revenues.

*Stabilization Fund* – The Town maintains a stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$5,179,718 at June 30, 2020 and is reported as unassigned fund balance in the General Fund.

*Encumbrances* - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Administrator as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$1,152,342 of encumbrances from normal purchasing activity in the General Fund as assigned. The Town reports \$5,714,963 of encumbrances from Town Meeting votes in the general fund as committed. There are no encumbrances reported in any other fund.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 261,719	\$ 261,719
Restricted:				
General government	-	-	2,822,038	2,822,038
Public safety	-	243,282	2,054,854	2,298,136
Education	-	432,096	2,326,460	2,758,556
Public works	-	14,625	885,720	900,345
Health and human services	-	-	262,102	262,102
Culture and recreation	-	325,974	1,549,396	1,875,370
Committed:				
General government	258,246	-	-	258,246
Public safety	213,688	-	-	213,688
Education	2,233,616	-	-	2,233,616
Public works	1,373,481	-	-	1,373,481
Health and human services	7,145	-	-	7,145
Culture and recreation	1,628,787	-	-	1,628,787
Assigned:				
General government	140,588	-	-	140,588
Public safety	29,900	-	-	29,900
Education	204,024	-	-	204,024
Public works	292,349	-	-	292,349
Health and human services	8,391	-	-	8,391
Culture and recreation	35,288	-	-	35,288
Pension and other fringes	91,802	-	-	91,802
Subsequent years' budget	350,000	-	-	350,000
Unassigned	11,505,630	(2,006,459)	-	9,499,171
<b>Totals</b>	<b>\$ 18,372,935</b>	<b>\$ (990,482)</b>	<b>\$ 10,162,289</b>	<b>\$ 27,544,742</b>

#### E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred deficits of \$2,006,459 which are reported in the Capital Projects major fund. These deficits will be funded through available revenues, grant funds or bond proceeds in future fiscal years.

#### F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## II. Detailed Notes to All Funds

### A. **Deposits and Investments**

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

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

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

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$30,856,246 and the bank balance was \$32,821,621. Of the Town's bank balance, \$20,718,528 was covered by federal depository insurance; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All securities not held directly by the Town will be held in the Town's name and tax identification number by a third-party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The investments in MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town does not have a formal investment policy related to custodial credit risk.

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

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

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

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

	6/30/20	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 2,523,422	\$ 1,039,092	\$ 1,484,330	\$ -
Corporate bonds	3,357,222	-	3,357,222	-
Fixed income mutual funds	473,880	-	473,880	-
Certificates of deposit	923,610	-	923,610	-
Total debt securities	7,278,134	1,039,092	6,239,042	-
Equity securities:				
Common stock	11,516,852	11,516,852	-	-
Total equity securities	11,516,852	11,516,852	-	-
Total investments by fair value level	\$ 18,794,986	\$ 12,555,944	\$ 6,239,042	\$ -
<u>Investments measured at amortized cost</u>				
State investment pool (MMDT)	13,182,603			
Money market mutual funds	197,803			
Total investments measured at fair value	\$ 32,175,392			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. governmental obligations, corporate bonds, certificates of deposit and mutual funds classified in Level 2 are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices. The State Treasurer’s investment pool (MMDT) is valued at amortized cost. The MMDT’s investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool. Money market mutual funds are measured at the published fair value per share (unit) which is generally accepted to be an amortized cost valuation.

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

*Interest Rate Risk: Investments* – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value

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

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

Investment Type	Fair Value	Time Until Maturity (Years)			
		Less Than 1	1-5	6-10	More Than 10
<u>Investments with Maturities:</u>					
U.S. Government obligations	\$ 2,495,491	\$ 386,440	\$ 1,955,102	\$ 153,949	\$ -
Corporate bonds	3,357,222	1,198,644	1,812,540	266,958	79,080
Certificates of deposit	8,775,087	7,975,677	799,410	-	-
State Treasurer's Investment Pool (MMDT)	13,182,603	13,182,603	-	-	-
Total Investments with Maturities	27,810,403	\$ 22,743,364	\$ 4,567,052	\$ 420,907	\$ 79,080
<u>Other Investments:</u>					
Common stock	11,516,852				
Fixed income mutual funds	473,880				
Money market mutual funds	197,803				
Total Investments - All	\$ 39,998,938				

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. The Town does maintain approximately 33% of its investments with MMDT, the only singularly invested entity that exceeds 10% of the monetary holdings.

Credit Risk – The Town has not adopted a formal policy related to credit risk. The Town's investment in MMDT is unrated; other securities with maturities have their credit ratings disclosed below.

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

Quality Ratings (Moody's)	Investments with Maturities				
	U.S. Government Obligations	Corporate Bonds	Certificates of Deposit	State Treasurer's Investment Pool	Total
Aaa	\$ 2,495,491	\$ -	\$ -	\$ -	\$ 2,495,491
Aa	-	51,591	-	-	51,591
Aa2	-	163,152	-	-	163,152
Aa3	-	407,026	-	-	407,026
A	-	109,500	-	-	109,500
A1	-	526,090	-	-	526,090
A2	-	251,559	-	-	251,559
Baa	-	77,450	-	-	77,450
Baa1	-	856,902	-	-	856,902
Baa2	-	477,027	-	-	477,027
Ba1	-	173,348	-	-	173,348
WR	-	39,102	-	-	39,102
Not Rated	-	224,475	8,775,087	13,182,603	22,182,165
<b>Totals</b>	<b>\$ 2,495,491</b>	<b>\$ 3,357,222</b>	<b>\$ 8,775,087</b>	<b>\$ 13,182,603</b>	<b>\$ 27,810,403</b>

