



TOWN OF BOXFORD, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Boxford, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of



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

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

Andover, Massachusetts
December 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required/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 our finances in a manner similar to a private-sector business.

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

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

The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, interest, and intergovernmental expense.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near-term financing requirements.

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds

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

Notes to Financial Statements

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

Required/other supplementary information (other than MD&A)

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

Financial Highlights

- At the end of the current fiscal year, net position in governmental activities was \$41,105,755, a change of \$(376,734).
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$12,476,066, a change of \$4,357,819 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,754,212, a change of \$(480,763) in comparison to the prior year.

Government-Wide Financial Analysis

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

	<u>NET POSITION (in thousands)</u>	
	<u>Governmental</u>	
	<u>Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 13,571	\$ 12,649
Capital assets	<u>62,065</u>	<u>63,169</u>
Total assets	75,636	75,818
Deferred outflows of resources	3,412	3,189
Current liabilities	2,154	5,263
Noncurrent liabilities	<u>34,528</u>	<u>32,013</u>
Total liabilities	36,682	37,276
Deferred inflows of resources	1,260	248
Net investment in capital assets	54,972	55,028
Restricted	4,758	3,718
Unrestricted	<u>(18,624)</u>	<u>(17,263)</u>
Total net position	<u>\$ 41,106</u>	<u>\$ 41,483</u>

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. At the close of the most recent fiscal year, total net position was \$41,105,755, a change of \$(376,734) in comparison to the prior year.

The largest portion of net position \$54,972,082 reflects our investment in capital assets (e.g., land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$4,757,677 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(18,624,004) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,075	\$ 2,023
Operating grants and contributions	5,161	4,590
Capital grants and contributions	483	1,119
General revenues:		
Property taxes	31,133	30,791
Excises	1,658	1,714
Penalties and interest on taxes	78	74
Grants and contributions not restricted to specific programs	695	687
Investment income	211	397
Other	<u>595</u>	<u>495</u>
Total revenues	42,089	41,890
Expenses:		
General government	2,360	2,454
Public safety	3,886	3,779
Education	30,814	29,548
Public works	3,765	3,330
Health and human services	438	399
Culture and recreation	905	693
Interest on long-term debt	170	504
Intergovernmental	<u>168</u>	<u>178</u>
Total expenses	<u>42,506</u>	<u>40,885</u>
Change in net position	(417)	1,005
Transfers in (out)	<u>40</u>	<u>-</u>
Change in net position	(377)	1,005
Net position - beginning of year	<u>41,483</u>	<u>40,478</u>
Net position - end of year	<u>\$ 41,106</u>	<u>\$ 41,483</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(376,734). Key elements of this change are as follows:

Community Preservation fund change in fund balance	\$	696,554
Other governmental funds operations (accrual basis)		1,097,405
Depreciation expense in excess of principal debt service		(1,310,581)
Change in OPEB liability and related deferred outflows and inflows		(465,912)
Change in net pension liability and related deferred outflows and inflows		(586,370)
Other		192,170
Total	\$	<u>(376,734)</u>

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,754,212, while total fund balance was \$7,211,432. Our unassigned fund balance decreased from the prior year as the budgetary surplus of \$712,557 (page 54) was reduced by our use of free cash of approximately \$1.2 million for fiscal year 2021.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	% of General <u>Fund Expenditures*</u>
Unassigned fund balance	\$ 4,754,212	\$ 5,234,975	\$ (480,763)	13.4%
Total fund balance	\$ 7,211,432	\$ 7,286,556	\$ (75,124)	20.3%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$1,318,642.

The total fund balance of the general fund changed by \$(75,124) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$	169,233
Expenditures less than budget		521,397
Use of free cash as a funding source		(1,227,108)
Current year encumbrances in excess of prior year encumbrances		410,006
Change in stabilization fund balance		29,421
Other		21,927
Total	\$	<u>(75,124)</u>

Included in the total general fund balance is the Town’s stabilization fund with the following balance:

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization fund	\$ 1,399,913	\$ 1,370,492	\$ 29,421

Other Major Funds

State legislation allows Community Preservation Act fund property taxes and state matching funds to finance projects such as preservation of historical buildings. Funds are being accumulated to finance debt service costs on approved projects.

Non-Major Governmental Funds

The non-major fund balance changed by \$3,736,389 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental activities at year end amounted to \$62,065,252 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles, and infrastructure.

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

- \$455,577 – Lockwood Lane Bridge replacement
- \$130,721 – Public safety vehicles

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

Credit Rating

As of June 30, 2020, the Town's Standard & Poor's credit rating is AAA.

Long-term debt

At the end of the current fiscal year, total bonded debt outstanding was \$7,192,748, all of which was backed by the full faith and credit of the Town.

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

Requests for Information

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

Director of Municipal Finance/Town Accountant

Town of Boxford, Massachusetts

7A Spofford Road, 2nd Floor

Boxford, Massachusetts 01921

TOWN OF BOXFORD, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 8,104,877
Investments	4,961,109
Receivables, net of allowance for uncollectibles:	
Property taxes	312,428
Excises	94,514
Due from other governments	<u>56,824</u>
Total Current Assets	13,529,752
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	36,803
Betterments	4,717
Capital assets:	
Land and construction in progress	21,106,996
Other capital assets, net of accumulated depreciation	<u>40,958,256</u>
Total Noncurrent Assets	62,106,772
Deferred Outflows of Resources	
Related to pensions	1,853,337
Related to OPEB	<u>1,558,463</u>
Total Deferred Outflows of Resources	3,411,800

(continued)

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

TOWN OF BOXFORD, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(continued)

Liabilities

Current:

Warrants payable	400,781
Accrued liabilities	225,570
Other current liabilities	202,170
Current portion of long-term liabilities:	
Bonds payable	1,177,748
Compensated absences	91,367
Landfill liability	<u>56,653</u>

Total Current Liabilities 2,154,289

Noncurrent:

