



TOWN OF FAIRHAVEN, MASSACHUSETTS

Annual 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 Fairhaven, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts, as of and for the year ended June 30, 2020, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2019) 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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

Merrimack, New Hampshire
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Greenfield, Massachusetts
Ellsworth, Maine

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts, as of June 30, 2020, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2019) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance



with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Melanson

Andover, Massachusetts
March 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Fairhaven, Massachusetts (the Town), we offer readers this narrative overview and analysis of the Town's financial activities 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 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).

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

Fund Financial Statements

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

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

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

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

Proprietary Funds

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

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer and water operations, which are considered to be major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health and dental programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

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

Notes to financial statements

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

Required information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$62,272,398, a change of \$1,195,273, and net position in business-type activities was \$32,301,468, a change of \$(403,981).
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$28,767,151, a change of \$1,055,431 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,865,619, a change of \$(830,307) in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 40,662	\$ 40,047	\$ 11,350	\$ 12,550	\$ 52,012	\$ 52,597
Capital assets	<u>94,849</u>	<u>97,883</u>	<u>35,231</u>	<u>35,245</u>	<u>130,080</u>	<u>133,128</u>
Total assets	135,511	137,930	46,581	47,795	182,092	185,725
Deferred outflows of resources	8,421	10,002	772	976	9,193	10,978
Current liabilities	5,517	7,295	1,468	1,790	6,985	9,085
Noncurrent liabilities	<u>62,917</u>	<u>66,733</u>	<u>12,562</u>	<u>13,568</u>	<u>75,479</u>	<u>80,301</u>
Total liabilities	68,434	74,028	14,030	15,358	82,464	89,386
Deferred inflows of resources	13,226	12,827	1,022	707	14,248	13,534
Net investment in capital assets	85,577	88,261	26,046	25,896	111,623	114,157
Restricted	9,557	9,074	-	-	9,557	9,074
Unrestricted	<u>(32,862)</u>	<u>(36,258)</u>	<u>6,255</u>	<u>6,810</u>	<u>(26,607)</u>	<u>(29,448)</u>
Total net position	<u>\$ 62,272</u>	<u>\$ 61,077</u>	<u>\$ 32,301</u>	<u>\$ 32,706</u>	<u>\$ 94,573</u>	<u>\$ 93,783</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$94,573,866, a change of \$791,292 in comparison to the prior year.

The largest portion of net position \$111,623,106 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, 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 \$9,557,407 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 \$(26,606,647), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 6,119	\$ 5,553	\$ 6,691	\$ 6,620	\$ 12,810	\$ 12,173
Operating grants and contributions	17,728	16,455	-	-	17,728	16,455
Capital grants and contributions	-	990	57	53	57	1,043
General revenues:						
Property taxes	30,308	28,537	-	-	30,308	28,537
Excises	2,209	1,994	-	-	2,209	1,994
Penalties, interest and other taxes	284	425	-	-	284	425
Grants and contributions not restricted to specific programs	3,411	3,414	-	-	3,411	3,414
Investment income (loss)	475	801	19	28	494	829
Miscellaneous	610	539	8	115	618	654
Total revenues	61,144	58,708	6,775	6,816	67,919	65,524
Expenses						
General government	5,644	4,679	-	-	5,644	4,679
Public safety	11,273	9,267	-	-	11,273	9,267
Education	33,417	32,972	-	-	33,417	32,972
Public works	5,587	4,142	-	-	5,587	4,142
Human services	1,512	1,948	-	-	1,512	1,948
Culture and recreation	1,616	1,424	-	-	1,616	1,424
Interest on long-term debt	276	294	-	-	276	294
Intergovernmental	617	491	-	-	617	491
Sewer services	-	-	4,276	4,874	4,276	4,874
Water services	-	-	2,911	2,168	2,911	2,168
Total expenses	59,942	55,217	7,187	7,042	67,129	62,259

(continued)

(continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Change in net position before transfers	1,202	3,491	(412)	(226)	790	3,265
Transfers in (out)	<u>(7)</u>	<u>(18)</u>	<u>7</u>	<u>18</u>	<u>-</u>	<u>-</u>
Change in net position	1,195	3,473	(405)	(208)	790	3,265
Net position - beginning of year	<u>61,077</u>	<u>57,604</u>	<u>32,706</u>	<u>32,914</u>	<u>93,783</u>	<u>90,518</u>
Net position - end of year	<u>\$ 62,272</u>	<u>\$ 61,077</u>	<u>\$ 32,301</u>	<u>\$ 32,706</u>	<u>\$ 94,573</u>	<u>\$ 93,783</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,195,273. Key elements of this change are as follows:

Change in net pension liability and related deferred outflows and inflows of resources	\$ (355,000)
Change in net OPEB liability related deferred outflows and inflows of resources	1,497,084
Other	<u>53,189</u>
Total	<u>\$ 1,195,273</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(403,981). Key elements of this change are as follows:

Sewer Fund:	
Budgetary results of operations	\$ 706,351
Depreciation expense in excess of debt service principal paydown	(602,261)
Change in deferred revenue	(311,981)
Other	<u>(295,396)</u>
Subtotal	(503,287)
Water Fund:	
Budgetary results of operations	688,970
Depreciation expense in excess of debt service principal paydown	(140,616)
Other	<u>(449,048)</u>
Subtotal	<u>99,306</u>
Grand total	<u>\$ (403,981)</u>

Financial Analysis of 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 government'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 \$7,865,619 while total fund balance was \$20,059,040. Unassigned fund balance decreased by \$830,307 in fiscal year 2020. The decrease was primarily due to use of free cash of \$2,430,263 for the fiscal year 2021 budget (primarily for capital expenditures) softened by favorable turnback's of \$1,850,716 on the Town's fiscal year 2020 budget vs. actual. 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>	<u>% of General Fund Expenditures ⁽²⁾</u>
Unassigned fund balance ⁽¹⁾	\$ 7,865,619	\$ 8,695,926	\$ (830,307)	16.1%
Total fund balance	\$ 20,059,040	\$ 18,863,642	\$ 1,195,398	40.9%

⁽¹⁾ Includes general stabilization fund.

⁽²⁾ Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teacher Retirement System of \$2,667,909.

The total fund balance of the general fund changed by \$1,195,398 during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 645,712
Expenditures less than budget	1,180,874
Use of free cash	(4,160,107)
Prepaid tuition	886,580
Use of overlay surplus	(149,000)
Change in stabilization fund	2,187,252
Change in carryforwards	609,157
Other	(5,070)
Total	<u>\$ 1,195,398</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization	\$ 3,139,681	\$ 3,089,346	\$ 50,335
Ambulance stabilization	175,094	106,502	68,592
Capital stabilization	5,743,342	3,700,556	2,042,786
Special education reserve stabilization	<u>430,209</u>	<u>404,670</u>	<u>25,539</u>
Total	<u>\$ 9,488,326</u>	<u>\$ 7,301,074</u>	<u>\$ 2,187,252</u>

Non-Major Governmental Funds

The non-major fund balance changed by \$(139,967) primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Funds

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$6,255,302, a change \$(554,244) in comparison to the prior year.

Unrestricted net position of the internal service fund at the end of the year amounted to \$2,444,682, a change of \$990,453 in comparison to the prior year. The decrease is due to a decrease in claims in the last quarter of fiscal year 2020, which can be attributed to the impact of the COVID19 pandemic.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$1,937 for prior year bills.

Capital Asset and Debt Administration

Capital assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$130,080,143 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included improvements to various Town buildings and the purchase of various public safety and highway vehicles.

Credit rating

The Town of Fairhaven maintains an AA+/Stable credit rating from Standard and Poor's Global Ratings for general obligation debt.