**B. Receivables**

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 1,009,468	\$ (6,493)	\$ 1,002,975
Tax liens	1,488,557	-	1,488,557
Excise	639,980	-	639,980
Ambulance	480,089	(192,874)	287,215
Departmental and other	1,736	-	1,736
Intergovernmental	735,755	-	735,755
Total Governmental Receivables	\$ 4,355,585	\$ (199,367)	\$ 4,156,218

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 1,570,027	\$ -	\$ 1,570,027
Water liens	9,911	-	9,911
Water intergovernmental	593,424	-	593,424
Sub-total Water Fund	2,173,362	-	2,173,362
Sewer user charges	1,576,778	-	1,576,778
Sewer liens	7,466	-	7,466
Sewer betterments	13,715	-	13,715
Sub-total Sewer Fund	1,597,959	-	1,597,959
Total Business-Type Receivables	\$ 3,771,321	\$ -	\$ 3,771,321

*MCWT Loan Subsidies* – The Town has entered into a number of loan agreements with the Massachusetts Clean Water Trust (MCWT) dating back to 1997. It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$593,424, which is allocated to the Water Fund. In addition, interest costs are anticipated to be subsidized to the General Fund for \$1,305 and to the Water Fund in the amount of \$97,860 until the maturity of these agreements. In the Business-Type Funds, the intergovernmental receivables include a receivable for the principal portion of the subsidy.

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

	General Fund	Other Governmental Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes	\$ 1,002,975	\$ -	\$ 1,002,975
Tax liens	1,488,557	-	1,488,557
Excise	639,980	-	639,980
Tax foreclosures	543,473	-	543,473
Ambulance fees	-	287,215	287,215
Departmental and other	1,736	-	1,736
Total	<u>\$ 3,676,721</u>	<u>\$ 287,215</u>	<u>\$ 3,963,936</u>

### C. Interfund Payables, Receivables and Transfers

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

Transfers Out	Transfers In			Total
	General Fund	Capital Projects	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 3,163,324	\$ 6,560	\$ 3,169,884 (1)
Capital Project Funds	250,578	268,253	-	518,831 (2)
Nonmajor Governmental Funds	1,668,523	-	-	1,668,523 (3)
Total	<u>\$ 1,919,101</u>	<u>\$ 3,431,577</u>	<u>\$ 6,560</u>	<u>\$ 5,357,238</u>

- (1) Transfer to capital projects fund and nonmajor funds to fund various projects.
- (2) Transfer to general fund and capital project fund from completed/closed projects.
- (3) Transfers to general fund to supplement operating budgets.

## D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 28,810,049	\$ -	\$ (6,996)	\$ 28,803,053
Construction in progress	441,347	4,257,136	(441,347)	4,257,136
Total capital assets not being depreciated	<u>29,251,396</u>	<u>4,257,136</u>	<u>(448,343)</u>	<u>33,060,189</u>
Capital assets being depreciated:				
Buildings and improvements	124,561,661	1,363,320	-	125,924,981
Infrastructure	65,316,525	1,802,764	-	67,119,289
Machinery and equipment	9,873,127	566,308	(106,013)	10,333,422
Vehicles	6,678,185	3,278,968	(734,998)	9,222,155
Total capital assets being depreciated	<u>206,429,498</u>	<u>7,011,360</u>	<u>(841,011)</u>	<u>212,599,847</u>
Less accumulated depreciation for:				
Buildings and improvements	(37,199,517)	(2,462,100)	-	(39,661,617)
Infrastructure	(44,758,540)	(1,333,865)	-	(46,092,405)
Machinery and equipment	(7,355,986)	(571,342)	106,013	(7,821,315)
Vehicles	(3,568,593)	(742,555)	734,998	(3,576,150)
Total accumulated depreciation	<u>(92,882,636)</u>	<u>(5,109,862)</u>	<u>841,011</u>	<u>(97,151,487)</u>
Total capital assets being depreciated, net	<u>113,546,862</u>	<u>1,901,498</u>	<u>-</u>	<u>115,448,360</u>
Governmental activities capital assets, net	<u>\$ 142,798,258</u>	<u>\$ 6,158,634</u>	<u>\$ (448,343)</u>	<u>\$ 148,508,549</u>
<i><u>Business-Type Activities - All:</u></i>				
Capital assets not being depreciated:				
Land	\$ 7,203,108	\$ -	\$ -	\$ 7,203,108
Total capital assets not being depreciated	<u>7,203,108</u>	<u>-</u>	<u>-</u>	<u>7,203,108</u>
Capital assets being depreciated:				
Buildings and improvements	20,242,776	210,022	-	20,452,798
Infrastructure	66,185,877	1,536,515	-	67,722,392
Machinery and equipment	9,305,750	386,656	(220,000)	9,472,406
Vehicles	763,086	56,822	(38,000)	781,908
Total capital assets being depreciated	<u>96,497,489</u>	<u>2,190,015</u>	<u>(258,000)</u>	<u>98,429,504</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,065,659)	(400,728)	-	(9,466,387)
Infrastructure	(25,717,903)	(945,312)	-	(26,663,215)
Machinery and equipment	(5,724,834)	(320,755)	220,000	(5,825,589)
Vehicles	(500,334)	(56,789)	38,000	(519,123)
Total accumulated depreciation	<u>(41,008,730)</u>	<u>(1,723,584)</u>	<u>258,000</u>	<u>(42,474,314)</u>
Total capital assets being depreciated, net	<u>55,488,759</u>	<u>466,431</u>	<u>-</u>	<u>55,955,190</u>
Business-type activities capital assets, net	<u>\$ 62,691,867</u>	<u>\$ 466,431</u>	<u>\$ -</u>	<u>\$ 63,158,298</u>