Bonds payable, net of current portion	6,015,000
Net pension liability	15,710,208
Net OPEB liability	11,273,686
Compensated absences, net of current portion	822,299
Landfill liability, net of current portion	<u>707,421</u>

Total Noncurrent Liabilities 34,528,614

Deferred Inflows of Resources

Related to pensions	904,055
Related to OPEB	<u>355,611</u>

Total Deferred Inflows of Resources 1,259,666

Net Position

Net investment in capital assets	54,972,082
Restricted for:	
Community preservation funds	3,208,629
Grants and other statutory restrictions	1,533,519
Permanent funds:	
Nonexpendable	5,000
Expendable	10,529
Unrestricted	<u>(18,624,004)</u>

Total Net Position \$ 41,105,755

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

TOWN OF BOXFORD, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 2,360,030	\$ 434,598	\$ 559,939	\$ -	\$ (1,365,493)
Public safety	3,886,076	392,328	27,121	-	(3,466,627)
Education	30,814,361	1,168,541	4,546,373	-	(25,099,447)
Public works	3,765,291	41,989	515	483,525	(3,239,262)
Health and human services	438,058	29,825	27,132	-	(381,101)
Culture and recreation	905,285	7,600	-	-	(897,685)
Interest on long-term debt	170,069	-	-	-	(170,069)
Intergovernmental	168,077	-	-	-	(168,077)
Total Governmental Activities	<u>\$ 42,507,247</u>	<u>\$ 2,074,881</u>	<u>\$ 5,161,080</u>	<u>\$ 483,525</u>	(34,787,761)
			General Revenues		
			Property taxes		31,132,781
			Excises		1,658,647
			Penalties, interest and other taxes		77,872
			Grants and contributions not restricted to specific programs		695,345
			Investment income		211,626
			Miscellaneous		594,739
			Transfers, net		<u>40,017</u>
			Total general revenues		<u>34,411,027</u>
			Change in Net Position		(376,734)
			Net Position		
			Beginning of year		<u>41,482,489</u>
			End of year		<u>\$ 41,105,755</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 6,443,694	\$ 16,903	\$ 1,644,280	\$ 8,104,877
Investments	1,411,008	3,195,200	354,901	4,961,109
Receivables:				
Property taxes	341,900	7,331	-	349,231
Excises	113,490	-	-	113,490
Other	4,717	-	-	4,717
Due from other governments	-	-	56,824	56,824
Total Assets	<u>\$ 8,314,809</u>	<u>\$ 3,219,434</u>	<u>\$ 2,056,005</u>	<u>\$ 13,590,248</u>
Liabilities				
Warrants payable	\$ 400,781	\$ -	\$ -	\$ 400,781
Accrued liabilities	211,039	-	-	211,039
Other liabilities	198,696	3,474	-	202,170
Total Liabilities	810,516	3,474	-	813,990
Deferred Inflows of Resources				
Unavailable revenues	292,861	7,331	-	300,192
Fund Balances				
Nonspendable	-	-	5,000	5,000
Restricted	-	3,208,629	2,267,048	5,475,677
Committed	845,826	-	91,734	937,560
Assigned	1,611,394	-	-	1,611,394
Unassigned	4,754,212	-	(307,777)	4,446,435
Total Fund Balances	<u>7,211,432</u>	<u>3,208,629</u>	<u>2,056,005</u>	<u>12,476,066</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,314,809</u>	<u>\$ 3,219,434</u>	<u>\$ 2,056,005</u>	<u>\$ 13,590,248</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

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

Total governmental fund balances	\$ 12,476,066
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	62,065,252
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	281,216
Long-term liabilities, including bonds payable, net OPEB liability, and net pension liability are not payable in the current period and, therefore, are not reported in the governmental funds.	(33,702,248)
Other	<u>(14,531)</u>
Net position of governmental activities	<u>\$ 41,105,755</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

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

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 30,472,508	\$ 750,946	\$ -	\$ 31,223,454
Excises	1,627,268	-	-	1,627,268
Penalties, interest and other taxes	76,979	893	-	77,872
Charges for services	334,005	-	1,297,267	1,631,272
Licenses and permits	409,760	-	-	409,760
Intergovernmental	3,803,209	245,551	817,076	4,865,836
Fines and forfeitures	33,849	-	-	33,849
Investment income	158,609	49,014	4,003	211,626
Miscellaneous	<u>51,189</u>	<u>-</u>	<u>196,576</u>	<u>247,765</u>
Total Revenues	36,967,376	1,046,404	2,314,922	40,328,702
Expenditures				
Current:				
General government	1,573,787	35,820	340,482	1,950,089
Public safety	2,882,217	-	111,831	2,994,048
Education	25,375,187	-	896,333	26,271,520
Public works	2,436,005	-	731,913	3,167,918
Health and human services	335,825	-	71,810	407,635
Culture and recreation	611,512	-	150,033	761,545
Employee benefits	2,920,443	-	-	2,920,443
Debt service:				
Principal	549,716	367,977	-	917,693
Interest	70,879	103,027	-	173,906
Intergovernmental	<u>168,077</u>	<u>-</u>	<u>-</u>	<u>168,077</u>
Total Expenditures	<u>36,923,648</u>	<u>506,824</u>	<u>2,302,402</u>	<u>39,732,874</u>
Excess (deficiency) of revenues over expenditures	43,728	539,580	12,520	595,828
Other Financing Sources (Uses)				
Issuance of bonds	-	-	3,375,000	3,375,000
Bond premiums	-	156,974	190,000	346,974
Transfers in	106,148	-	265,017	371,165
Transfers out	<u>(225,000)</u>	<u>-</u>	<u>(106,148)</u>	<u>(331,148)</u>
Total Other Financing Sources (Uses)	<u>(118,852)</u>	<u>156,974</u>	<u>3,723,869</u>	<u>3,761,991</u>
Change in fund balance	(75,124)	696,554	3,736,389	4,357,819
Fund Balance, at Beginning of Year, as reclassified	<u>7,286,556</u>	<u>2,512,075</u>	<u>(1,680,384)</u>	<u>8,118,247</u>
Fund Balance, at End of Year	<u>\$ 7,211,432</u>	<u>\$ 3,208,629</u>	<u>\$ 2,056,005</u>	<u>\$ 12,476,066</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