Long-term debt

At the end of the current fiscal year, total bonds and loans outstanding was \$17,886,318, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and 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:

Finance Director/Treasurer/Collector
Town of Fairhaven
40 Center Street
Fairhaven, Massachusetts 02719

TOWN OF FAIRHAVEN, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 20,206,932	\$ 7,928,016	\$ 28,134,948
Investments	12,578,331	907,176	13,485,507
Receivables, net of allowance for uncollectibles:			
Property taxes	848,257	-	848,257
Excises	231,763	-	231,763
User fees	13,838	537,399	551,237
Departmental and other	639,949	-	639,949
Special assessments	263	220,533	220,796
Intergovernmental	238,283	981,822	1,220,105
Notes receivable	848,985	-	848,985
Deposits held by others	1,025,400	-	1,025,400
Prepaid items	<u>886,580</u>	<u>-</u>	<u>886,580</u>
Total Current Assets	37,518,581	10,574,946	48,093,527
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	654,686	-	654,686
User fees	-	114,097	114,097
Special assessments	5,908	661,300	667,208
Intergovernmental	1,625,334	-	1,625,334
Other assets	857,957	-	857,957
Capital assets:			
Land and construction in progress	22,183,541	10,310,083	32,493,624
Other capital assets, net of accumulated depreciation	<u>72,665,700</u>	<u>24,920,819</u>	<u>97,586,519</u>
Total Noncurrent Assets	<u>97,993,126</u>	<u>36,006,299</u>	<u>133,999,425</u>
Total Assets	135,511,707	46,581,245	182,092,952
Deferred Outflows of Resources			
Related to pensions	4,410,000	610,000	5,020,000
Related to OPEB	<u>4,010,532</u>	<u>162,190</u>	<u>4,172,722</u>
Total Deferred Outflows of Resources	8,420,532	772,190	9,192,722
			(continued)

TOWN OF FAIRHAVEN, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants and accounts payable	1,996,773	92,257	2,089,030
Accrued liabilities	1,115,706	63,899	1,179,605
Notes payable	638,000	700,000	1,338,000
Tax refunds payable	378,452	-	378,452
Other current liabilities	407,316	21,342	428,658
Current portion of long-term liabilities:			
Bonds and loans payable	792,000	562,400	1,354,400
Compensated absences	163,349	28,752	192,101
Landfill liability	25,000	-	25,000
Total Current Liabilities	5,516,596	1,468,650	6,985,246
Noncurrent:			
Bonds and loans payable, net of current portion	7,885,000	8,646,918	16,531,918
Net pension liability	16,840,000	2,180,000	19,020,000
Net OPEB liability	36,497,187	1,475,983	37,973,170
Compensated absences	1,470,142	258,760	1,728,902
Landfill liability	225,000	-	225,000
Total Noncurrent Liabilities	62,917,329	12,561,661	75,478,990
Total Liabilities	68,433,925	14,030,311	82,464,236
Deferred Inflows of Resources			
Related to pensions	3,022,000	609,000	3,631,000
Related to OPEB	10,203,916	412,656	10,616,572
Total Deferred Inflows of Resources	13,225,916	1,021,656	14,247,572
Net Position			
Net investment in capital assets	85,576,940	26,046,166	111,623,106
Restricted for:			
Grants and other statutory restrictions	6,540,810	-	6,540,810
Permanent funds:			
Nonexpendable	2,546,488	-	2,546,488
Expendable	470,109	-	470,109
Unrestricted	(32,861,949)	6,255,302	(26,606,647)
Total Net Position	\$ 62,272,398	\$ 32,301,468	\$ 94,573,866

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities	Expenses						
	\$ 5,643,599	\$ 635,113	\$ 711,970	\$ 300	\$ (4,296,216)	\$ -	\$ (4,296,216)
	General government	11,273,396	1,725,144	254,725	(9,293,527)	-	(9,293,527)
	Public safety	33,416,981	3,444,052	15,876,542	(14,096,387)	-	(14,096,387)
	Education	5,587,359	80,449	4,703	(5,502,207)	-	(5,502,207)
	Public works	1,512,173	431	869,718	(642,024)	-	(642,024)
	Human services	1,616,211	233,579	10,816	(1,371,816)	-	(1,371,816)
	Culture and recreation	276,215	-	-	(276,215)	-	(276,215)
	Interest on long-term debt	617,370	-	-	(617,370)	-	(617,370)
	Intergovernmental						
Total Governmental Activities		59,943,304	17,728,474	300	(36,095,762)	-	(36,095,762)
Business-Type Activities							
	Sewer	4,275,874	3,681,357	57,164	-	(537,353)	(537,353)
	Water	2,911,030	3,009,498	-	-	98,468	98,468
	Total Business-Type Activities	7,186,904	6,690,855	57,164	-	(438,885)	(438,885)
	Total	\$ 67,130,208	\$ 12,809,623	\$ 17,728,474	\$ (36,095,762)	(438,885)	(36,534,647)
		General Revenues and Transfers					
		Property taxes	30,307,796	-	30,307,796	-	30,307,796
		Excises	2,209,431	-	2,209,431	-	2,209,431
		Penalties, interest and other taxes	284,273	-	284,273	-	284,273
		Grants and contributions not restricted to specific programs	3,411,005	-	3,411,005	-	3,411,005
		Investment income	474,756	19,897	494,653	19,897	494,653
		Miscellaneous	610,485	8,296	618,781	8,296	618,781
		Transfers, net	(6,711)	-	-	6,711	-
		Total general revenues and transfers	37,291,035	34,904	37,325,939	34,904	37,325,939
		Change in Net Position	1,195,273	(403,981)	791,292	(403,981)	791,292
		Net Position					
		Beginning of year	61,077,125		32,705,449		93,782,574
		End of year	\$ 62,272,398		\$ 32,301,468		\$ 94,573,866

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and short-term investments	\$ 11,913,235	\$ 6,216,774	\$ 18,130,009
Investments	9,182,889	3,395,442	12,578,331
Receivables:			
Property taxes	1,659,889	17,136	1,677,025
Excises	364,206	-	364,206
User fees	-	15,597	15,597
Departmental and other	123,604	516,344	639,948
Special assessments	-	6,171	6,171
Intergovernmental	238,283	1,625,334	1,863,617
Notes receivable	-	848,985	848,985
Prepaid items	<u>886,580</u>	<u>-</u>	<u>886,580</u>
Total Assets	\$ <u>24,368,686</u>	\$ <u>12,641,783</u>	\$ <u>37,010,469</u>
Liabilities			
Warrants payable	\$ 1,679,925	\$ 266,178	\$ 1,946,103
Accrued liabilities	503,311	5,423	508,734
Notes payable	-	638,000	638,000
Other liabilities	<u>407,315</u>	<u>-</u>	<u>407,315</u>
Total Liabilities	2,590,551	909,601	3,500,152
Deferred Inflows of Resources			
Unavailable revenues	1,719,095	3,024,071	4,743,166
Fund Balances			
Nonspendable	886,580	2,546,488	3,433,068
Restricted	-	7,011,380	7,011,380
Committed	8,003,883	-	8,003,883
Assigned	3,302,958	-	3,302,958
Unassigned	<u>7,865,619</u>	<u>(849,757)</u>	<u>7,015,862</u>
Total Fund Balances	<u>20,059,040</u>	<u>8,708,111</u>	<u>28,767,151</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>24,368,686</u>	\$ <u>12,641,783</u>	\$ <u>37,010,469</u>

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

TOWN OF FAIRHAVEN, 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	\$ 28,767,151
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	94,849,241
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	5,292,840
Internal service funds are used by management to account for health and dental insurance activities. The assets and liabilities of the internal service funds are included with governmental activities in the Statement of Net Assets.	2,444,682
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(8,677,000)
Net pension liability	(16,840,000)
Total OPEB liability	(36,497,187)
Other	(1,883,491)
Deferred outflows and (inflows) of resources related to pensions to be recognized in pension expense in future periods	1,388,000
Deferred outflows and (inflows) of resources related to OPEB to be recognized in OPEB expense in future periods	(6,193,384)
Other differences	<u>(378,454)</u>
Net position of governmental activities	\$ <u><u>62,272,398</u></u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Property taxes	\$ 29,187,048	\$ 420,260	\$ 29,607,308
Excises	2,112,410	-	2,112,410
Penalties, interest and other taxes	282,043	2,235	284,278
Charges for services	3,520,418	2,471,060	5,991,478
Licenses and permits	442,790	-	442,790
Intergovernmental	14,757,041	3,401,464	18,158,505
Fines and forfeitures	1,850	-	1,850
Investment income	458,093	10,520	468,613
Contributions	-	95,001	95,001
Miscellaneous	<u>669,813</u>	<u>15,106</u>	<u>684,919</u>
Total Revenues	51,431,506	6,415,646	57,847,152
Expenditures			
General government	2,929,966	1,244,822	4,174,788
Public safety	8,286,528	194,446	8,480,974
Education	25,043,946	2,990,933	28,034,879
Public works	3,793,110	171,209	3,964,319
Human services	1,129,799	244,461	1,374,260
Culture and recreation	1,139,228	232,801	1,372,029
Employee benefits	7,592,601	48,351	7,640,952
Debt service			
Principal	797,000	-	797,000
Interest	322,640	-	322,640
Intergovernmental	617,370	-	617,370
Capital outlay	<u>-</u>	<u>5,799</u>	<u>5,799</u>
Total Expenditures	<u>51,652,188</u>	<u>5,132,822</u>	<u>56,785,010</u>
Excess (Deficiency) of revenues over expenditures	(220,682)	1,282,824	1,062,142
Other Financing Sources (Uses)			
Transfers in	1,478,040	55,249	1,533,289
Transfers out	<u>(61,960)</u>	<u>(1,478,040)</u>	<u>(1,540,000)</u>
Total Other Financing Sources (Uses)	<u>1,416,080</u>	<u>(1,422,791)</u>	<u>(6,711)</u>
Change in fund balance	1,195,398	(139,967)	1,055,431
Fund Balance, at Beginning of Year	<u>18,863,642</u>	<u>8,848,078</u>	<u>27,711,720</u>
Fund Balance, at End of Year	\$ <u><u>20,059,040</u></u>	\$ <u><u>8,708,111</u></u>	\$ <u><u>28,767,151</u></u>