Capital asset activity for the Business-type activities by program, for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities - Water:</u></i>				
Capital assets not being depreciated:				
Land	\$ 7,104,452	\$ -	\$ -	\$ 7,104,452
Total capital assets not being depreciated	<u>7,104,452</u>	<u>-</u>	<u>-</u>	<u>7,104,452</u>
Capital assets being depreciated:				
Buildings and improvements	18,232,398	188,808	-	18,421,206
Infrastructure	37,911,767	1,437,515	-	39,349,282
Machinery and equipment	8,130,843	-	-	8,130,843
Vehicles	278,780	-	(38,000)	240,780
Total capital assets being depreciated	<u>64,553,788</u>	<u>1,626,323</u>	<u>(38,000)</u>	<u>66,142,111</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,048,101)	(361,790)	-	(8,409,891)
Infrastructure	(14,528,293)	(533,055)	-	(15,061,348)
Machinery and equipment	(4,851,269)	(268,099)	-	(5,119,368)
Vehicles	(275,232)	(3,549)	38,000	(240,781)
Total accumulated depreciation	<u>(27,702,895)</u>	<u>(1,166,493)</u>	<u>38,000</u>	<u>(28,831,388)</u>
Total capital assets being depreciated, net	<u>36,850,893</u>	<u>459,830</u>	<u>-</u>	<u>37,310,723</u>
Water capital assets, net	<u>\$ 43,955,345</u>	<u>\$ 459,830</u>	<u>\$ -</u>	<u>\$ 44,415,175</u>
<i><u>Business-Type Activities - Sewer:</u></i>				
Capital assets not being depreciated:				
Land	\$ 98,656	\$ -	\$ -	\$ 98,656
Total capital assets not being depreciated	<u>98,656</u>	<u>-</u>	<u>-</u>	<u>98,656</u>
Capital assets being depreciated:				
Buildings and improvements	2,010,378	21,214	-	2,031,592
Infrastructure	28,274,110	99,000	-	28,373,110
Machinery and equipment	1,174,907	386,656	(220,000)	1,341,563
Vehicles	484,306	56,822	-	541,128
Total capital assets being depreciated	<u>31,943,701</u>	<u>563,692</u>	<u>(220,000)</u>	<u>32,287,393</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,017,558)	(38,938)	-	(1,056,496)
Infrastructure	(11,189,610)	(412,257)	-	(11,601,867)
Machinery and equipment	(873,565)	(52,656)	220,000	(706,221)
Vehicles	(225,102)	(53,240)	-	(278,342)
Total accumulated depreciation	<u>(13,305,835)</u>	<u>(557,091)</u>	<u>220,000</u>	<u>(13,642,926)</u>
Total capital assets being depreciated, net	<u>18,637,866</u>	<u>6,601</u>	<u>-</u>	<u>18,644,467</u>
Sewer capital assets, net	<u>\$ 18,736,522</u>	<u>\$ 6,601</u>	<u>\$ -</u>	<u>\$ 18,743,123</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 205,286	Water	\$ 1,166,493
Public safety	1,081,030	Sewer	557,091
Education	1,728,016	Total Business-Type Activities	<u>\$ 1,723,584</u>
Public works	1,687,884		
Health and human services	162,270		
Culture and recreation	245,376		
Total Governmental Activities	<u>\$ 5,109,862</u>		

### E. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and generally carry maturity dates that are limited by state law and are interest bearing. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively. Temporary notes outstanding at June 30, 2020, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	3.00%	05/14/20	\$ 1,816,742	\$ -	\$ (1,816,742)	\$ -
BAN	2.00%	05/14/21	-	5,423,418	-	5,423,418
Total Governmental Notes			<u>1,816,742</u>	<u>5,423,418</u>	<u>(1,816,742)</u>	<u>5,423,418</u>
BAN	3.00%	05/14/20	428,571	-	(428,571)	-
BAN	2.00%	05/14/21	-	78,857	-	78,857
Total Business-Type Notes			<u>428,571</u>	<u>78,857</u>	<u>(428,571)</u>	<u>78,857</u>
Total Temporary Notes Payable			<u>\$ 2,245,313</u>	<u>\$ 5,502,275</u>	<u>\$ (2,245,313)</u>	<u>\$ 5,502,275</u>

Temporary notes outstanding at June 30, 2020, were issued for governmental capital projects related to roadway repairs (\$733,333), Boyden school roof repair (\$87,947), school technology (\$89,334), COA design (\$28,890), fire station design (\$250,581), emergency generators (\$240,000), Walpole High School (\$43,333), and fields project (\$3,950,000). Temporary notes were also issued in the water enterprise fund related to a water treatment study (\$78,857).