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

Net changes in fund balances - total governmental funds	\$ 4,357,819																
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">1,123,774</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,228,274)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Issuance of debt</td> <td style="text-align: right;">(3,375,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">917,693</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in unavailable revenue. <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(59,294)</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Change in pension expense from GASB 68</td> <td style="text-align: right;">(586,370)</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td style="text-align: right;">(465,912)</td> </tr> </table> • Other differences. <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">(61,170)</td> </tr> </table> 		Capital outlay	1,123,774	Depreciation	(2,228,274)	Issuance of debt	(3,375,000)	Repayments of debt	917,693		(59,294)	Change in pension expense from GASB 68	(586,370)	Change in OPEB expense from GASB 75	(465,912)		(61,170)
Capital outlay	1,123,774																
Depreciation	(2,228,274)																
Issuance of debt	(3,375,000)																
Repayments of debt	917,693																
	(59,294)																
Change in pension expense from GASB 68	(586,370)																
Change in OPEB expense from GASB 75	(465,912)																
	(61,170)																
Change in net position of governmental activities	\$ <u>(376,734)</u>																

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

TOWN OF BOXFORD, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 303	\$ (8,607)
Investments	3,034,544	67,369	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>104,665</u>
Total Assets	3,034,544	67,672	96,058
Liabilities			
Deposits held in escrow	-	-	45,121
Student activity funds	<u>-</u>	<u>-</u>	<u>50,937</u>
Total Liabilities	-	-	<u>\$ 96,058</u>
Net Position			
Restricted for OPEB purposes	3,034,544	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>67,672</u>	
Total net position held in trust	<u>\$ 3,034,544</u>	<u>\$ 67,672</u>	

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

TOWN OF BOXFORD, MASSACHUSETTS

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

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employers	\$ 1,027,697	\$ -
Other	<u>-</u>	<u>18,709</u>
Total contributions	1,027,697	18,709
Investment Income:		
Interest	<u>58,867</u>	<u>1,555</u>
Net investment income	<u>58,867</u>	<u>1,555</u>
Total additions	1,086,564	20,264
Deductions		
Benefit payments to plan members, beneficiaries and other systems	727,697	-
Education	<u>-</u>	<u>17,746</u>
Total deductions	<u>727,697</u>	<u>17,746</u>
Net increase	358,867	2,518
Net position restricted for pensions and other purposes		
Beginning of year	<u>2,675,677</u>	<u>65,154</u>
End of year	<u>\$ 3,034,544</u>	<u>\$ 67,672</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* is used to account for revenues and expenditures related to the levy of a property tax surcharge that is authorized by the Community Preservation Act. This fund was established by the Town for the purpose of acquiring open land for conservation, developing affordable housing, and preserving historical property.

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

The Town reports the following fiduciary funds:

- The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.

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

Cash and Investments

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

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

Investments, generally, are presented at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The Town's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the General Fund, Community Preservation Fund and Town Trust Funds consist of bank certificates of deposit, corporate bonds, equity mutual funds, and U.S. Treasury/Agency securities. Investments for the OPEB Trust Fund are in the custody of the Pension Reserves Investment Management Board (PRIM). PRIM acts as trustee for investments

held in the State Retirees Benefits Trust Fund (SRBT), a pooled investment fund created by legislation (Chapter 661 of the Acts of 1983). All investments are carried at fair value except certificates of deposit which are reported at cost.

Property Tax Limitations

Legislation known as “Proposition 2½” limits the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth) unless an override or debt exemption is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$1,435,870. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost that exceeds \$5,000, depending on the asset’s category, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50
Vehicles	6
Office equipment	5
Computer equipment	5

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended

during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

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

Formal budgetary integration is employed as a management control device during the year for the general fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

Deficit Fund Equity

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

3. Deposits and Investments

Town (Excluding the OPEB Trust Fund)

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, *Certain External Investment Pools and Pool Participants*, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town's policy is to minimize custodial credit risk by limiting unsecured bank deposits to no more than 5% of an institution's assets and no more than 10% of the Town's total cash.

As of June 30, 2020, \$210,625, of the Town's bank balance of \$8,293,012 was exposed to custodial credit risk as uninsured and uncollateralized. \$210,625 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, Section 38A.

Investment Summary

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

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 1,040,656
Corporate bonds	1,699,661
Corporate equities	872,263
Equity mutual funds	284,376
U.S. Treasury and agencies	<u>1,131,522</u>
Total investments	\$ <u>5,028,478</u>

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town's investment policy also requires that all securities be held in the Town's name and federal tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. In addition, as of June 30, 2020, all of the Town's investments were held in financial institutions that are members of the Securities Investor Protection Corporation (SIPC).

As of June 30, 2020, \$3,987,822 was subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
Corporate bonds	\$ 1,699,661	\$ 1,699,661
Corporate equities	872,263	872263
Equity mutual funds	284,376	284376
U.S. Treasury and agencies	<u>1,131,522</u>	<u>1131522</u>
Total	\$ <u>3,987,822</u>	\$ <u>3,987,822</u>

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investment policy allows unlimited investment in United States Treasury and Agency obligations, as these investments carry an Aaa rating. All other investments must be in investment grade securities, a high concentration of which must be rated A or above.

As of June 30, 2020, the credit quality ratings, as rated by Moody's Investors Service, Inc./S&P Global Ratings/Fitch Ratings, Inc., of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>		
		<u>AAA</u>	<u>A</u>	<u>BBB</u>
Corporate bonds	\$ 1,699,661	\$ 141,067	\$ 896,451	\$ 662,143
U.S. Treasury and agencies	<u>1,131,522</u>	<u>1,131,522</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,831,183</u>	<u>\$ 1,272,589</u>	<u>\$ 896,451</u>	<u>\$ 662,143</u>

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town's policy to limit the amount the Town may invest in any one issuer is a diversification concept that prohibits the over-concentration of investments in a specific instrument-type and issuer by limiting investments (other than U.S. treasuries, government agencies, and mutual funds) to no more than 5% of an institution's assets and no more than 10% of the Town's cash.

