



TOWN OF DOVER, 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 Dover, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, and 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.



Andover, Massachusetts

July 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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.

Notes to Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain 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 \$45,668,758, a change of \$2,680,931.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$22,974,050, a change of \$3,239,221 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$14,175,148, a change of \$2,195,443 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	
	2020	2019
Current and other assets	\$ 25,691	\$ 21,652
Capital assets	<u>40,681</u>	<u>41,951</u>
Total assets	66,372	63,603
Deferred outflows of resources	3,152	4,022
Other liabilities	1,636	1,164
Long-term liabilities	<u>20,766</u>	<u>23,108</u>
Total liabilities	22,402	24,272
Deferred inflows of resources	1,453	387
Net investment in capital assets	35,811	36,085
Restricted	4,067	3,556
Unrestricted	<u>5,791</u>	<u>3,325</u>
Total net position	<u>\$ 45,669</u>	<u>\$ 42,966</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 \$45,668,758, a change of \$2,680,931 in comparison to the prior year.

The largest portion of net position \$35,811,118 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 \$4,066,484 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$5,791,156 may be used to meet the government's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION (in thousands)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,718	\$ 1,981
Operating grants and contributions	5,315	4,198
General revenues:		
Property taxes	34,673	34,301
Excises	1,579	1,446
Penalties, interest and other taxes	77	87
Grants and contributions not restricted		
to specific programs	270	252
Investment income	444	357
Other	<u>164</u>	<u>55</u>
Total revenues	44,240	42,677
Expenses:		
General government	3,276	2,987
Public safety	4,676	4,681
Education	28,001	27,482
Public works	2,963	2,797
Health and human services	440	490
Culture and recreation	1,693	1,790
Interest on long-term debt	186	279
Intergovernmental	<u>327</u>	<u>304</u>
Total expenses	<u>41,562</u>	<u>40,810</u>
Change in net assets before permanent fund contributions		
	2,678	1,867
Permanent fund contributions	<u>3</u>	<u>32</u>
Change in net position	2,681	1,899
Net position - beginning of year, as reclassified	<u>42,988</u>	<u>41,067</u>
Net position - end of year	<u>\$ 45,669</u>	<u>\$ 42,966</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$2,680,931. Key elements of this change are as follows:

General fund operations	\$ 2,781,958
Nonmajor funds change in fund balance	457,263
Depreciation expense in excess of principal debt service	(629,932)
Change in net pension liability including related deferred outflows and inflows of resources	(198,190)
Change in net OPEB liability including related deferred outflows and inflows of resources	(421,995)
Capital asset additions	514,063
Other	<u>177,764</u>
Total	<u>\$ 2,680,931</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 \$14,175,148, while total fund balance was \$18,188,087. 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*</u>
Unassigned fund balance	\$ 14,175,148	\$ 11,979,705	\$ 2,195,443	40.0%
Total fund balance	\$ 18,188,087	\$ 15,406,129	\$ 2,781,958	51.4%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$896,018.

The total fund balance of the general fund changed by \$2,781,958 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 615,112
Expenditures less than budget	3,367,334
Use of free cash and overlay surplus as a funding source	(3,337,872)
Change in encumbrances and carryforwards	450,858
Change in stabilization fund balance	1,706,206
Other	<u>(19,680)</u>
Total	\$ <u>2,781,958</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization (unassigned)	\$ 949,013	\$ 924,365	\$ 24,648
Regional school OPEB stabilization (committed)	<u>1,681,558</u>	<u>-</u>	<u>1,681,558</u>
Total	<u>\$ 2,630,571</u>	<u>\$ 924,365</u>	<u>\$ 1,706,206</u>

Non-Major Governmental Funds

The non-major fund balance changed by \$457,263 primarily from unspent state and federal grants received in fiscal year 2020.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$4,288. This increase in appropriations for unanticipated expenses including unpaid bills of prior years funded by free cash.

Capital Asset and Debt Administration

Capital assets

Total investment in capital assets at year-end amounted to \$40,681,118 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, and infrastructure.

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

- \$262,790 for a new ambulance.
- \$180,000 for a new 6-wheel dump truck.
- Depreciation expense of \$(1,635,331).