## F. Long-Term Obligations

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

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

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 32,085,000	\$ -	\$ (2,070,000)	\$ 30,015,000	\$ 2,030,000
Unamortized bond premiums	1,716,829	-	(166,554)	1,550,275	158,539
Notes from direct borrowings and placements	11,480	-	(1,763)	9,717	1,763
Compensated absences	2,302,658	248,695	(25,000)	2,526,353	631,588
Net other postemployment benefits liability	39,809,928	11,958,635	(6,332,925)	45,435,638	-
Net pension liability	41,601,575	13,376,215	(19,144,611)	35,833,179	-
<b>Total Governmental Activities</b>	<u>\$ 117,527,470</u>	<u>25,583,545</u>	<u>(27,740,853)</u>	<u>\$ 115,370,162</u>	<u>\$ 2,821,890</u>
<b>Business-type Activities: Water</b>					
General obligation bonds	\$ 12,675,000	\$ -	\$ (760,000)	\$ 11,915,000	\$ 760,000
Unamortized bond premiums	643,835	-	(67,618)	576,217	63,716
Notes from direct borrowings and placements	2,538,558	-	(605,712)	1,932,846	625,711
Compensated absences	89,988	-	(7,065)	82,923	20,731
Net other postemployment benefits liability	774,592	316,879	(207,419)	884,052	-
Net pension liability	3,274,522	1,052,862	(1,506,901)	2,820,483	-
<b>Total Business-type Activities: Water</b>	<u>19,996,495</u>	<u>1,369,741</u>	<u>(3,154,715)</u>	<u>18,211,521</u>	<u>1,470,158</u>
<b>Business-type Activities: Sewer</b>					
Notes from direct borrowings and placements	84,227	362,000	(84,227)	362,000	36,200
Compensated absences	23,395	2,284	-	25,679	6,420
Net other postemployment benefits liability	183,456	75,050	(49,125)	209,381	-
Net pension liability	1,437,010	462,044	(661,297)	1,237,757	-
<b>Total Business-type Activities: Sewer</b>	<u>1,728,088</u>	<u>901,378</u>	<u>(794,649)</u>	<u>1,834,817</u>	<u>42,620</u>
<b>Total Business-type Activities</b>	<u>\$ 21,724,583</u>	<u>\$ 2,271,119</u>	<u>\$ (3,949,364)</u>	<u>\$ 20,046,338</u>	<u>\$ 1,512,778</u>

The governmental activities liability will be liquidated from general fund sources. The business-type liabilities will be liquidated from water and sewer enterprise fund sources.

The following is a summary of outstanding long-term debt obligations as of June 30, 2020:

Description of Issue	Maturity Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities</i>						
General Obligation Debt	2030	2.00 - 5.00%	\$ 32,085,000	\$ -	\$ (2,070,000)	\$ 30,015,000
Total General Obligation Bonds			32,085,000	-	(2,070,000)	30,015,000
Add: Unamortized Bond Premiums			1,716,829	-	(166,554)	1,550,275
Total General Obligation Bonds, net			33,801,829	-	(2,236,554)	31,565,275
Massachusetts Clean Water Trust Notes	2024	2.50 - 5.25%	11,480	-	(1,763)	9,717
Total Notes from Direct Borrowings and Placements			11,480	-	(1,763)	9,717
<b>Total Governmental Activities</b>			<b>\$ 33,813,309</b>	<b>\$ -</b>	<b>\$ (2,238,317)</b>	<b>\$ 31,574,992</b>
Description of Issue	Maturity Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Business-Type Activities - Water</i>						
General Obligation Bonds	2030	2.00 - 5.00%	\$ 12,675,000	\$ -	\$ (760,000)	\$ 11,915,000
Total General Obligation Bonds			12,675,000	-	(760,000)	11,915,000
Add: Unamortized Bond Premiums			643,835	-	(67,618)	576,217
Total General Obligation Bonds, net			13,318,835	-	(827,618)	12,491,217
MA Clean Water Trust Notes	2022	2.50 - 5.25%	2,538,558	-	(605,712)	1,932,846
Total Notes from Direct Borrowings and Placements			2,538,558	-	(605,712)	1,932,846
Total Water Debt			15,857,393	-	(1,433,330)	14,424,063
<i>Business-Type Activities - Sewer</i>						
MA Water Resources Authority Notes	2030	0.00%	84,227	362,000	(84,227)	362,000
Total Notes from Direct Borrowings and Placements			84,227	362,000	(84,227)	362,000
Total Sewer Debt			84,227	362,000	(84,227)	362,000
<b>Total Business-Type Activities</b>			<b>\$ 15,941,620</b>	<b>\$ 362,000</b>	<b>\$ (1,517,557)</b>	<b>\$ 14,786,063</b>

Payments on outstanding bond balances due in future years consist of the following:

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<i>Governmental Activities</i>				
2021	\$ 2,030,000	\$ 1,136,919	\$ 1,763	\$ 442
2022	2,030,000	1,054,830	1,763	354
2023	2,065,000	969,705	1,763	265
2024	2,100,000	882,141	1,763	177
2025	2,115,000	791,551	2,665	67
2026-2030	7,640,000	2,871,137	-	-
2031-2035	6,145,000	1,492,425	-	-
2036-2040	4,605,000	599,850	-	-
2041-2043	1,285,000	67,113	-	-
Total	<u>\$ 30,015,000</u>	<u>\$ 9,865,671</u>	<u>\$ 9,717</u>	<u>\$ 1,305</u>
<i>Business-type Activities: Water</i>				
2021	\$ 760,000	\$ 418,519	\$ 625,711	\$ 63,609
2022	695,000	391,869	645,712	49,214
2023	705,000	363,594	660,711	16,554
2024	715,000	334,819	712	17
2025	670,000	305,669	-	-
2026-2030	3,455,000	1,133,793	-	-
2031-2035	3,340,000	539,218	-	-
2036-2040	1,370,000	143,526	-	-
2041-2043	205,000	10,725	-	-
Total	<u>\$ 11,915,000</u>	<u>\$ 3,641,732</u>	<u>\$ 1,932,846</u>	<u>\$ 129,394</u>
<i>Business-type Activities: Sewer</i>				
2021	\$ -	\$ -	\$ 36,200	\$ -
2022	-	-	36,200	-
2023	-	-	36,200	-
2024	-	-	36,200	-
2025	-	-	36,200	-
2026-2030	-	-	181,000	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,000</u>	<u>\$ -</u>