As of June 30, 2020, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy includes a diversification concept that prohibits the over-concentration of investment maturities; however, the Town places no limit on the length of maturity from date of purchase for Community Preservation, Stabilization, and Trust funds that are invested in U.S. Treasuries or U.S. Agency obligations that may be sold prior to maturity. As of June 30, 2020, the Town's investments are in compliance with these policies.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 1,699,661	\$ 321,215	\$ 1,378,446	\$ -
U.S. Treasury and agencies	<u>1,131,522</u>	<u>113,285</u>	<u>933,111</u>	<u>85,126</u>
Total	<u>\$ 2,831,183</u>	<u>\$ 434,500</u>	<u>\$ 2,311,557</u>	<u>\$ 85,126</u>

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town’s investment policy states that the Town will not invest in any instrument exposed to foreign currency risk.

Fair Value

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

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

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

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>
Investments by fair value level:			
Corporate bonds	\$ 1,699,661	\$ -	\$ 1,699,661
Corporate equities	872,263	872,263	-
Equity mutual funds	284,376	284,376	-
U.S. Treasury and agencies	<u>1,131,522</u>	1,131,522	-
Total	<u>\$ 3,987,822</u>		

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

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

4. Investments – OPEB Trust Fund

Generally, the Town’s OPEB investment policies mirror that of the Town as discussed in the previous note.

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

<u>Investment Type</u>	<u>Amount</u>
State Retirees Benefits Trust Fund (SRBT)	\$ <u>3,034,544</u>
Total investments	\$ <u><u>3,034,544</u></u>

Custodial Credit Risk

As of June 30, 2020, none of the OPEB Trust Fund’s total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the OPEB Trust Fund’s brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty's Trust or Agent</u>
SRBT	\$ <u>3,034,544</u>	\$ <u>3,034,544</u>
Total	\$ <u>3,034,544</u>	\$ <u>3,034,544</u>

Concentration of Credit Risk

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2020, the OPEB Trust Fund had 100% of investments in SRBT.

Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	Redemption Frequency (If currently <u>eligible</u>)	Redemption Notice <u>Period</u>
External investment pools	\$ 3,034,544	\$ -	Monthly	30 Days

5. Property Taxes and Excises Receivables

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

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

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

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 1/2 % of the prior year’s levy plus the taxes on property newly added to the tax rolls.

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

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

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 304,276	\$ -	\$ 304,276	\$ -
Personal property taxes	821	-	821	-
Community preservation act	7,331	-	7,331	-
Tax liens	<u>36,803</u>	<u>-</u>	<u>-</u>	<u>36,803</u>
Total property taxes	<u>\$ 349,231</u>	<u>\$ -</u>	<u>\$ 312,428</u>	<u>\$ 36,803</u>
Motor vehicle excise	<u>\$ 113,490</u>	<u>\$ (18,976)</u>	<u>\$ 94,514</u>	
Total excises	<u>\$ 113,490</u>	<u>\$ (18,976)</u>	<u>\$ 94,514</u>	

6. Interfund Fund Accounts

Transfers

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

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 106,148	\$ 225,000
Nonmajor Funds:		
Special Revenue Funds	40,017	106,148
Capital Project Funds	<u>225,000</u>	<u>-</u>
Subtotal Nonmajor Funds	265,017	106,148
<u>Fiduciary Funds:</u>		
Agency Funds	<u>-</u>	<u>40,017</u>
Subtotal Fiduciary Funds:	<u>-</u>	<u>40,017</u>
Total	<u>\$ 371,165</u>	<u>\$ 371,165</u>

The transfer out of the general fund to the capital project fund was to pay down a bond anticipation note. The transfers into the general fund are annual transfers from various revolving funds. The Town’s other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

7. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Land improvements	\$ 475	\$ -	\$ -	\$ 475
Buildings and building improvements	27,198	61	-	27,259
Machinery, equipment, and vehicles	7,122	529	-	7,651
Infrastructure	<u>40,888</u>	<u>39</u>	<u>-</u>	<u>40,927</u>
Total capital assets, being depreciated	75,683	629	-	76,312
Less accumulated depreciation for:				
Land improvements	(251)	(19)	-	(270)
Buildings and building improvements	(11,481)	(770)	-	(12,251)
Machinery, equipment, and vehicles	(4,467)	(485)	-	(4,952)
Infrastructure	<u>(16,927)</u>	<u>(954)</u>	<u>-</u>	<u>(17,881)</u>
Total accumulated depreciation	<u>(33,126)</u>	<u>(2,228)</u>	<u>-</u>	<u>(35,354)</u>
Total capital assets, being depreciated, net	42,557	(1,599)	-	40,958
Capital assets, not being depreciated:				
Land	20,588	-	-	20,588
Construction in progress	<u>24</u>	<u>495</u>	<u>-</u>	<u>519</u>
Total capital assets, not being depreciated	<u>20,612</u>	<u>495</u>	<u>-</u>	<u>21,107</u>
Governmental activities capital assets, net	<u>\$ 63,169</u>	<u>\$ (1,104)</u>	<u>\$ -</u>	<u>\$ 62,065</u>

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

Governmental Activities	
General government	\$ 283
Public safety	332
Education	504
Public works	1,003
Human services	2
Culture and recreation	<u>104</u>
Total depreciation expense - governmental activities	<u>\$ 2,228</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

9. Warrants Payable

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

10. Notes Payable

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Recreational Fields/Spofford Pond School Roof and Window Replacement	\$ <u>3,525,000</u>	\$ <u>-</u>	\$ <u>(3,525,000)</u>	\$ <u>-</u>
Total	\$ <u>3,525,000</u>	\$ <u>-</u>	\$ <u>(3,525,000)</u>	\$ <u>-</u>