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

TOWN OF FAIRHAVEN, 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	\$ 1,055,431
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	1,043,463
Depreciation	(4,076,820)
<p>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:</p>	
Repayments of debt	797,000
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</p>	
	484,680
<p>Internal service funds are used by management to account for health and dental insurance activities. The net activity of internal service funds is reported with governmental activities in the Statement of Net Position.</p>	
	990,453
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>	
Net pension liability and related deferred outflows and inflows of resources	(355,000)
Net OPEB liability and related deferred outflows and inflows of resources	1,497,084
Other	46,425
Other differences	<u>(287,443)</u>
Change in net position of governmental activities	\$ <u>1,195,273</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Assets				
Current:				
Cash and short-term investments	\$ 5,689,091	\$ 2,238,925	\$ 7,928,016	\$ 2,076,923
Investments	907,176	-	907,176	-
Deposits held by others	-	-	-	1,025,400
Receivables, net of allowance for uncollectibles:				
User fees	297,269	240,130	537,399	-
Special assessments	220,533	-	220,533	-
Intergovernmental	981,822	-	981,822	-
Total Current Assets	8,095,891	2,479,055	10,574,946	3,102,323
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
User fees	72,110	41,987	114,097	-
Special assessments	661,300	-	661,300	-
Capital assets:				
Land and construction in progress	9,017,982	1,292,101	10,310,083	-
Other capital assets, net of accumulated depreciation	21,660,032	3,260,787	24,920,819	-
Total Noncurrent Assets	31,411,424	4,594,875	36,006,299	-
Total Assets	39,507,315	7,073,930	46,581,245	3,102,323
Deferred Outflows of Resources				
Related to pensions	358,000	252,000	610,000	-
Related to OPEB	118,712	43,478	162,190	-
Total Deferred Outflows of Resources	476,712	295,478	772,190	-
Liabilities				
Current:				
Accounts payable	62,278	29,979	92,257	356,927
Accrued liabilities	39,208	24,691	63,899	300,714
Notes payable	700,000	-	700,000	-
Other current liabilities	20,467	875	21,342	-
Current portion of long-term liabilities:				
Bonds and loans payable	514,111	48,289	562,400	-
Compensated absences	19,913	8,839	28,752	-
Total Current Liabilities	1,355,977	112,673	1,468,650	657,641
Noncurrent:				
Bonds and loans payable, net of current portion	8,067,264	579,654	8,646,918	-
Net pension liability	1,426,000	754,000	2,180,000	-
Net OPEB liability	1,080,318	395,665	1,475,983	-
Compensated absences	179,213	79,547	258,760	-
Total Noncurrent Liabilities	10,752,795	1,808,866	12,561,661	-
Total Liabilities	12,108,772	1,921,539	14,030,311	657,641
Deferred Inflows of Resources				
Related to pensions	318,000	291,000	609,000	-
Related to OPEB	302,036	110,620	412,656	-
Total Deferred Inflows of Resources	620,036	401,620	1,021,656	-
Net Position				
Net investment in capital assets	22,120,327	3,925,839	26,046,166	-
Unrestricted	5,134,892	1,120,410	6,255,302	2,444,682
Total Net Position	\$ 27,255,219	\$ 5,046,249	\$ 32,301,468	\$ 2,444,682

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Operating Revenues				
Charges for services	\$ 3,681,357	\$ 3,004,918	\$ 6,686,275	\$ -
Employee and employer contributions	-	-	-	7,416,184
Other	-	4,580	4,580	-
Total Operating Revenues	3,681,357	3,009,498	6,690,855	7,416,184
Operating Expenses				
Personnel services	1,688,994	1,104,149	2,793,143	6,431,997
Other operating expenses	1,176,210	333,426	1,509,636	-
Depreciation	1,115,082	188,197	1,303,279	-
Intergovernmental assessments	-	1,277,367	1,277,367	-
Total Operating Expenses	3,980,286	2,903,139	6,883,425	6,431,997
Operating Income (Loss)	(298,929)	106,359	(192,570)	984,187
Nonoperating Revenues (Expenses)				
Investment income	19,059	838	19,897	6,266
Miscellaneous	8,296	-	8,296	-
Interest expense	(295,588)	(7,891)	(303,479)	-
Total Nonoperating Revenues (Expenses), Net	(268,233)	(7,053)	(275,286)	6,266
Income (Loss) Before Transfers and Capital Contributions	(567,162)	99,306	(467,856)	990,453
Transfers in	6,711	-	6,711	-
Capital contributions	57,164	-	57,164	-
Change in Net Position	(503,287)	99,306	(403,981)	990,453
Net Position at Beginning of Year	27,758,506	4,946,943	32,705,449	1,454,229
Net Position at End of Year	\$ 27,255,219	\$ 5,046,249	\$ 32,301,468	\$ 2,444,682

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 3,686,395	\$ 2,993,502	\$ 6,679,897	\$ 7,416,184
Payments to employees	(1,679,772)	(1,021,032)	(2,700,804)	-
Payments to vendors	<u>(1,475,350)</u>	<u>(1,653,864)</u>	<u>(3,129,214)</u>	<u>(7,387,619)</u>
Net Cash Provided By Operating Activities	531,273	318,606	849,879	28,565
Cash Flows From Noncapital Financing Activities				
Transfers in	<u>6,711</u>	-	<u>6,711</u>	-
Net Cash Provided By Noncapital Financing Activities	6,711	-	6,711	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(869,962)	(419,497)	(1,289,459)	-
Proceeds of notes	700,000	-	700,000	-
Principal payments on bonds and loans	(512,821)	(47,581)	(560,402)	-
Payments on notes	(700,000)	-	(700,000)	-
Interest expense	(302,868)	(13,773)	(316,641)	-
Capital contributions	297,798	-	297,798	-
Other	<u>87,624</u>	-	<u>87,624</u>	-
Net Cash (Used For) Capital and Related Financing Activities	(1,300,229)	(480,851)	(1,781,080)	-
Cash Flows From Investing Activities				
Investments	(280,110)	-	(280,110)	-
Investment income	<u>19,059</u>	<u>838</u>	<u>19,897</u>	<u>6,266</u>
Net Cash Provided By (Used For) Investing Activities	<u>(261,051)</u>	<u>838</u>	<u>(260,213)</u>	<u>6,266</u>
Net Change in Cash and Short-Term Investments	(1,023,296)	(161,407)	(1,184,703)	34,831
Cash and Short-Term Investments, Beginning of Year	<u>6,712,387</u>	<u>2,400,332</u>	<u>9,112,719</u>	<u>2,042,092</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>5,689,091</u></u>	\$ <u><u>2,238,925</u></u>	\$ <u><u>7,928,016</u></u>	\$ <u><u>2,076,923</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (298,929)	\$ 106,359	\$ (192,570)	\$ 984,187
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,115,082	188,197	1,303,279	-
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(7,537)	(16,871)	(24,408)	-
Deposits held by others	-	-	-	(86,600)
Deferred outflows - related to pensions	60,000	98,000	158,000	-
Deferred outflows - related to OPEB	33,268	12,386	45,654	-
Accounts payable	(299,141)	(43,070)	(342,211)	(786,012)
Accrued liabilities	9,802	4,792	14,594	(83,010)
Other liabilities	44,860	9,101	53,961	-
Net pension liability	(184,000)	(247,000)	(431,000)	-
Net OPEB liability	(35,219)	(14,378)	(49,597)	-
Deferred inflows - related to pensions	138,000	238,000	376,000	-
Deferred inflows - related to OPEB	<u>(44,913)</u>	<u>(16,910)</u>	<u>(61,823)</u>	-
Net Cash Provided By Operating Activities	\$ <u><u>531,273</u></u>	\$ <u><u>318,606</u></u>	\$ <u><u>849,879</u></u>	\$ <u><u>28,565</u></u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Fund</u>	Agency <u>Fund</u>
Assets			
Cash and short-term investments	\$ 391,120	\$ 155,642	\$ 1,625,435
Investments:			-
Certificates of deposits	142,836	116,796	-
Commodities	2,218	1,814	
Federal agency securities	242,204	198,047	-
Corporate bonds	293,301	239,830	-
Corporate equities	257,135	210,257	-
Equity mutual funds	88,047	71,994	-
External investment pool	<u>70,340,991</u>	<u>-</u>	<u>-</u>
Total Investments	71,366,732	838,738	-
Accounts receivable	<u>110,148</u>	<u>-</u>	<u>-</u>
Total Assets	71,868,000	994,380	<u>\$ 1,625,435</u>
Liabilities			
Warrants and accounts payable	-	-	\$ 145,053
Accrued liabilities	-	-	5,630
Other liabilities	<u>-</u>	<u>-</u>	<u>1,474,752</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 1,625,435</u>
Net Position			
Restricted for pension purposes	70,837,274	-	
Restricted for OPEB purposes	1,030,726	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>994,380</u>	
Total Net Position	<u>\$ 71,868,000</u>	<u>\$ 994,380</u>	