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

Credit Rating

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

Long-Term Debt

At the end of the current fiscal year, total bonds and loans payable outstanding was \$4,880,200, all of which was backed by the full faith and credit of the Town.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Dover'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:

Office of Town Accountant
Town of Dover, Massachusetts
5 Springdale Avenue
Dover, Massachusetts 02030

TOWN OF DOVER, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 14,809,615
Investments	9,687,483
Receivables, net of allowance for uncollectibles:	
Property taxes	446,678
Excises	125,714
User fees	<u>53,197</u>
Total Current Assets	25,122,687
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	276,570
Betterments	5,000
Other assets	286,703
Capital assets:	
Land and construction in progress	15,852,336
Other capital assets, net of accumulated depreciation	<u>24,828,782</u>
Total Noncurrent Assets	<u>41,249,391</u>
Total Assets	66,372,078
Deferred Outflows for Resources	
Related to pensions	1,178,785
Related to OPEB	<u>1,972,820</u>
Total Deferred Outflows of Resources	3,151,605

(continued)

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

TOWN OF DOVER, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(continued)

	<u>Governmental Activities</u>
Liabilities	
Current:	
Warrants payable	935,235
Accrued liabilities	646,778
Tax refunds payable	42,700
Other liabilities	11,257
Current portion of long-term liabilities:	
Bonds and loans payable	995,200
Compensated absences	<u>8,213</u>
Total Current Liabilities	2,639,383
Noncurrent:	
Bonds and loans payable, net of current portion	3,885,000
Net pension liability	11,138,715
Net OPEB liability	4,686,563
Compensated absences	<u>52,425</u>
Total Noncurrent Liabilities	<u>19,762,703</u>
Total Liabilities	22,402,086
Deferred Inflows of Resources	
Related to pensions	411,604
Related to OPEB	<u>1,041,235</u>
Total Deferred Inflows of Resources	<u>1,452,839</u>
Net Position	
Net investment in capital assets	35,811,118
Restricted for:	
Grants and other statutory restrictions	2,907,341
Permanent funds:	
Nonexpendable	897,062
Expendable	262,081
Unrestricted	<u>5,791,156</u>
Total Net Position	<u>\$ 45,668,758</u>

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

TOWN OF DOVER, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

	<u>Expenses</u>	Program Revenues			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
General government	\$ 3,276,089	\$ 444,408	\$ 96,541	\$ -	\$ (2,735,140)
Public safety	4,676,265	657,088	236,128	-	(3,783,049)
Education	28,001,365	170,000	4,903,699	-	(22,927,666)
Public works	2,963,195	69,274	28,114	-	(2,865,807)
Health and human services	439,540	105,778	31,616	-	(302,146)
Culture and recreation	1,692,979	270,995	18,996	-	(1,402,988)
Interest on long-term debt	186,033	-	-	-	(186,033)
Intergovernmental	326,725	-	-	-	(326,725)
Total Governmental Activities	<u>\$ 41,562,191</u>	<u>\$ 1,717,543</u>	<u>\$ 5,315,094</u>	<u>\$ -</u>	<u>(34,529,554)</u>
General Revenues and Permanent Fund Contributions					
Property taxes					34,672,960
Excises					1,578,751
Penalties, interest and other taxes					76,691
Grants and contributions not restricted to specific programs					270,383
Investment income					444,380
Miscellaneous					164,320
Permanent fund contributions					<u>3,000</u>
Total general revenues and permanent fund contributions					<u>37,210,485</u>
Change in Net Position					2,680,931
Net Position					
Beginning of year, as reclassified					<u>42,987,827</u>
End of year					<u>\$ 45,668,758</u>

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

TOWN OF DOVER, MASSACHUSETTS

Governmental Funds

Balance Sheet

June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 11,154,396	\$ 3,655,219	\$ 14,809,615
Investments	8,556,739	1,130,744	9,687,483
Receivables:			
Property taxes	924,184	-	924,184
Excises	210,740	-	210,740
User fees	<u>36,745</u>	<u>29,409</u>	<u>66,154</u>
Total Assets	<u><u>\$ 20,882,804</u></u>	<u><u>\$ 4,815,372</u></u>	<u><u>\$ 25,698,176</u></u>
Liabilities			
Warrants payable	\$ 935,235	\$ -	\$ 935,235
Accrued liabilities	588,651	-	588,651
Tax refunds payable	42,700	-	42,700
Other liabilities	<u>11,256</u>	<u>-</u>	<u>11,256</u>
Total Liabilities	<u>1,577,842</u>	<u>-</u>	<u>1,577,842</u>
Deferred Inflows of Resources			
Unavailable revenues	1,116,875	29,409	1,146,284
Fund Balances			
Nonspendable	-	897,062	897,062
Restricted	-	3,450,828	3,450,828
Committed	2,118,488	920,835	3,039,323
Assigned	1,894,451	-	1,894,451
Unassigned	<u>14,175,148</u>	<u>(482,762)</u>	<u>13,692,386</u>
Total Fund Balances	<u><u>18,188,087</u></u>	<u><u>4,785,963</u></u>	<u><u>22,974,050</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 20,882,804</u></u>	<u><u>\$ 4,815,372</u></u>	<u><u>\$ 25,698,176</u></u>