11. Long-Term Debt

Long-Term Debt Supporting Activities

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

<u>Governmental Activities</u>		Serial		Amount
	Original	Maturities	Interest	Outstanding
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Through</u>	<u>Rate(s) %</u>	<u>as of</u>
				<u>6/30/20</u>
Public Offerings:				
Police station refunding	\$ 1,367,000	08/15/20	1.18%	\$ 140,000
Town Hall construction refunding	1,955,000	08/15/22	1.36%	590,000
Sawyer/Richardson land refunding	1,393,000	08/15/22	1.38%	445,000
Spofford Pond Road drainage refunding	85,000	08/15/22	1.35%	25,000
Dump truck	205,000	09/15/22	1.24%	60,000
Land acquisition	86,000	10/01/25	1.78%	50,600
Fire station floor drain/tank replacement	102,000	10/01/25	1.79%	60,200
Wood School interior renovations	667,000	10/01/25	1.81%	401,200
Wood School exterior renovations	125,000	10/01/25	1.82%	78,000
Anvil Farm land acquisition	850,000	06/15/26	3.90%	270,000
Haynes land acquisition	1,900,000	06/15/27	3.94%	700,000
Lincoln Hall building renovations	675,000	06/15/27	3.93%	245,000
School remodeling	355,000	09/15/27	1.60%	180,000
Land acquisition	190,000	09/15/27	1.55%	85,000
Fire truck	430,000	09/15/27	1.70%	255,000
Water treatment plant	400,000	09/15/27	1.70%	230,000
Cummings House historic restoration	245,350	08/01/24	1.25%	245,350
Recreational fields	1,050,000	08/01/30	1.56%	1,050,000
Spofford Pond roof and windows	2,079,650	08/01/37	1.96%	<u>2,079,650</u>
Total public offerings				<u>7,190,000</u>
Total general obligation bonds				7,190,000
<u>Loans - Direct Borrowings</u>				
Title V MWPAT - Loan 2	\$ 48,524	02/01/21	0.00%	\$ <u>2,748</u>
Total loans - direct borrowings				<u>2,748</u>
Total governmental activities				<u>\$ 7,192,748</u>

Future Debt Service

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

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,175,000	\$ 251,628	\$ 2,748	\$ -
2022	1,025,000	196,920	-	-
2023	955,000	163,885	-	-
2024	645,000	136,765	-	-
2025	635,000	112,255	-	-
2026 - 2030	1,785,000	267,500	-	-
2030 - 2035	625,000	69,270	-	-
Thereafter	<u>345,000</u>	<u>11,644</u>	<u>-</u>	<u>-</u>
Total	\$ <u>7,190,000</u>	\$ <u>1,209,867</u>	\$ <u>2,748</u>	\$ <u>-</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2020:

General fund	\$ 4,674,748
Community preservation fund	<u>2,518,000</u>
Total	\$ <u>7,192,748</u>

Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 4,730	\$ 3,375	\$ (915)	\$ 7,190	\$ (1,175)	\$ 6,015
Loans payable (direct borrowings)	<u>5</u>	<u>-</u>	<u>(2)</u>	<u>3</u>	<u>(3)</u>	<u>-</u>
Subtotal	4,735	3,375	(917)	7,193	(1,178)	6,015
Net pension liability	16,042	-	(332)	15,710	-	15,710
Net OPEB liability	10,678	596	-	11,274	-	11,274
Compensated absences	796	117	-	913	(91)	822
Landfill liability	<u>816</u>	<u>-</u>	<u>(52)</u>	<u>764</u>	<u>(57)</u>	<u>707</u>
Total	\$ <u>33,067</u>	\$ <u>4,088</u>	\$ <u>(1,301)</u>	\$ <u>35,854</u>	\$ <u>(1,326)</u>	\$ <u>34,528</u>

Long-Term Debt Supporting Governmental Activities

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

12. Landfill Postclosure Care Costs

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

The \$764,074 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

13. Deferred Inflows of Resources

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

14. Governmental Funds - Balances

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

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

Following is a breakdown of the Town's fund balance as of June 30, 2020:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 5,000	\$ 5,000
Total Nonspendable	-	-	5,000	5,000
Restricted				
Community preservation funds	-	3,208,629	-	3,208,629
Special revenue funds	-	-	1,535,719	1,535,719
Capital projects funded by borrowing	-	-	720,800	720,800
Expendable permanent funds	-	-	10,529	10,529
Total Restricted	-	3,208,629	2,267,048	5,475,677
Committed				
Unemployment Fund				
Insurance Fund	-	-	38,901	38,901
Article carryforwards:	-	-	52,833	52,833
General government	245,407	-	-	245,407
Public safety	243,202	-	-	243,202
Education	104,230	-	-	104,230
Public works	250,987	-	-	250,987
Health and human services	2,000	-	-	2,000
Total Committed	845,826	-	91,734	937,560
Assigned				
Encumbrances:				
General government	135,832	-	-	135,832
Public safety	17,919	-	-	17,919
Education	152,124	-	-	152,124
Public works	20,702	-	-	20,702
Health and human services	2,553	-	-	2,553
Employee benefits	15,761	-	-	15,761
Next year's expenditures:				
Operating	157,150	-	-	157,150
Capital	1,018,000	-	-	1,018,000
Other	65,000	-	-	65,000
Debt service	26,353	-	-	26,353
Total Assigned	1,611,394	-	-	1,611,394
Unassigned				
General fund	3,354,299	-	-	3,354,299
General stabilization fund	1,399,913	-	-	1,399,913
Special revenue fund deficits	-	-	(2,200)	(2,200)
Capital project fund deficits	-	-	(305,577)	(305,577)
Total Unassigned	4,754,212	-	(307,777)	4,446,435
Total Fund Balances	\$ 7,211,432	\$ 3,208,629	\$ 2,056,005	\$ 12,476,066

15. Essex Regional Retirement System

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

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Essex Regional Retirement System (the System), a cost-sharing, multiple-employer, public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports, which are publicly available at the System's administrative offices at 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025. Reports are also available on the System's website at www.essexregional.com.