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

	<u>Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust Fund</u>
Additions		
Contributions:		
Employers	\$ 5,475,955	\$ -
Plan members	1,401,391	-
Other systems and Commonwealth of Massachusetts	128,480	-
Other	<u>18,600</u>	<u>10,505</u>
Total contributions	7,024,426	10,505
Investment Income (Loss):		
Investment income	24,646	16,793
Increase (decrease) in fair value of investments	10,155,765	(58,538)
Less: management fees	<u>(340,076)</u>	<u>-</u>
Net investment income (loss)	<u>9,840,335</u>	<u>(41,745)</u>
Total additions (loss)	16,864,761	(31,240)
Deductions		
Benefit payments to plan members, beneficiaries, and other systems	6,857,194	-
Member refunds and transfers to other systems	362,221	-
Administrative expenses	113,475	-
Other	<u>-</u>	<u>18,250</u>
Total deductions	<u>7,332,890</u>	<u>18,250</u>
Net increase (decrease)	9,531,871	(49,490)
Net position restricted for pensions and other purposes		
Beginning of year	<u>62,336,129</u>	<u>1,043,870</u>
End of year	\$ <u><u>71,868,000</u></u>	\$ <u><u>994,380</u></u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Fairhaven, 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 government and applicable component units for which the government is considered to be financially accountable.

The Fairhaven Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information for the System can be obtained by contacting the System's retirement administrator, located at Town of Fairhaven, 40 Center Street, Fairhaven, MA 02719.

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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial

statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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 government. 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 fund:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing

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

The Town reports the following major proprietary funds:

- The *Sewer Fund* is used to account for the Town's sewer enterprise fund operations.
- The *Water Fund* is used to account for the Town's water enterprise fund operations.

The self-insured medical and dental claims trust is reported as an *Internal Service Fund* in the accompanying financial statements.

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 *Post-employment Benefits* and *OPEB Trust Funds* are used to accumulate resources for retiree post-employment benefits.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency Fund* accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, money markets, MMDT, 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".

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

Investments are carried at fair value.

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$90,758. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of five 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 - 50
Improvements	20 - 40
Infrastructure	30 - 60
Machinery and equipment	5 - 10

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between 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 balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors,

grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Budgetary Basis

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

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2020.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, grant revenues, and bond proceeds.

3. Deposits and Investments

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. 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.

Town (Excluding the Pension Trust Fund)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Neither the Town nor the Contributory Retirement System (System) has deposit policies for custodial credit risk.

As of June 30, 2020, \$1,947,942 of the Town's bank balance of \$26,027,612 was exposed to custodial credit risk as uninsured and/or uncollateralized.

Investment Summary

The following is a summary of the Town's (excluding Pension Trust Fund) investments as of June 30, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Market-linked certificates of deposits	\$ 2,137
Commodities	33
Corporate bonds	4,389
Corporate equities	3,848
Equity mutual funds	1,318
Federal agency securities	<u>3,625</u>
Total investments	<u>\$ 15,350</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town does not have formal investment policies related to credit risk.

Presented below (in thousands) is the actual rating as of year-end for each investment type of the Town. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>						
		<u>AAA</u>	<u>AA3</u>	<u>A3</u>	<u>A2</u>	<u>A1</u>	<u>BAA1</u>	<u>BAA2</u>
Corporate bonds	\$ 4,389	\$ 503	\$ 448	\$ 195	\$ 787	\$ 1,209	\$ 680	\$ 567
Federal agency securities	<u>3,625</u>	<u>3,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,014</u>	<u>\$ 4,128</u>	<u>\$ 448</u>	<u>\$ 195</u>	<u>\$ 787</u>	<u>\$ 1,209</u>	<u>\$ 680</u>	<u>\$ 567</u>

Custodial Credit Risk

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

As of June 30, 2020, all of the Town's total investments were not subject to custodial credit risk or held in the Town's name.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure. The Town did not have investments in any one issuer that represents 5% or more of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	Investment Maturities (in Years)		
		Less <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Market-linked certificates of deposits	\$ 2,137	\$ 1,057	\$ 1,080	\$ -
Corporate bonds	4,389	1,656	2,733	-
Federal agency securities	<u>3,625</u>	<u>882</u>	<u>2,347</u>	<u>396</u>
Total	<u>\$ 10,151</u>	<u>\$ 3,595</u>	<u>\$ 6,160</u>	<u>\$ 396</u>

Foreign Currency Risk

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

Fair Value

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

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

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Town has the following fair value measurements as of June 30, 2020 (in thousands):

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Commodities	\$ 33	\$ -	\$ 33	\$ -
Corporate bonds	4,389	-	4,389	-
Corporate equities	3,848	3,848	-	-
Equity mutual funds	1,318	1,318	-	-
Federal agency securities	3,625	-	3,625	-
Market-linked certificates of deposit	2,137	-	2,137	-
Total	<u>\$ 15,350</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.

Pension Trust Fund (The System)

The following is a summary of the System's investments as of December 31, 2019:

<u>Investment Type</u>	<u>Amount</u>
External investment pool	\$ 70,340,991

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts general law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, chapter 30B.*

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

All of the System's investments are reported at fair value* and comprise shares in the PRIT fund, which is exempt from credit risk disclosure.

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22 in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

Custodial Credit Risk

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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System's investment policy manages custodial credit risk through diversification and the "prudent person" principles outlined in PERAC guidelines.

The System's investments of \$70,340,991 comprise of pooled investment funds, which are exempt from custodial credit risk.

Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund

All of the System's investments are in the PRIT fund.

Interest Rate Risk

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

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

Foreign Currency Risk

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

Fair Value

The System 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 net asset value (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 fair value hierarchy level classification.

The System has the following fair value measurements as of December 31, 2019:

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the net asset value (NAV):				
State Investment Pool (PRIT)	\$ 70,340,991	\$ -	Monthly	30 Days

4. Property Taxes and Excises Receivable

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

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

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

A statewide property tax limitation known as "Proposition 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 ½% 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.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 21,296	\$ (73,898)	\$ (52,602)	\$ -
Personal property taxes	697,809	(4,328)	693,481	-
Community preservation act	17,136	(997)	16,139	-
Tax liens	928,297	(93,610)	185,808	648,879
Deferred taxes	12,487	(1,249)	5,431	5,807
Total property taxes	<u>\$ 1,677,025</u>	<u>\$ (174,082)</u>	<u>\$ 848,257</u>	<u>\$ 654,686</u>
Motor vehicle excise	\$ 347,047	\$ (127,548)	\$ 219,499	
Boat excise	17,159	(4,895)	12,264	
Total excises	<u>\$ 364,206</u>	<u>\$ (132,443)</u>	<u>\$ 231,763</u>	

5. User Fee Receivables

Receivables for user charges at June 30, 2020 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Sewer	\$ 391,397	\$ (22,018)	\$ 369,379
Water	299,945	(17,828)	282,117
Waterways	<u>15,597</u>	<u>(1,759)</u>	<u>13,838</u>
Total	<u>\$ 706,939</u>	<u>\$ (41,605)</u>	<u>\$ 665,334</u>

6. Departmental and Other Receivables

This balance consists primarily of ambulance charges and stop-loss adjustments due from the Town's health insurance carrier for medical claims in excess of stop-loss limits in the Town's self-insured internal service fund.