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

TOWN OF DOVER, 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	\$ 22,974,050
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	40,681,118
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	852,365
Long-term liabilities, including bonds and loans payable, net pension liability, net OPEB liability, and accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(20,766,116)
Deferred outflows and (inflows) of resources related to Pensions to be recognized in pension expense in future periods	767,181
Deferred outflows and (inflows) of resources related to OPEB to be recognized in OPEB expense in future periods	931,585
Other	<u>228,575</u>
Net position of governmental activities	<u>\$ 45,668,758</u>

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

TOWN OF DOVER, MASSACHUSETTS

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 34,339,198	\$ -	\$ 34,339,198
Excises	1,542,924	-	1,542,924
Penalties, interest and other taxes	77,215	-	77,215
Charges for services	560,277	824,175	1,384,452
Licenses, permits and fees	313,315	-	313,315
Intergovernmental	2,623,618	1,987,108	4,610,726
Fines and forfeitures	8,524	-	8,524
Investment income	366,627	77,754	444,381
Miscellaneous	<u>49,332</u>	<u>174,183</u>	<u>223,515</u>
Total Revenues	39,881,030	3,063,220	42,944,250
Expenditures			
Current			
General government	1,947,562	198,356	2,145,918
Public safety	3,045,224	751,952	3,797,176
Education	22,857,164	1,498,992	24,356,156
Public works	2,056,596	471,026	2,527,622
Health and human services	252,806	134,420	387,226
Culture and recreation	1,003,515	334,480	1,337,995
Employee benefits	3,607,900	18,095	3,625,995
Debt service:			
Principal	1,005,400	-	1,005,400
Interest	194,816	-	194,816
Intergovernmental	<u>326,725</u>	<u>-</u>	<u>326,725</u>
Total Expenditures	<u>36,297,708</u>	<u>3,407,321</u>	<u>39,705,029</u>
Excess (deficiency) of revenues over expenditures	3,583,322	(344,101)	3,239,221
Other Financing Sources (Uses)			
Transfers in	-	801,364	801,364
Transfers out	<u>(801,364)</u>	<u>-</u>	<u>(801,364)</u>
Total Other Financing Sources (Uses)	<u>(801,364)</u>	<u>801,364</u>	<u>-</u>
Change in fund balance	2,781,958	457,263	3,239,221
Fund Balance, at Beginning of Year, as Reclassified	<u>15,406,129</u>	<u>4,328,700</u>	<u>19,734,829</u>
Fund Balance, at End of Year	<u>\$ 18,188,087</u>	<u>\$ 4,785,963</u>	<u>\$ 22,974,050</u>

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

TOWN OF DOVER, 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 \$ 3,239,221

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:

Capital outlay	514,063
Loss on disposal of assets	(148,011)
Depreciation	(1,635,331)

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:

Repayments of debt **1,005,400**

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 unavailable revenue.

424.931

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:

Change in pension expense from GASB 68	(198,190)
Change in OPEB expense from GASB 75	(421,995)
Other	8,782
Net differences	(107,939)

Change in net position of governmental activities

\$ 2,680,931

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

TOWN OF DOVER, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Other Post Employment Benefits Trust <u>Fund</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ 72,002	\$ 224,722
Investments:		
Corporate bonds	1,266,275	-
Corporate equities	1,673,602	-
Mutual Funds	<u>2,725,136</u>	-
Total Investments	<u>5,665,013</u>	-
Total Assets	5,737,015	<u>\$ 224,722</u>
Liabilities		
Employee withholdings	-	\$ 107,825
Deposits held in escrow	-	66,101
Other	<u>-</u>	<u>50,796</u>
Total Liabilities	<u>-</u>	<u>\$ 224,722</u>
Net Position		
Restricted for:		
OPEB purposes	<u>5,737,015</u>	
Total net position	<u>\$ 5,737,015</u>	