Participants Contributions

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

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

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

Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior

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

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

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

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.

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

Participant Refunds

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

Employer Contributions

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

The Town’s contribution to the System for the year ended June 30, 2020 was \$1,339,233, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2020, the Town reported a liability of \$15,710,208 for its proportionate share of the System's total net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on an actuarially determined projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2020, the Town's proportion was 3.729%.

For the year ended June 30, 2020, the Town recognized total pension expense of \$1,927,043. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 2,156	\$ (74,661)
Changes of assumptions	1,570,196	-
Net difference between projected and actual earnings on pension plan investments	-	(585,751)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>280,985</u>	<u>(243,643)</u>
Total	<u>\$ 1,853,337</u>	<u>\$ (904,055)</u>

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

Year ended June 30:	
2021	\$ 374,805
2022	293,583
2023	347,529
2024	<u>(66,635)</u>
Total	<u>\$ 949,282</u>

Actuarial Assumptions

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

COLA	2% of the first \$14,000 for fiscal 2021 and 3% of the first \$14,000 thereafter
Salary increases	Based on years of service, ranging from 7.5% at 0 years of service decreasing to 3.75% after 5 years of service
Investment rate of return	7.30%, previously 7.50%
Remaining amortization period	Till fiscal 2035

Mortality rates were based on the RP-2000 mortality table (sex-distinct, healthy employees for actives and healthy annuitants for retirees) projected with scale BB and Generational Mortality. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality is the healthy retiree table ages set forward 2 years.

Target Allocations

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 adjusted by a 2.75% inflation assumption. Best estimates of arithmetic real rates of return are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.3%. The projection of cash flows used to determine the discount rate assumed plan member contributions at the current contribution rate and employer contributions at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.3%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(6.3%)</u>	<u>(7.3%)</u>	<u>(8.3%)</u>
\$ 19,756,552	\$ 15,710,208	\$ 12,309,003

Pension Plan Fiduciary Net Position

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

16. Massachusetts Teachers’ Retirement System (MTRS)

Plan Description

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

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or

their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

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

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

Contributions

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

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

Actuarial Assumptions

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

- (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.

- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender district).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

Target Allocation

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all

projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

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

Special Funding Situation

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

Town Proportions

In fiscal year 2019 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$23,029,746 based on a proportionate share of 0.091337%. As required by GASB 68, the Town has recognized its portion of the Commonwealth’s contribution of \$1,318,642 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$2,792,756 as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2012, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement

establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through BlueCross BlueShield. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Funding Policy

The Town’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	146
Active employees	<u>181</u>
Total	<u><u>327</u></u>

Investments

The OPEB trust fund assets consist of investments held in SRBT.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3%, average, including inflation
Investment rate of return	7.01%, net of OPEB plan investment expense
Municipal bond rate	2.66%
Discount rate	7%
Healthcare cost trend rates	4.5% for 2020, fluctuating 0% to an ultimate rate of 4.5% in future years
Participation rate	80% of employees eligible to receive retirement benefits would enroll in the retiree medical plans upon retirement

Mortality rates were based on RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study published in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	14.50%	4.80%
Domestic Equity - Small/Mid Cap	3.50%	5.29%
International Equity - Developed Market	16.00%	5.45%
International Equity - Emerging Market	6.00%	6.42%
Domestic Fixed Income	20.00%	2.05%
International Fixed Income	3.00%	3.00%
Alternatives	23.00%	6.50%
Real Estate	14.00%	6.25%
Cash and Cash Equivalents	<u>0.00%</u>	0.00%
Total	<u>100.00%</u>	

Contributions

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

Discount Rate

The discount rate used to measure the net OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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

Net OPEB Liability

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

Total OPEB liability	\$ 14,308,230
Plan fiduciary net position	<u>3,034,544</u>
Net OPEB liability	<u>\$ 11,273,686</u>
Plan fiduciary net position as a percentage of the total OPEB liability	21.21%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 13,354,141	\$ 2,675,677	\$ 10,678,464
Changes for the year:			
Service cost	286,453	-	286,453
Interest	929,803	-	929,803
Contributions - employer	-	1,027,697	(1,027,697)
Net investment income	-	58,867	(58,867)
Differences between expected and actual experience	(442,134)	-	(442,134)
Changes in assumptions	907,664	-	907,664
Benefit payments	<u>(727,697)</u>	<u>(727,697)</u>	<u>-</u>
Net Changes	<u>954,089</u>	<u>358,867</u>	<u>595,222</u>
Balances, end of year	<u>\$ 14,308,230</u>	<u>\$ 3,034,544</u>	<u>\$ 11,273,686</u>

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

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

1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
\$ 12,984,026	\$ 11,273,686	\$ 9,563,346

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

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

1% Decrease (6.5%)	Current Healthcare Cost Trend Rates (4.5%)	1% Increase (5.5%)
\$ 9,673,261	\$ 11,273,686	\$ 13,201,261

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$465,912. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ 741,694	\$ (355,611)
Change in assumptions	730,039	-
Net difference between projected and actual OPEB investment earnings	<u>86,730</u>	<u>-</u>
Total	<u>\$ 1,558,463</u>	<u>\$ (355,611)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ 475,255
2022	475,257
2023	123,411
2024	118,909
2025	<u>10,020</u>
Total	<u>\$ 1,202,852</u>

18. Subsequent Events

Management has evaluated subsequent events through December 10, 2020, which is the date the financial statements were available to be issued.

19. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are

uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end the Town’s general fund has \$344,891 in encumbrances that will be honored in the next fiscal year.