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

<u>Project</u>	<u>Amount</u>	<u>Project</u>	<u>Amount</u>
<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
School building renovations	\$ 87,947	Dioxane pilot study	\$ 78,857
Road improvements	733,333	Total Business-Type Activities	<u>\$ 78,857</u>
Fire station	250,581		
Council on Aging center	28,890		
School equipment	89,334		
Town equipment	283,333		
Fields project	<u>3,950,000</u>		
Total Governmental Activities	<u>\$ 5,423,418</u>		
Total Authorized and Unissued Debt	<u>\$ 5,502,275</u>		

### III. Other Information

#### A. Retirement System

System Description – The Town contributes to the Norfolk County Retirement System (the “System”), a cost-sharing, multiple-employer defined benefit pension plan for the Town and other member units deemed eligible by the Norfolk County Retirement Board. The System was established under Chapter 32 of the Commonwealth of Massachusetts General Laws. Standalone audited financial statements for the year ended December 31, 2018 were issued and may be obtained by writing to the Norfolk County Retirement System, 480 Neponset Street, Building 15, Canton, MA 02021.

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

Retirees and beneficiaries currently receiving benefits	3,526
Active participants	5,651
Inactive with a vested right to benefits or to receive a refund of their contributions	<u>3,419</u>
Total	<u>12,596</u>
Participating employers	<u>41</u>

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

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

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

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

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

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

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

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2019.

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

The Town contributed \$5,089,078 to the System in fiscal year 2020, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 23.04% in fiscal year 2020.

Net Pension Liability – At June 30, 2020, the Town reported a liability of \$39,891,418 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2019. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 6.7945% at December 31, 2019.

County Financial Statements – The System's full financial statements as of and for the year ended December 31, 2019, can be obtained by contacting the Retirement Board.

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

Pension Expense – The Town recognized \$5,518,592 in pension expense in the statement of activities in fiscal year 2020.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,417,965	\$ -
Changes of assumptions	731,693	-
Net differences between projected and actual earnings on pension plan investments	5,206,920	6,330,468
Changes in proportion and differences between Town contributions and proportionate share of contributions	15,951	1,864,413
Total	<u>\$ 9,372,529</u>	<u>\$ 8,194,881</u>

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

<u>Year ended June 30,</u>	
2021	\$ 1,037,635
2022	414,359
2023	835,380
2024	<u>(1,109,726)</u>
Total	<u>\$ 1,177,648</u>

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

Actuarial cost method	Entry Age Normal Cost Method
Asset valuation method	Market Value
Investment rate of return / Discount rate	7.75%
Inflation rate	3.00%
Projected salary increases	3.5 - 5.5%
Cost of living adjustments	3.0% of the first \$18,000 of benefits
Mortality rates:	
Pre-retirement	The RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014, fully generational.
Healthy retiree	The RP-2014 Blue Collar Mortality Table adjusted as: - Group 1 and 2: Table set forward 5 years for males and 3 years for females, fully generational - Group 4: Table set forward 3 years for males and 6 years for females, fully generational
Disabled retiree	The RP-2014 Mortality Table (with generational adjusting based on Scale MP-2014) adjusted as: - Group 1 and 2: Table set forward 6 years - Group 4: Table set forward 2 years

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.50%	6.6%
International equity	15.50%	8.0%
Fixed income	20.50%	3.8%
Real estate	9.50%	8.2%
Private equity	10.00%	9.1%
Hedge fund	11.50%	7.2%
Real assets	2.50%	9.9%
Total	100.00%	

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

**Sensitivity Analysis** – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Current Rate	1% Decrease	Current	1% Increase
Town proportionate share of net pension liability	7.75%	\$ 51,811,143	\$ 39,891,418	\$ 29,763,242

**B. Massachusetts Teachers’ Retirement System**

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple-employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2020 (measured as of June 30, 2019), the Commonwealth contributed \$6,495,342 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.449906%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town’s proportionate share of the following:

	Commonwealth Portion	Paid (or assumed) On Behalf of the District	Town Portion
Net Pension Liability	\$ 113,439,467	\$ 113,439,467	\$ -
Pension Expense	13,756,504	13,756,504	-

The Town has recognized intergovernmental revenue and pension expense of \$13,756,504 associated with this arrangement.

**C. Other Postemployment Benefits (OPEB)**

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

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

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

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the same measurement date is used for both GASB 74 and GASB 75.

For the year ended June 30, 2020, the Town elected to use a measurement date that was the same as the plan year-end date; thus, the majority of the same disclosures are used and will not be repeated.

***GASB Statement No. 75***

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

*Employees Covered by Benefit Terms* – The following employees were covered by the benefit terms as of July 1, 2019:

Active employees	761
Inactive employees	423
Total	<u>1,184</u>

*Contributions* – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute either 20%, 30% or 40% of the cost of non-Medicare plans depending on their date of hire and union affiliation. All retirees contribute 50% of the cost of Medicare supplement plans. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2020, the Town’s average contribution rate was approximately 5.5% of covered payroll.