7. Special Assessments Receivable

This balance represents Title V and sewer special assessment receivables.

8. Intergovernmental Receivables

This represents reimbursements requested from federal, state, and local agencies for expenditures incurred in fiscal year 2020.

9. Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 1,478,040	\$ 61,960
Nonmajor Funds:		
Special revenue funds:		
Ambulance	-	1,065,000
Waterways	-	320,000
Other	<u>55,249</u>	<u>93,040</u>
Subtotal - Nonmajor Funds	55,249	1,478,040
Business-Type Funds		
Sewer Fund	<u>6,711</u>	<u>-</u>
Subtotal - Business-Type Funds	<u>6,711</u>	<u>-</u>
Total	<u>\$ 1,540,000</u>	<u>\$ 1,540,000</u>

Of the transfers into the general fund, \$1,065,000 was transferred from the ambulance receipts reserve for appropriation fund were for the annual reimbursement of the general fund for EMT-related expenses and \$320,000 was transferred from waterways revolving fund for salaries and capital items. The transfer made from the ambulance receipts reserved for appropriation fund to the general fund was made from a recurring revenue source.

10. Deposits Held by Others

This balance represents the total working deposit held by the Town's self-insured health administrator for ongoing medical and dental claims.

11. Notes Receivable

This balance represents the outstanding balance of home rehabilitation loans funded by Community Development Block Grants.

12. Prepaid Items

This balance represents payments made to collaboratives for fiscal year 2021 tuition.

13. 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:				
Buildings	\$ 67,446	\$ -	\$ -	\$ 67,446
Improvements	15,481	896	-	16,377
Machinery and equipment	8,608	148	-	8,756
Infrastructure	<u>35,919</u>	<u>-</u>	<u>-</u>	<u>35,919</u>
Total capital assets, being depreciated	127,454	1,044	-	128,498
Less accumulated depreciation for:				
Buildings	(25,254)	(1,651)	-	(26,905)
Improvements	(6,518)	(625)	-	(7,143)
Machinery and equipment	(4,377)	(667)	-	(5,044)
Infrastructure	<u>(15,606)</u>	<u>(1,134)</u>	<u>-</u>	<u>(16,740)</u>
Total accumulated depreciation	<u>(51,755)</u>	<u>(4,077)</u>	<u>-</u>	<u>(55,832)</u>
Total capital assets, being depreciated, net	75,699	(3,033)	-	72,666
Capital assets, not being depreciated:				
Land	<u>22,184</u>	<u>-</u>	<u>-</u>	<u>22,184</u>
Total capital assets, not being depreciated	<u>22,184</u>	<u>-</u>	<u>-</u>	<u>22,184</u>
Governmental activities capital assets, net	<u>\$ 97,883</u>	<u>\$ (3,033)</u>	<u>\$ -</u>	<u>\$ 94,850</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and system	\$ 36,528	\$ -	\$ -	\$ 36,528
Improvements other than buildings	23,344	-	-	23,344
Machinery and equipment	<u>3,947</u>	<u>53</u>	<u>-</u>	<u>4,000</u>
Total capital assets, being depreciated	63,819	53	-	63,872
Less accumulated depreciation for:				
Buildings and system	(23,335)	(734)	-	(24,069)
Improvements other than buildings	(11,145)	(456)	-	(11,601)
Machinery and equipment	<u>(3,168)</u>	<u>(113)</u>	<u>-</u>	<u>(3,281)</u>
Total accumulated depreciation	<u>(37,648)</u>	<u>(1,303)</u>	<u>-</u>	<u>(38,951)</u>
Total capital assets, being depreciated, net	26,171	(1,250)	-	24,921
Capital assets, not being depreciated:				
Land	989	-	-	989
Construction in progress	<u>8,085</u>	<u>1,236</u>	<u>-</u>	<u>9,321</u>
Total capital assets, not being depreciated	<u>9,074</u>	<u>1,236</u>	<u>-</u>	<u>10,310</u>
Business-type activities capital assets, net	<u>\$ 35,245</u>	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ 35,231</u>

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

Governmental Activities	
General government	\$ 405
Public safety	426
Education	1,803
Public works	1,316
Culture and recreation	<u>127</u>
Total governmental activities	\$ <u>4,077</u>
Business-Type Activities	
Sewer fund	\$ 1,115
Water fund	<u>188</u>
Total business-type activities	\$ <u>1,303</u>

14. 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.

15. Warrants and Accounts Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020. Accounts payable represent additional 2020 expenses paid after July 15, 2020.

16. Accrued Liabilities

Accrued liabilities consist primarily of year-end payroll and withholdings, self-insured health and dental claims incurred but not yet recorded, and accrued interest on long-term debt.

17. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

18. Notes Payable

The Town had the following notes outstanding at June 30, 2020:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/20
<u>Governmental Activities</u>				
Fiber Optic Connectivity	0.75%	06/26/20	06/26/20	\$ 155,000
High School Gym Dehumidification	0.08%	06/27/19	06/26/20	283,000
Senior Center HVAC	0.75%	06/27/19	06/26/20	200,000
Total				<u>\$ 638,000</u>
<u>Business-Type Activities</u>				
West Island Sewer	1.90%	06/27/19	06/26/20	<u>\$ 700,000</u>

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

	Balance Beginning of Year	Rollover	Balance End of Year
<u>Governmental Activities</u>			
Fiber Optic Connectivity	\$ 155,000	\$ (155,000)	\$ -
High School Gym Dehumidification	283,000	(283,000)	-
Senior Center HVAC	200,000	(200,000)	-
Fiber Optic Connectivity	-	155,000	155,000
High School Gym Dehumidification	-	283,000	283,000
Senior Center HVAC	-	200,000	200,000
Total	<u>\$ 638,000</u>	<u>\$ -</u>	<u>\$ 638,000</u>
<u>Business-Type Activities</u>			
West Island Sewer	\$ 700,000	\$ (700,000)	\$ -
West Island Sewer	-	700,000	700,000
Total	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 700,000</u>

19. Long-Term Debt

Long-Term Debt Supporting Activities

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

been issued for only business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

	Serial Maturities	Interest	Amount Outstanding as of
<u>Governmental Activities</u>	<u>Through</u>	<u>Rate(s) %</u>	<u>6/30/20</u>
General obligation bonds:			
Elementary school	11/01/33	3.0 - 4.0%	\$ 6,330,000
High school - refunding	12/15/24	2.0 - 5.0%	232,000
Elementary and high school - refunding	03/15/27	2.0 - 3.0%	1,320,000
General obligation - ladder truck	06/30/29	3.0 - 5.0%	795,000
Total general obligation bonds			<u>\$ 8,677,000</u>

	Serial Maturities	Interest	Amount Outstanding as of
<u>Business-Type Activities</u>	<u>Through</u>	<u>Rate(s) %</u>	<u>6/30/20</u>
Sewer - UV Disinfection refunding	12/15/24	2.0 - 5.0%	\$ 347,000
Sewer - Sconticut Neck refunding	12/15/24	2.0 - 5.0%	497,892
Sewer - General obligation	06/30/39	3.0 - 5.0%	7,145,000
Water - Boston Hill Water Tank	11/01/22	3.0 - 4.0%	45,000
Subtotal bonds			<u>8,034,892</u>
Sewer - Title V MWPAT	02/01/21	0.0%	6,847
Sewer - USDA Rural Development	02/02/26	4.5%	85,085
Sewer Digester	01/15/33	2.0%	499,551
Water - MCWT Boston Hill Water Tank	07/15/35	2.0%	582,943
Subtotal loans payable (direct borrowings)			<u>1,174,426</u>
Total Business-Type Activities			<u>\$ 9,209,318</u>

Future Debt Service

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

<u>Governmental</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 792,000	\$ 273,412	\$ 1,065,412
2022	787,000	252,320	1,039,320
2023	782,000	228,860	1,010,860
2024	781,000	207,315	988,315
2025	775,000	193,400	968,400
2026	725,000	162,000	887,000
2027	715,000	131,700	846,700
2028	535,000	108,000	643,000
2029	535,000	92,250	627,250
2030	450,000	76,500	526,500
2031 - 2034	1,800,000	138,938	1,938,938
Total	<u>\$ 8,677,000</u>	<u>\$ 1,864,695</u>	<u>\$ 10,541,695</u>