20. Beginning Net Position Reclassification

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

Fund Basis Financial Statements:

	Boxford Common Fields Fund	Spofford Pond School Roof Fund	Nonmajor Governmental Funds
As previously reported	\$ (1,078,829)	\$ (2,122,106)	\$ 1,520,551
Change in major funds	<u>1,078,829</u>	<u>2,122,106</u>	<u>(3,200,935)</u>
As reclassified	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,680,384)</u>

21. New Pronouncements

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

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

TOWN OF BOXFORD, MASSACHUSETTS

Required Supplemental Information
General Fund

Schedule of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Property taxes	\$ 30,464,868	\$ 30,464,868	\$ 30,472,508	\$ 7,640
Excises	1,630,000	1,630,000	1,627,268	(2,732)
Interest, penalties, and other taxes	53,300	53,300	76,979	23,679
Charges for services	260,000	260,000	334,005	74,005
Licenses and permits	370,000	370,000	409,760	39,760
Intergovernmental	2,465,738	2,465,738	2,484,567	18,829
Fines and forfeitures	25,000	25,000	33,849	8,849
Investment income	150,000	150,000	129,188	(20,812)
Miscellaneous	<u>31,174</u>	<u>31,174</u>	<u>51,189</u>	<u>20,015</u>
Total Revenues	35,450,080	35,450,080	35,619,313	169,233
Expenditures				
General government	1,797,018	1,797,018	1,682,172	114,846
Public safety	2,910,843	2,910,843	2,902,841	8,002
Education	24,229,726	24,229,726	24,207,036	22,690
Public works	2,655,500	2,655,500	2,542,195	113,305
Health and human services	352,086	352,086	338,378	13,708
Culture and recreation	640,070	640,070	617,512	22,558
Employee benefits	2,854,815	2,854,815	2,636,206	218,609
Debt service	781,041	781,041	767,314	13,727
Intergovernmental	<u>162,029</u>	<u>162,029</u>	<u>168,077</u>	<u>(6,048)</u>
Total Expenditures	<u>36,383,128</u>	<u>36,383,128</u>	<u>35,861,731</u>	<u>521,397</u>
Excess (deficiency) of revenues over expenditures	(933,048)	(933,048)	(242,418)	690,630
Other Financing Sources/Uses				
Transfers in	5,940	5,940	27,867	21,927
Transfers out	(300,000)	(300,000)	(300,000)	-
Use of free cash:				
Capital budget	<u>1,227,108</u>	<u>1,227,108</u>	<u>1,227,108</u>	<u>-</u>
Total Other Financing Sources/Uses	<u>933,048</u>	<u>933,048</u>	<u>954,975</u>	<u>21,927</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>712,557</u>	\$ <u>712,557</u>

TOWN OF BOXFORD, MASSACHUSETTS

Required Supplemental Information
 Community Preservation Fund
 Schedule of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual
 For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 744,711	\$ 744,711	\$ 751,839	\$ 7,128
Intergovernmental	191,000	191,000	245,551	54,551
Investment income	-	-	79,032	79,032
Total Revenues	<u>935,711</u>	<u>935,711</u>	1,076,422	140,711
Expenditures				
General government	289,745	289,745	267,928	21,817
Debt service	<u>469,956</u>	<u>469,956</u>	<u>469,956</u>	-
Total Expenditures	<u>759,701</u>	<u>759,701</u>	<u>737,884</u>	<u>21,817</u>
Excess (deficiency) of revenues over expenditures	176,010	176,010	338,538	162,528
Other Financing Sources/Uses				
Use of surplus	235,000	235,000	235,000	-
Other sources	-	-	156,974	156,974
Reservations:				
Historic Resources	(32,263)	(32,263)	(32,263)	-
Community Housing	(93,571)	(93,571)	(93,571)	-
Budget reserve	(236,294)	(236,294)	(236,294)	-
Other use(s)	<u>(48,882)</u>	<u>(48,882)</u>	<u>(48,882)</u>	-
Total Other Financing Sources/Uses	<u>(176,010)</u>	<u>(176,010)</u>	<u>(19,036)</u>	<u>156,974</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>319,502</u>	\$ <u>319,502</u>

**Notes to the Required Supplemental Information
for General Fund and Community Presentation Fund Budgets**

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP basis	\$ 36,967,376	\$ 36,923,648	\$ (118,852)
Reverse beginning of year appropriation carryforwards from expenditures	-	(780,714)	-
Add end of year appropriation carryforwards to expenditures	-	1,190,720	-
Record budgeted use of free cash	-	-	1,227,108
Reverse effect of non-budgeted State contributions for teachers' retirement	(1,318,642)	(1,318,642)	-
Reverse effects of combining general fund and stabilization fund (GASB54)	(29,421)	-	-
Reverse effect of other non-budgeted activity	-	(153,281)	(153,281)
Budgetary basis	<u>\$ 35,619,313</u>	<u>\$ 35,861,731</u>	<u>\$ 954,975</u>

(continued)

(continued)

<u>Community Preservation Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP basis	\$ 1,046,404	\$ 506,824	\$ 156,974
Add end of year appropriation carryforwards to expenditures	-	231,060	-
Record budgeted use of surplus	-	-	235,000
Record budgeted reserves	-	-	(411,010)
Other timing differences	<u>30,018</u>	<u>-</u>	<u>-</u>
Budgetary basis	<u>\$ 1,076,422</u>	<u>\$ 737,884</u>	<u>\$ (19,036)</u>