*Net OPEB Liability* – The Town’s net OPEB liability was measured as of June 30, 2020 using an actuarial valuation as of June 1, 2019. The components of the net OPEB liability of the Town at June 30, 2020 were as follows:

Total OPEB Liability	\$ 51,154,373
Plan fiduciary net position	<u>(4,625,302)</u>
Net OPEB liability	<u>\$ 46,529,071</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.0%

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

Investment rate of return	6.74%, net of OPEB plan investment expense, including inflation
Municipal bond rate	2.66% as of June 30, 2020
Discount Rate	6.75%, net of OPEB plan investment expense, including inflation
Inflation	2.50% annually as of June 30, 2020 and for future periods
Health Care Trend Rate	4.5%
Salary Increases	3.00% annually as of June 30, 2020 and for future periods
Cost of Living Adjustment	Not applicable
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females School: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females School: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females School: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Actuarial Cost Method	Individual entry age normal

Changes to key assumptions

- Discount rate changed from 7.5% to 6.75%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75% which approximated the investment rate of return.

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

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

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

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	48.25%	4.80%
Domestic Equity - Sm/Mid Cap	6.50%	5.29%
International Equity - Developed Market	11.75%	5.45%
International Equity - Emerging Market	0.00%	6.42%
Domestic - Fixed Income	19.00%	2.05%
International - Fixed Income	2.00%	3.00%
Alternatives	8.75%	6.50%
Real Estate	2.75%	6.25%
Cash and Cash Equivalents	1.00%	0.00%
	100.00%	
Real rate of return		4.49%
Inflation assumption		2.50%
Total nominal rate of return		6.99%
Investment expense		-0.25%
Net investment return		6.74%

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

	Discount Rate			
	Current Rate	1% Decrease	Current	1% Increase
Net OPEB Liability	6.75%	\$ 52,775,086	\$ 46,529,071	\$ 40,619,483

  

	Health Care Rate			
	Current Rate	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	4.50%	\$ 40,652,041	\$ 46,529,071	\$ 53,669,286

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 44,461,213	\$ 3,693,237	\$ 40,767,976
Changes for the year:			
Service cost	1,362,396	-	1,362,396
Interest	3,353,420	-	3,353,420
Change in assumptions	4,432,190	-	4,432,190
Difference between expected and actual experience	(191,242)	-	(191,242)
Net investment income	-	140,065	(140,065)
Employer contributions	-	3,055,604	(3,055,604)
Benefit payments withdrawn from trust	-	(2,263,604)	2,263,604
Benefit payments	(2,263,604)	-	(2,263,604)
Net changes	6,693,160	932,065	5,761,095
Balances at June 30, 2020	<u>\$ 51,154,373</u>	<u>\$ 4,625,302</u>	<u>\$ 46,529,071</u>

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB* – For the year ended June 30, 2020, the Town recognized OPEB expense of approximately \$4.1 million. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2020, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 3,785,155	\$ -
Differences between expected and actual experience	-	3,059,661
Differences between expected and actual earnings	113,159	144,960
Totals	<u>\$ 3,898,314</u>	<u>\$ 3,204,621</u>

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

Year Ended June 30,	
2021	\$ (308,311)
2022	(313,381)
2023	(278,232)
2024	448,254
2025	619,117
Thereafter	526,246
Total	<u>\$ 693,693</u>

#### ***GASB Statement No. 74***

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

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

*Investment Policy* – The OPEB Plan has a formal investment policy to invest in domestic equities, international equities, domestic fixed income, international fixed income, alternative investments, real estate investments, and cash holdings with target allocations of 54%, 12%, 19%, 2%, 9%, 3% and 1% respectively.

*Investment Rate of Return* – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### **D. Risk Financing**

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

The Town is a part of a premium-based self-insurance group which insures for employee health benefits, worker's compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association (MIIA). The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town's experience history.

#### **E. Tax Abatements**

The Town enters into property tax abatements with local businesses as an incentive for economic growth, including expansion of current facilities and job opportunities for local residents. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under Massachusetts General Law Chapter 40, Section 59, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. Furthermore, the Town Meeting must approve all TIF agreements.

For the fiscal year ended June 30, 2020, the Town abated property taxes totaling \$358,920 under this program to one property owner. The following table summarizes the key terms of the executed TIF agreement:

2020 Abatement	Description
358,920	<p>A national developer and manufacturer of health care related products was provided the following TIF benefits via 20-year agreement with the Town dated June 23, 2017:</p> <ol style="list-style-type: none"> <li>1) Real estate property taxes are annually exempted 90% for fiscal years 2018 - 2022; 80% for fiscal years 2023 - 2027; 70% for fiscal years 2028 - 2032; and 60% for fiscal years 2033 - 2037 on the value of the new facilities to be constructed on the Company's property.</li> <li>2) Adjusting calculations to reduce the above exemption percentages are in place if the Company fails to meet the various Company requirements noted below, particularly under the categories of Job Shortfall Percentage and Investment Shortfall Percentage.</li> <li>3) In consideration of certain one-time fee for site and construction permits (noted below), the Town agrees to provide full support and to facilitate expedited permitting for and approval of, the plans and construction of the Certified Expansion Project (CEP).</li> </ol> <p>The company is obligated to meet the following requirements throughout the term of the agreement:</p> <ol style="list-style-type: none"> <li>1) Renovate the existing facility and construct addition to such building located in Walpole within the I-495/95 South Regional Technology Economic Target Area (ETA) at 333 Coney Street. Furthermore, Company will construct two parking garages and supporting facilities, as well as furnish the facilities to enhance efficiency and expand operations. This expansion project is expected require the Company to invest approximately \$300 million in property development costs which is anticipated to relate to \$230 million of building renovation and expansion and \$70 million for machinery, equipment and other personal property. Construction is anticipated to be completed by December 2026.</li> <li>2) Initially create 400 new, permanent full-time jobs and full-time contractor positions in addition to the existing Baseline Position number of jobs determined to be 629 by no later than June 30, 2019. Once expansion is completed, the Company expects those 400 new positions to increase by an additional 300 positions.</li> <li>3) Company agrees to timely pay all taxes owed to the Town.</li> <li>4) Company agrees to provide timely annual reporting of financial and employment impacts specific to the Town.</li> <li>5) Company agrees to enhance its "corporate citizenship" to the Town which shall include: a) support for community projects and activities, b) local business utilization, c) maintain civic associations, and d) good faith efforts to facilitate opportunities for local residents to apply for the new positions.</li> <li>6) Company agrees to provide the following cost reimbursements: a) \$250,000 one-time fee for site and construction permits, b) \$30,000 for Town out-of-pocket legal and consultant costs, c) \$6,100 for Special Town Meeting, and d) \$10,000 for engineer peer review of traffic impact study.</li> <li>7) Company agrees to provide the following contributions to the Town: a) \$100,000 towards construction and equipping playing fields at designated new Town park, b) \$160,000 towards purchase of snow removal equipment prior to December 31, 2018, and c) \$250,000 towards purchase of new ladder truck for the Town Fire Department prior to December 31, 2018.</li> </ol>