<u>Business-Type</u>	<u>Bonds</u>		<u>Loans Payable (Direct Borrowings)</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 473,000	\$ 271,313	\$ 89,400	\$ 25,756	\$ 859,469
2022	479,892	255,355	84,710	23,714	843,671
2023	473,000	235,640	86,931	21,612	817,183
2024	459,000	221,810	89,216	20,549	790,575
2025	460,000	202,250	91,326	21,886	775,462
2026	330,000	184,325	74,555	14,656	603,536
2027	340,000	174,425	76,176	13,165	603,766
2028	350,000	164,225	77,831	11,641	603,697
2029	360,000	153,725	79,522	10,085	603,332
2030	370,000	142,925	81,251	8,495	602,671
2031 - 2035	2,045,000	534,113	343,508	18,274	2,940,895
2036 - 2039	1,895,000	168,700	-	-	2,063,700
Total	<u>\$ 8,034,892</u>	<u>\$ 2,708,806</u>	<u>\$ 1,174,426</u>	<u>\$ 189,833</u>	<u>\$ 12,107,957</u>

Changes in General Long-Term Liabilities

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

	Beginning			Ending	Less	Equals
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
					<u>Portion</u>	<u>Portion</u>
Governmental Activities						
Bonds payable	\$ 9,474	\$ -	\$ (797)	\$ 8,677	\$ (792)	\$ 7,885
Net pension liability	18,846	-	(2,006)	16,840	-	16,840
Net OPEB liability	37,614	-	(1,117)	36,497	-	36,497
Compensated absences	1,497	139	(2)	1,634	(164)	1,470
Landfill liability	275	-	(25)	250	(25)	225
Totals	<u>\$ 67,706</u>	<u>\$ 139</u>	<u>\$ (3,947)</u>	<u>\$ 63,898</u>	<u>\$ (981)</u>	<u>\$ 62,917</u>
Business-Type Activities						
Bonds payable	\$ 8,508	\$ -	\$ (473)	\$ 8,035	\$ (89)	\$ 7,946
Loans payable (direct borrowings)	1,262	-	(88)	1,174	(473)	701
Subtotal	9,770	-	(561)	9,209	(562)	8,647
Net pension liability	2,611	-	(431)	2,180	-	2,180
Net OPEB liability	1,526	-	(50)	1,476	-	1,476
Compensated absences	247	41	-	288	(29)	259
Totals	<u>\$ 14,154</u>	<u>\$ 41</u>	<u>\$ (1,042)</u>	<u>\$ 13,153</u>	<u>\$ (591)</u>	<u>\$ 12,562</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

General obligation bonds and direct borrowings issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

20. Landfill Post-Closure 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 \$250,000 reported as landfill postclosure care liability at June 30, 2020 represents the estimated future monitoring costs of the Town's former landfill, which was closed and capped in 1999. These costs will be captured annually as part of the Town's budget. Actual cost may be higher than estimated due to inflation, changes in technology, or changes in regulations.

21. 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.

22. 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 at June 30, 2020:

Nonspendable

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

Restricted

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

Committed

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

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose as established by management. 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, fund balance voted to be used for the subsequent year's budget, and funds reserved by Town management for future debt service payments.

Unassigned

Represents amounts that are available to be spent in future periods.

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 2,546,488	\$ 2,546,488
Prepaid expenditures	<u>886,580</u>	<u>-</u>	<u>886,580</u>
Total Nonspendable	886,580	2,546,488	3,433,068
Restricted			
Bonded projects	-	461	461
Special revenue funds:			
Community preservation act	-	1,377,688	1,377,688
School lunch	-	260,175	260,175
Chapter 90 highway	-	154,846	154,846
Social day	-	109,353	109,353
Ambulance	-	1,544,556	1,544,556
Stormwater maintenance fees	-	92,906	92,906
Trash fees	-	94,001	94,001
Circuit breaker	-	398,149	398,149
PEG access - Town	-	803,090	803,090
PEG access - School	-	413,775	413,775
School rental property	-	106,182	106,182
Preschool tuition	-	115,150	115,150
Waterway	-	145,218	145,218
Police law enforcement	-	110,245	110,245
Other	-	815,476	815,476
Expendable permanent funds	<u>-</u>	<u>470,109</u>	<u>470,109</u>
Total Restricted	-	7,011,380	7,011,380
Committed			
Carryover articles:			
General government	430,080	-	430,080
Public safety	625,494	-	625,494
Public works	546,341	-	546,341
Culture and recreation	53,323	-	53,323
Ambulance stabilization	175,094	-	175,094
Capital stabilization	5,743,342	-	5,743,342
Special education reserve stabilization	<u>430,209</u>	<u>-</u>	<u>430,209</u>
Total Committed	8,003,883	-	8,003,883

(continued)

(continued)

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assigned			
Encumbrances:			
General government	104,508	-	104,508
Public safety	47,272	-	47,272
Education	282,365	-	282,365
Public works	249,187	-	249,187
Health and human services	20,015	-	20,015
Culture and recreation	3,955	-	3,955
Employee benefits	79,408	-	79,408
Reserve for expenditure:			
Operations	7,290	-	7,290
Reduce tax levy	428,273	-	428,273
Capital	1,994,700	-	1,994,700
Future debt service	<u>85,985</u>	<u>-</u>	<u>85,985</u>
Total Assigned	3,302,958	-	3,302,958
Unassigned			
General fund	4,725,938	-	4,725,938
General stabilization funds	3,139,681	-	3,139,681
Capital project fund deficits	-	(595,301)	(595,301)
Special revenue fund deficits	<u>-</u>	<u>(254,456)</u>	<u>(254,456)</u>
Total Unassigned	<u>7,865,619</u>	<u>(849,757)</u>	<u>7,015,862</u>
Total Fund Balance	<u>\$ 20,059,040</u>	<u>\$ 8,708,111</u>	<u>\$ 28,767,151</u>

23. 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 Fairhaven Contributory 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 40 Centre Street, Fairhaven, Massachusetts 02719.

Participant Contributions

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

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

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

Participant Retirement Benefits

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

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

There are 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 \$3,227,999, which was equal to its 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 \$19,020,000 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, 2019, the Town’s proportion was 96.41%.

For the year ended June 30, 2020, the Town recognized total pension expense of \$3,696,000. 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	\$ 1,837,000	\$ (739,000)
Changes of assumptions	2,936,000	-
Net difference between projected and actual earnings on pension plan investments	-	(2,573,000)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>247,000</u>	<u>(319,000)</u>
Total	<u>\$ 5,020,000</u>	<u>\$ (3,631,000)</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	\$ 590,000
2022	210,000
2023	832,000
2024	(340,000)
2025	<u>97,000</u>
Total	<u>\$ 1,389,000</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:

Valuation date	January 1, 2020
Actuarial cost methods	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.15%
Projected salary increases	4.25% for Group 1 and 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$14,000

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).
- Post-Retirement Mortality: RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).
- Disabled Mortality: RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2018 (gender distinct).

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 and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	13.00%	7.62%
Int'l Equities	13.00%	7.80%
Emerging Int'l Equities	5.00%	7.31%
Hedged Equity	8.00%	6.89%
Core Bonds	6.00%	4.37%
Short-Term Fixed Income	2.00%	4.01%
20+ Yr. Treasury STRIPS	3.00%	3.50%
TIPS	4.00%	4.00%
Value-Added Fixed Income	8.00%	7.58%
Private Equity	13.00%	11.15%
Real Estate	10.00%	6.43%
Timberland	4.00%	7.00%
Portfolio Completions (PCS)	<u>11.00%</u>	6.76%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions at the current contribution rate and that employer contributions will be

made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.15%, 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 Discount Rate	
1% Decrease <u>6.15%</u>	1% Increase <u>(8.15%)</u>	
\$27,840,316	\$19,020,000	\$10,296,588

Pension Plan Fiduciary Net Position

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

24. 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 distinct).
 - Disability – assumed to be in accordance with RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

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% Decrease to <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase to <u>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 approximately \$46,594,344 based on a proportionate share of 0.184795%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$2,667,909 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$2,982,464 as both a revenue and expense in the governmental activities.

25. 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 Government established an OPEB Trust Fund to provide funding for future employee health care costs.

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 Blue Cross/Blue Shield of Massachusetts. 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 authorizations.