TOWN OF BOXFORD, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

Essex Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	3.729%	\$15,710,208	\$ 5,832,314	269.36%	55.46%
June 30, 2019	December 31, 2018	3.797%	\$16,041,666	\$ 4,930,080	325.38%	51.89%
June 30, 2018	December 31, 2017	3.692%	\$13,895,133	\$ 4,727,147	293.94%	55.40%
June 30, 2017	December 31, 2016	3.658%	\$14,092,733	\$ 4,787,031	294.39%	51.12%
June 30, 2016	December 31, 2015	3.663%	\$13,307,669	\$ 5,080,198	261.95%	51.01%
June 30, 2015	December 31, 2014	3.652%	\$12,389,026	\$ 4,880,552	253.84%	52.27%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.091337%	\$ -	\$ 23,029,746	\$ 23,029,746	\$ 6,646,729	-	53.95%
June 30, 2019	June 30, 2018	0.092036%	\$ -	\$ 21,822,869	\$ 21,822,869	\$ 6,463,565	-	54.84%
June 30, 2018	June 30, 2017	0.093014%	\$ -	\$ 21,286,632	\$ 21,286,632	\$ 6,316,086	-	54.25%
June 30, 2017	June 30, 2016	0.095524%	\$ -	\$ 21,357,123	\$ 21,357,123	\$ 6,283,239	-	51.12%
June 30, 2016	June 30, 2015	0.094803%	\$ -	\$ 19,424,725	\$ 19,424,725	\$ 6,009,456	-	55.38%
June 30, 2015	June 30, 2014	0.092382%	\$ -	\$ 14,685,326	\$ 14,685,326	\$ 5,664,397	-	61.64%

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

See Independent Auditors' Report.

TOWN OF BOXFORD, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

Essex Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	December 31, 2019	\$ 1,339,233	\$ 1,339,233	\$ -	\$ 5,832,314	22.96%
June 30, 2019	December 31, 2018	\$ 1,293,521	\$ 1,293,521	\$ -	\$ 4,930,080	26.24%
June 30, 2018	December 31, 2017	\$ 1,171,226	\$ 1,171,226	\$ -	\$ 4,727,147	24.78%
June 30, 2017	December 31, 2016	\$ 1,059,806	\$ 1,059,806	\$ -	\$ 4,787,031	22.14%
June 30, 2016	December 31, 2015	\$ 1,006,232	\$ 1,006,232	\$ -	\$ 5,080,198	19.81%
June 30, 2015	December 31, 2014	\$ 936,588	\$ 936,588	\$ -	\$ 4,880,552	19.19%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	June 30, 2019	\$ 1,318,642	\$ 1,318,642	\$ -	\$ 6,646,729	19.84%
June 30, 2019	June 30, 2018	\$ 1,210,071	\$ 1,210,071	\$ -	\$ 6,463,565	18.72%
June 30, 2018	June 30, 2017	\$ 1,149,203	\$ 1,149,203	\$ -	\$ 6,316,086	18.19%
June 30, 2017	June 30, 2016	\$ 1,074,243	\$ 1,074,243	\$ -	\$ 6,283,239	17.10%
June 30, 2016	June 30, 2015	\$ 968,817	\$ 968,817	\$ -	\$ 6,009,456	16.12%
June 30, 2015	June 30, 2014	\$ 865,967	\$ 865,967	\$ -	\$ 5,664,397	15.29%

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

See Independent Auditors' Report.

TOWN OF BOXFORD, MASSACHUSETTS

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 286,453	\$ 316,568	\$ 297,469	\$ 314,494
Interest	929,803	895,274	758,436	655,663
Differences between expected and actual experience	(442,134)	-	1,894,235	-
Changes of assumptions	907,664	-	(369,560)	-
Benefit payments, including refunds of member contributions	<u>(727,697)</u>	<u>(650,522)</u>	<u>(639,372)</u>	<u>(497,053)</u>
Net change in total OPEB liability	954,089	561,320	1,941,208	473,104
Total OPEB liability - beginning	<u>13,354,141</u>	<u>12,792,821</u>	<u>10,851,613</u>	<u>10,378,509</u>
Total OPEB liability - ending (a)	14,308,230	13,354,141	12,792,821	10,851,613
Plan Fiduciary Net Position				
Contributions - employer	1,027,697	1,000,522	989,372	797,053
Net investment income	58,867	143,244	173,023	187,870
Benefit payments, including refunds of member contributions	<u>(727,697)</u>	<u>(650,522)</u>	<u>(639,372)</u>	<u>(497,053)</u>
Net change in plan fiduciary net position	358,867	493,244	523,023	487,870
Plan fiduciary net position - beginning	<u>2,675,677</u>	<u>2,182,433</u>	<u>1,659,410</u>	<u>1,171,540</u>
Plan fiduciary net position - ending (b)	<u>3,034,544</u>	<u>2,675,677</u>	<u>2,182,433</u>	<u>1,659,410</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 11,273,686</u>	<u>\$ 10,678,464</u>	<u>\$ 10,610,388</u>	<u>\$ 9,192,203</u>

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

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

See Independent Auditors' Report.

TOWN OF BOXFORD, MASSACHUSETTS

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 14,308,230	\$ 13,354,141	\$ 12,792,821	\$ 10,851,613
Plan fiduciary net position	<u>3,034,544</u>	<u>2,675,677</u>	<u>2,182,433</u>	<u>1,659,410</u>
Net OPEB liability (asset)	<u>\$ 11,273,686</u>	<u>\$ 10,678,464</u>	<u>\$ 10,610,388</u>	<u>\$ 9,192,203</u>
Plan fiduciary net position as a percentage of the total OPEB liability	21.21%	20.04%	17.06%	15.29%
Covered employee payroll	11,777,211	10,980,482	10,660,662	11,605,943
Net OPEB liability as a percentage of covered employee payroll	95.72%	97.25%	99.53%	79.20%
Schedule of Contributions				
Actuarially determined contribution	\$ 1,135,524	\$ 1,120,810	\$ 989,774	\$ 992,163
Contributions in relation to the actuarially determined contribution	<u>1,027,697</u>	<u>1,000,522</u>	<u>989,372</u>	<u>797,053</u>
Contribution deficiency (excess)	<u>\$ 107,827</u>	<u>\$ 120,288</u>	<u>\$ 402</u>	<u>\$ 195,110</u>
Covered employee payroll	11,777,211	10,980,482	10,660,662	11,605,943
Contributions as a percentage of covered employee payroll	0.92%	1.10%	0.00%	1.68%
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	2.03%	5.72%	9.02%	13.49%

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