## F. Commitments and Contingencies

### Litigation

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

### Grant Compliance

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

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

### Arbitrage

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

## **G. Implementation of New GASB Pronouncements**

### Current Year Implementations

None.

### Future Year Implementations

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

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

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

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

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

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

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

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*.

The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

**TOWN OF WALPOLE, MASSACHUSETTS**

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

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

*(dollar amounts are in thousands)*

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	6.795%	7.115%	7.109%	7.259%	7.259%	7.575%
Town's proportionate share of the net pension liability (asset)	\$ 39,891	\$ 46,313	\$ 39,313	\$ 37,893	\$ 39,431	\$ 39,293
Town's covered payroll	\$ 22,085	\$ 20,596	\$ 19,900	\$ 20,389	\$ 19,301	\$ 18,692
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	180.62%	224.86%	197.55%	185.85%	204.30%	210.21%
Plan fiduciary net position as a percentage of the total pension liability	64.6%	58.3%	63.5%	61.6%	58.6%	60.1%

**SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN**

*(dollar amounts are in thousands)*

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,089	\$ 4,977	\$ 4,550	\$ 4,374	\$ 3,972	\$ 3,577
Contributions in relation to the actuarially determined contribution	<u>5,089</u>	<u>4,977</u>	<u>4,550</u>	<u>4,374</u>	<u>3,972</u>	<u>3,577</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 22,085	\$ 20,596	\$ 19,900	\$ 20,389	\$ 19,301	\$ 18,692
Contributions as a percentage of covered payroll	23.04%	24.16%	22.86%	21.45%	20.58%	19.14%

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

See accompanying independent auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
 YEAR ENDED JUNE 30, 2020

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY  
 MASSACHUSETTS' TEACHER'S RETIREMENT SYSTEM  
 (dollar amounts are in thousands)

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

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

See accompanying independent auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEAR ENDED JUNE 30, 2020

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

	June 30,			
	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 1,362,396	\$ 1,335,205	\$ 1,277,708	\$ 1,106,196
Interest	3,353,420	3,163,046	3,356,949	3,159,201
Changes in assumptions	4,432,190	-	-	-
Differences between expected and actual experience	(191,242)	-	(5,594,789)	-
Benefit payments	<u>(2,263,604)</u>	<u>(1,720,451)</u>	<u>(1,646,365)</u>	<u>(1,948,708)</u>
Net change in total OPEB liability	6,693,160	2,777,800	(2,606,497)	2,316,689
Total OPEB liability - beginning of year	<u>44,461,213</u>	<u>41,683,413</u>	<u>44,289,910</u>	<u>41,973,221</u>
Total OPEB liability - end of year (a)	<u>\$ 51,154,373</u>	<u>\$ 44,461,213</u>	<u>\$ 41,683,413</u>	<u>\$ 44,289,910</u>
Plan fiduciary net position:				
Contributions - employer	\$ 3,055,604	\$ 2,090,678	\$ 2,096,365	\$ 2,298,708
Net investment income	140,065	304,355	175,742	121,700
Benefit payments	(2,263,604)	(1,574,557)	(1,646,365)	(1,948,708)
Administrative expenses	-	(11,143)	-	(4,381)
Net change in Plan fiduciary net position	<u>932,065</u>	<u>809,333</u>	<u>625,742</u>	<u>467,319</u>
Plan fiduciary net position - beginning of year	<u>3,693,237</u>	<u>2,883,904</u>	<u>2,258,162</u>	<u>1,790,843</u>
Plan fiduciary net position - end of year (b)	<u>\$ 4,625,302</u>	<u>\$ 3,693,237</u>	<u>\$ 2,883,904</u>	<u>\$ 2,258,162</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 46,529,071</u>	<u>\$ 40,767,976</u>	<u>\$ 38,799,509</u>	<u>\$ 42,031,748</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.0%	8.3%	6.9%	5.1%
Covered payroll	\$ 55,771,303	\$ 53,657,303	\$ 51,842,805	\$ 45,154,262
Net OPEB liability as a percentage of covered payroll	83.4%	76.0%	74.8%	93.1%

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

See independent auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEARS ENDED JUNE 30, 2020