Plan Membership

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	366
Active employees	<u>409</u>
Total	<u><u>775</u></u>

Investments

The OPEB trust fund investments consist of certificates of deposit, federal agency securities, corporate bonds, corporate equities, and mutual funds.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, 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	6.73%, net of OPEB plan investment expense
Municipal bond rate	2.66%
Discount rate	6.75% (previously 6.25%)
Healthcare cost trend rates	4.50% for 2020
Retirees' share of benefit-related costs	40% of medical premiums, 50% of dental premiums, and 45% of life insurance premiums
Funding Assumption	OPEB trust funding assumption to contribute \$300,000 - \$800,000 for the next 11 years and then contribute an additional \$3.5M annually (increasing by \$50,000 annually) once pension is fully funded.
Participation rate	80% of employees eligible to receive retirement benefits for both medical and life insurance

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2014 Mortality Table for Blue Collar employees projected generationally with scale MP-2016 for males and females
- Post-Retirement Mortality: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
- Disabled Mortality: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of January 1, 2015.

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	17.25%	4.80%
Domestic Equity - Small/Mid Cap	18.25%	5.29%
International Equity - Developed Market	12.25%	5.45%
International Equity - Emerging Market	3.75%	6.42%
Domestic Fixed Income	25.50%	2.05%
International Fixed Income	6.50%	3.00%
Alternatives	16.25%	6.50%
Real estate	0.00%	6.25%
Cash & Cash Equivalents	0.25%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 6.75%. 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	\$ 39,003,896
Plan fiduciary net position	<u>1,030,726</u>
Net OPEB liability	<u>\$ 37,973,170</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.64%

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)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 39,890,690	\$ 751,440	\$ 39,139,250
Changes for the year:			
Service cost	732,744	-	732,744
Interest	2,481,174	-	2,481,174
Contributions - employer	-	2,127,756	(2,127,756)
Net investment income	-	29,286	(29,286)
Changes in assumptions or other inputs	(2,222,956)	-	(2,222,956)
Benefit payments	<u>(1,877,756)</u>	<u>(1,877,756)</u>	<u>-</u>
Net Changes	<u>(886,794)</u>	<u>279,286</u>	<u>(1,166,080)</u>
Balances, end of year	<u>\$ 39,003,896</u>	<u>\$ 1,030,726</u>	<u>\$ 37,973,170</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 6.25% in 2019 to 6.75% in 2020.

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% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$ 42,802,390	\$ 37,973,170	\$ 33,397,329

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 were 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% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 33,812,325	\$ 37,973,170	\$ 43,037,591

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 \$564,906. 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	\$ -	\$ (76,501)
Change in assumptions	4,142,069	(10,540,071)
Net difference between projected and actual OPEB investment earnings	<u>30,653</u>	<u>-</u>
Total	<u>\$ 4,172,722</u>	<u>\$ (10,616,572)</u>

Other 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>	
2020	\$ (2,590,165)
2021	(2,590,165)
2022	(1,250,962)
2023	193,198
2024	<u>(205,756)</u>
Total	<u>\$ (6,443,850)</u>

26. Consolidation of Pension and OPEB Trust Funds

The Fairhaven Contributory Retirement System and the OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2019)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 386,135	\$ 4,985	\$ 391,120
Investments:			
Certificates of deposits	-	142,836	142,836
Commodities	-	2,218	2,218
Federal agency securities	-	242,204	242,204
Corporate bonds	-	293,301	293,301
Corporate equities	-	257,135	257,135
Mutual funds	-	88,047	88,047
External investment pool	<u>70,340,991</u>	<u>-</u>	<u>70,340,991</u>
Total investments	70,340,991	1,025,741	71,366,732
Accounts receivable	<u>110,148</u>	<u>-</u>	<u>110,148</u>
Total Assets	<u>\$ 70,837,274</u>	<u>\$ 1,030,726</u>	<u>\$ 71,868,000</u>
Net Position			
Restricted for pension purposes	\$ 70,837,274	\$ -	\$ 70,837,274
Restricted for OPEB purposes	<u>-</u>	<u>1,030,726</u>	<u>1,030,726</u>
Total Net Position	<u>\$ 70,837,274</u>	<u>\$ 1,030,726</u>	<u>\$ 71,868,000</u>

	Pension Trust Fund (year ended December 31, 2019)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 3,348,199	\$ 2,127,756	\$ 5,475,955
Plan members	1,401,391	-	1,401,391
Other systems and Commonwealth of Massachusetts	128,480	-	128,480
Other	18,600	-	18,600
Total contributions	4,896,670	2,127,756	7,024,426
Investment Income (Loss):			
Investment income	-	24,646	24,646
Increase (decrease) in fair value of investments	10,151,125	4,640	10,155,765
Less: management fees	(340,076)	-	(340,076)
Net investment income (loss)	9,811,049	29,286	9,840,335
Total additions	14,707,719	2,157,042	16,864,761
Deductions			
Benefit payments to plan members, beneficiaries, and other systems	4,979,438	1,877,756	6,857,194
Member refunds and transfers to other systems	362,221	-	362,221
Administrative expenses	113,475	-	113,475
Total deductions	5,455,134	1,877,756	7,332,890
Net increase (decrease)	9,252,585	279,286	9,531,871
Net position restricted for pensions and OPEB purposes:			
Beginning of year	61,584,689	751,440	62,336,129
End of year	\$ 70,837,274	\$ 1,030,726	\$ 71,868,000

27. Self-Insurance

The Town self-insures against claims for employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$110,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2020 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 383,724
Claims incurred/recognized in fiscal year 2020	6,431,997
Claims paid in fiscal year 2020	<u>(6,515,007)</u>
Claims liability, end of year	<u>\$ 300,714</u>

28. Subsequent Events

Management has evaluated subsequent events through March 25, 2021 which is the date of the financial statements were available to be issued.

29. 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.

Commitments

The Town built a sewer treatment plant several years ago that met the environmental pollutant discharge regulations at the time, however, pollutant discharge regulations have

since changed. When the Town applied for a license renewal, the Environmental Protection Agency (EPA) and the Department of Environmental Protection (DEP) agreed to renew the license if improvements were made to reduce the amount of nitrogen discharged. The Town, EPA, and DEP have agreed upon a plan to reduce the amount nitrogen discharged from the Plant. The plan will involve planning, design and capital improvements that commenced in FY2019 and will be completed by 2026 at an estimated total cost of \$25 million to be funded by future debt borrowings.

Encumbrances

At year-end, the Town's general fund has \$786,710 in encumbrances that will be honored in the next fiscal year.

30. Leases

The Town is the lessor in an agreement with Southeastern Massachusetts Educational Collaborative to lease the Tripp School building. The lease agreement is for a term of five years beginning November 1, 2016 and terminating on October 31, 2021. Following is the future minimum rental income to be received by the Town under the terms of this lease for the year ending June 30:

<u>Fiscal Year</u>	
2021	\$ 38,712
2022	<u>12,989</u>
Total	<u>\$ 51,701</u>

31. 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 FAIRHAVEN, MASSACHUSETTS

Required Supplementary 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>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues				
Property taxes	\$ 29,049,840	\$ 29,049,840	\$ 29,187,048	\$ 137,208
Excises	2,030,000	2,030,000	2,112,410	82,410
Penalties, interest and other taxes	350,000	350,000	282,043	(67,957)
Charges for services	4,300,000	4,300,000	4,519,425	219,425
Licenses and permits	410,000	410,000	442,790	32,790
Intergovernmental	12,083,958	12,083,958	12,089,132	5,174
Fines and forfeitures	5,000	5,000	1,850	(3,150)
Investment income	210,000	210,000	279,241	69,241
Miscellaneous	181,258	181,258	351,829	170,571
Total Revenues	48,620,056	48,620,056	49,265,768	645,712
Expenditures				
General government	6,415,558	6,415,558	6,099,211	316,347
Public safety	9,239,714	9,239,714	9,024,294	215,420
Education	23,608,422	23,608,422	23,563,382	45,040
Public works	4,732,178	4,732,178	4,588,638	143,540
Human services	1,319,589	1,319,589	1,149,814	169,775
Culture and recreation	1,291,041	1,291,041	1,196,507	94,534
Employee benefits	8,993,706	8,993,706	8,813,016	180,690
Debt service	1,257,327	1,257,327	1,126,351	130,976
Intergovernmental	501,922	501,922	617,370	(115,448)
Total Expenditures	57,359,457	57,359,457	56,178,583	1,180,874
Excess (deficiency) of revenues over expenditures	(8,739,401)	(8,739,401)	(6,912,815)	1,826,586
Other Financing Sources (Uses)				
Transfers in	2,597,503	2,597,503	2,619,696	22,193
Use of free cash	4,160,107	4,160,107	4,160,107	-
Use of prior year assigned fund balance (carryforwards)	1,832,791	1,832,791	1,832,791	-
Use of overlay surplus	149,000	149,000	149,000	-
Total Other Financing Sources (Uses)	8,739,401	8,739,401	8,761,594	22,193
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,848,779	\$ 1,848,779

See Independent Auditors' Report.