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS

	June 30,			
	2020	2019	2018	2017
Actuarially-determined contribution	\$ 4,787,117	\$ 4,498,251	\$ 4,634,657	\$ 4,642,589
Contributions in relation to the actuarially-determined contribution	<u>(3,055,604)</u>	<u>(2,090,678)</u>	<u>(2,096,365)</u>	<u>(2,298,708)</u>
Contribution deficiency (excess)	<u>\$ 1,731,513</u>	<u>\$ 2,407,573</u>	<u>\$ 2,538,292</u>	<u>\$ 2,343,881</u>
Covered payroll	\$ 55,771,303	\$ 53,657,303	\$ 45,486,461	\$ 45,154,262
Contribution as a percentage of covered payroll	5.5%	3.9%	4.6%	5.1%
Valuation Date	June 30, 2019			
Amortization Period	30 years			
Investment rate of return	6.74%			
Municipal bond rate	2.66%			
Single equivalent discount rate	6.75%			
Healthcare cost trend rates	4.50%			
Salary increases	3.00%			
Inflation	2.50%			
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)			
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)			

SCHEDULE OF INVESTMENT RETURNS  
LAST 10 FISCAL YEARS

	June 30,			
	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	3.22%	8.74%	6.68%	5.87%

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

See independent auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>REVENUES</b>						
Real estate and personal property taxes	\$ 74,383,038	74,779,598	\$ 74,980,427	\$ -	\$ 74,980,427	\$ 200,829
Intergovernmental	11,282,576	11,282,576	12,550,027	-	12,550,027	1,267,451
Motor vehicle and other excises	5,064,000	5,064,000	5,033,593	-	5,033,593	(30,407)
License and permits	1,250,000	1,250,000	1,281,560	-	1,281,560	31,560
Departmental and other revenue	712,000	712,000	964,429	-	964,429	252,429
Penalties and interest on taxes	290,000	290,000	236,599	-	236,599	(53,401)
Fines and forfeitures	37,000	37,000	18,656	-	18,656	(18,344)
Investment income	81,000	81,000	704,151	-	704,151	623,151
Total Revenues	<u>93,099,614</u>	<u>93,496,174</u>	<u>95,769,442</u>	<u>-</u>	<u>95,769,442</u>	<u>2,273,268</u>
<b>EXPENDITURES</b>						
General government	3,940,174	4,027,223	3,225,815	398,834	3,624,649	402,574
Public safety	12,849,415	13,543,520	12,972,540	243,588	13,216,128	327,392
Education	48,935,946	50,518,817	48,063,775	2,437,640	50,501,415	17,402
Public works	9,301,690	10,688,565	8,117,929	1,665,830	9,783,759	904,806
Health and human services	813,524	886,524	743,257	15,536	758,793	127,731
Culture and recreation	3,961,383	4,086,883	2,284,333	1,664,075	3,948,408	138,475
Pension and other fringe benefits	17,606,301	17,626,301	16,540,226	91,802	16,632,028	994,273
State and county tax assessments	1,811,374	1,811,374	1,827,545	-	1,827,545	(16,171)
Debt service	3,325,119	3,400,119	3,348,967	-	3,348,967	51,152
Total Expenditures	<u>102,544,926</u>	<u>106,589,326</u>	<u>97,124,387</u>	<u>\$ 6,517,305</u>	<u>103,641,692</u>	<u>2,947,634</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,372,168	3,282,598	3,631,269		3,631,269	348,671
Transfers out	(1,085,169)	(4,063,180)	(4,011,884)		(4,011,884)	51,296
Total Other Financing Sources (Uses)	<u>1,286,999</u>	<u>(780,582)</u>	<u>(380,615)</u>		<u>(380,615)</u>	<u>399,967</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE</b>						
	<u>(8,158,313)</u>	<u>(13,873,734)</u>	<u>\$ (1,735,560)</u>		<u>\$ (8,252,865)</u>	<u>\$ 5,620,869</u>
<b>Other budgetary items:</b>						
Undesignated surplus (free cash)	-	5,402,921				
Overlay	100,000	412,500				
Prior year encumbrances	<u>8,058,313</u>	<u>8,058,313</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.  
 See accompanying notes to required supplementary information.

**TOWN OF WALPOLE, MASSACHUSETTS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020**

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**I. Budgetary Basis of Accounting**

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

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2020, Town Meeting approved approximately \$4.0 million in supplemental budgetary appropriations, for nearly all general government operation classifications, and approximately \$3.0 million in transfers to other funds.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town’s accounting system.

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

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis	\$ -	\$ -	\$ 95,769,442
Stabilization investment income	-	127,434	127,434
Revenue recognition differences	(19,328)	-	(19,328)
On-behalf payments by other government	13,756,504	-	13,756,504
Revenues on a GAAP basis	<u>\$ 13,737,176</u>	<u>\$ 127,434</u>	<u>\$ 109,634,052</u>
Expenditures on a budgetary basis	\$ -	\$ -	\$ 97,124,387
On-behalf payments by other government	13,756,504	-	13,756,504
OPEB trust transfers reported as expenditures	-	292,000	292,000
Enterprise fund indirect costs reported as expenditures	-	(1,712,168)	(1,712,168)
Expenditures on a GAAP basis	<u>\$ 13,756,504</u>	<u>\$ (1,420,168)</u>	<u>\$ 109,460,723</u>
Other financing sources (uses) on a budgetary basis	\$ -	\$ -	\$ (380,615)
Transfers related to OPEB	-	292,000	292,000
Enterprise fund indirect costs reported as expenditures	-	(1,712,168)	(1,712,168)
Transfer recognition differences	(50,000)	-	(50,000)
Stabilization transfers	-	600,000	600,000
Other financing sources (uses) on a GAAP basis	<u>\$ (50,000)</u>	<u>\$ (820,168)</u>	<u>\$ (1,250,783)</u>