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

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>	<u>Total</u>
Revenues/expenditures/other financing sources/uses (GAAP Basis)	\$ 51,431,506	\$ 51,652,188	\$ 1,416,080	\$ 1,195,398
Record use of prior year assigned fund balance			1,832,791	1,832,791
Add end-of-year appropriation carryforwards from expenditures		2,441,948		(2,441,948)
Record use of free cash			4,160,107	4,160,107
Record use of overlay surplus			149,000	149,000
Reverse MTRS on behalf payment	(2,667,909)	(2,667,909)		-
Reclassification of indirect costs	20,366	1,141,008	1,120,642	-
Reclassification of sewer bond payments		6,711	6,711	-
Reclassification of budgeted transfers to stabilization funds	-	2,008,400	2,008,400	-
Reclassification of wind turbine expenditures	709,657	709,657		-
Reverse effect of combining stabilization funds with general fund per GASB 54	(178,852)		(2,008,400)	(2,187,252)
Reclassification of transfers	(49,000)		49,000	-
Reclassification of prepaid tuition	-	886,580	-	(886,580)
Other	-	-	27,263	27,263
Budgetary Basis	<u>\$ 49,265,768</u>	<u>\$ 56,178,583</u>	<u>\$ 8,761,594</u>	<u>\$ 1,848,779</u>

See Independent Auditors' Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

Fairhaven Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	December 31, 2019	96.41%	\$19,020,000	\$ 12,565,115 151.37%	78.20%
June 30, 2019	December 31, 2018	96.49%	\$21,457,000	\$ 11,357,838 188.92%	73.50%
June 30, 2018	December 31, 2017	96.96%	\$16,953,000	\$ 11,413,162 148.54%	78.40%
June 30, 2017	December 31, 2016	96.71%	\$21,500,000	\$ 10,759,955 199.81%	71.00%
June 30, 2016	December 31, 2015	96.56%	\$18,463,000	\$ 10,200,598 181.00%	72.70%
June 30, 2015	December 31, 2014	96.46%	\$16,607,000	\$ 10,190,034 162.97%	75.49%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	June 30, 2019	0.184795%	-	\$ 46,594,344	\$46,594,344	-	53.95%
June 30, 2019	June 30, 2018	0.182095%	-	\$ 43,176,990	\$43,176,990	-	54.84%
June 30, 2018	June 30, 2017	0.179119%	-	\$ 40,992,054	\$40,992,054	-	54.25%
June 30, 2017	June 30, 2016	0.176155%	-	\$ 39,384,609	\$39,384,609	-	52.73%
June 30, 2016	June 30, 2015	0.180847%	-	\$ 37,054,975	\$37,054,975	-	55.38%
June 30, 2015	June 30, 2014	0.184015%	-	\$ 29,251,667	\$29,251,667	-	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 FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information Schedule of Pension Contributions (Unaudited)

Fairhaven Contributory Retirement System									
Fiscal Year	Measurement Date	Contributions in Relation to the			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll		
		Actuarially Determined Contribution	Actuarially Determined Contribution	Actuarially Determined Contribution					
June 30, 2020	December 31, 2019	\$ 3,227,999	\$ 3,227,999	\$ 3,227,999	\$ -	\$ 12,184,816	26.49%		
June 30, 2019	December 31, 2018	\$ 3,079,385	\$ 3,079,385	\$ 3,079,385	\$ -	\$ 11,526,006	26.72%		
June 30, 2018	December 31, 2017	\$ 2,946,801	\$ 2,946,801	\$ 2,946,801	\$ -	\$ 10,590,589	27.82%		
June 30, 2017	December 31, 2016	\$ 2,799,586	\$ 2,799,586	\$ 2,859,586	\$ (60,000)	\$ 10,059,131	28.43%		
June 30, 2016	December 31, 2015	\$ 2,662,396	\$ 2,662,396	\$ 2,679,322	\$ (16,926)	\$ 9,247,527	28.97%		
June 30, 2015	December 31, 2014	\$ 2,533,204	\$ 2,533,204	\$ 2,533,204	\$ -	\$ 9,518,418	26.61%		

Massachusetts Teachers' Retirement System									
Fiscal Year	Measurement Date	Contributions in Relation to the			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll		
		Actuarially Determined Contribution	Actuarially Determined Contribution	Actuarially Determined Contribution					
June 30, 2020	June 30, 2019	\$ 2,667,909	\$ 2,667,909	\$ 2,667,909	\$ -	\$ 13,872,578	19.23%		
June 30, 2019	June 30, 2018	\$ 2,394,150	\$ 2,394,150	\$ 2,394,150	\$ -	\$ 13,475,265	17.77%		
June 30, 2018	June 30, 2017	\$ 2,213,041	\$ 2,213,041	\$ 2,213,041	\$ -	\$ 12,808,086	17.28%		
June 30, 2017	June 30, 2016	\$ 1,981,009	\$ 1,981,009	\$ 1,981,009	\$ -	\$ 12,197,384	16.24%		
June 30, 2016	June 30, 2015	\$ 1,848,133	\$ 1,848,133	\$ 1,848,133	\$ -	\$ 11,619,221	15.91%		
June 30, 2015	June 30, 2014	\$ 1,724,918	\$ 1,724,918	\$ 1,724,918	\$ -	\$ 11,486,110	15.02%		

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

See Independent Auditors' Report.

TOWN OF FAIRHAVEN, 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	\$ 732,744	\$ 780,352	\$ 724,378	\$ 1,596,309
Interest	2,481,174	2,250,986	3,380,596	1,763,894
Differences between expected and actual experience	-	(120,091)	-	-
Changes of assumptions	(2,222,956)	6,502,221	(18,782,732)	-
Benefit payments, including refunds of member contributions	<u>(1,877,756)</u>	<u>(1,768,831)</u>	<u>(1,270,582)</u>	<u>(1,202,254)</u>
Net change in total OPEB liability	(886,794)	7,644,637	(15,948,340)	2,157,949
Total OPEB liability - beginning	<u>39,890,690</u>	<u>32,246,053</u>	<u>48,194,393</u>	<u>46,036,444</u>
Total OPEB liability - ending (a)	39,003,896	39,890,690	32,246,053	48,194,393
Plan Fiduciary Net Position				
Contributions - employer	2,127,756	1,968,831	1,420,582	1,302,254
Net investment income	29,286	37,589	16,779	24,778
Benefit payments, including refunds of member contributions	<u>(1,877,756)</u>	<u>(1,768,831)</u>	<u>(1,270,582)</u>	<u>(1,202,254)</u>
Net change in plan fiduciary net position	279,286	237,589	166,779	124,778
Plan fiduciary net position - beginning	<u>751,440</u>	<u>513,851</u>	<u>347,072</u>	<u>222,294</u>
Plan fiduciary net position - ending (b)	<u>1,030,726</u>	<u>751,440</u>	<u>513,851</u>	<u>347,072</u>
Net OPEB liability - ending (a-b)	\$ <u><u>37,973,170</u></u>	\$ <u><u>39,139,250</u></u>	\$ <u><u>31,732,202</u></u>	\$ <u><u>47,847,321</u></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 FAIRHAVEN, 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	\$ 39,003,896	\$ 39,890,690	\$ 32,246,053	\$ 48,194,393
Plan fiduciary net position	<u>1,030,726</u>	<u>751,440</u>	<u>513,851</u>	<u>347,072</u>
Net OPEB liability	<u>\$ 37,973,170</u>	<u>\$ 39,139,250</u>	<u>\$ 31,732,202</u>	<u>\$ 47,847,321</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.64%	1.88%	1.59%	0.72%
Covered employee payroll	\$ 28,110,619	\$ 27,291,862	\$ 27,807,179	\$ 26,997,261
Net OPEB liability as a percentage of covered employee payroll	135.08%	143.41%	114.12%	177.23%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 3,527,717	\$ 3,528,492	\$ 4,327,970	\$ 4,143,844
Contributions in relation to the actuarially determined contribution	<u>2,127,756</u>	<u>1,968,831</u>	<u>1,420,582</u>	<u>1,302,254</u>
Contribution deficiency (excess)	<u>\$ 1,399,961</u>	<u>\$ 1,559,661</u>	<u>\$ 2,907,388</u>	<u>\$ 2,841,590</u>
Covered employee payroll	\$ 28,110,619	\$ 27,291,862	\$ 27,807,179	\$ 26,997,261
Contributions as a percentage of covered employee payroll	7.57%	7.21%	5.11%	4.82%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	3.19%	5.82%	3.98%	9.14%

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