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

TOWN OF DOVER, MASSACHUSETTS

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

	<u>Other Post Employment Benefits Trust Fund</u>
Additions	
Contributions:	
Employers	<u>\$ 522,576</u>
Total contributions	<u>522,576</u>
Investment Income:	
Interest	<u>146,806</u>
Net investment income	<u>146,806</u>
Total additions	<u>669,382</u>
Deductions	
Benefit payments to plan members, beneficiaries and other systems	<u>383,292</u>
Total deductions	<u>383,292</u>
Net increase	<u>286,090</u>
Net Position	
Beginning of year	<u>5,450,925</u>
End of year	<u>\$ 5,737,015</u>

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

TOWN OF DOVER, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Dover, 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. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the 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 Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Town reports the following fiduciary funds:

- The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest

earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

Investments are carried at fair value except certificates of deposit which are reported at cost.

Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth) unless an override or debt exemption is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$3,032. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

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

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

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

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

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

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 fiduciary fund financial statements. A liability for these amounts is reported in governmental

funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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 Warrant Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

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

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

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

Deficit Fund Equity

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

It is anticipated that the deficits in these funds will be eliminated through future departmental revenue, grant reimbursements, and transfers from other funds.

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. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlaying 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). MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. Massachusetts General Laws, 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.” The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2020, \$1,386,821 of the Town’s bank balance of \$15,464,289 was exposed to custodial credit risk as uninsured and/or uncollateralized.

Investment Summary

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

<u>Investment Type</u>	<u>Amount</u>
Asset backed securities	\$ 456
Certificates of deposit	6,875
Corporate bonds	1,928
Corporate equities	1,871
Equity mutual funds	2,725
U.S. Treasury and agencies	<u>1,497</u>
Total investments	<u>\$ 15,352</u>

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, 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 Town does not have formal policies related to custodial credit risk.

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

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were 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 by Moodys as of year-end for each investment type of the Town:

Investment Type	Amount	Rating as of Year End									
		AAA	AA1	AA2	AA3	A1	A2	A3	BAA3	BAA2	BAA1
Corporate bonds	\$ 1,928	\$ 34	\$ 32	\$ 32	\$ 97	\$ 279	\$ 481	\$ 261	\$ 31	\$ 267	\$ 414
U.S. Treasury and agencies	<u>1,497</u>	<u>1,497</u>	-	-	-	-	-	-	-	-	-
Total	<u>\$ 3,425</u>	<u>\$ 1,531</u>	<u>\$ 32</u>	<u>\$ 32</u>	<u>\$ 97</u>	<u>\$ 279</u>	<u>\$ 481</u>	<u>\$ 261</u>	<u>\$ 31</u>	<u>\$ 267</u>	<u>\$ 414</u>

Concentration of Credit Risk - Investments

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.

As of June 30, 2020, the Town does not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk – Investments in Debt Securities

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

Investment Type	Amount	Investment Maturities (in Years)				
		Less	Than 1	1-5	6-10	Thereafter
Asset backed securities	\$ 456	\$ -	\$ 76	\$ 160	\$ 220	
Corporate bonds	1,928	204	1,160	564	-	
U.S. Treasury and agencies	<u>1,497</u>	<u>708</u>	<u>779</u>	<u>6</u>	<u>4</u>	
Total	<u>\$ 3,881</u>	<u>\$ 912</u>	<u>\$ 2,015</u>	<u>\$ 730</u>	<u>\$ 224</u>	

Foreign Currency Risk - Investments

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

Fair Value

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

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

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

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

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

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets	Significant observable inputs	Significant unobservable inputs
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments by fair value level:				
Asset backed securities	\$ 456	\$ -	\$ 456	\$ -
Corporate bonds	1,928	-	1,928	-
Corporate equities	1,871	1,871	-	-
Equity mutual funds	2,725	-	2,725	-
U.S. Treasury and agencies	<u>1,497</u>	1,305	192	-
Total	<u>\$ 8,477</u>			

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

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

4. 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 1/2 % of the prior year's levy limit 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	Allowance				
	<u>(fund</u> <u>basis)</u>	<u>for Doubtful</u> <u>Accounts</u>				
Real estate taxes	\$ 613,080	\$ (186,744)	\$ 426,336	\$	-	
Personal property taxes	16,984	(14,192)	2,792		-	
Tax liens	97,502	-	17,550		79,952	
Deferred taxes	<u>196,618</u>	<u>-</u>	<u>-</u>		<u>196,618</u>	
Total property taxes	<u>924,184</u>	<u>(200,936)</u>	<u>446,678</u>	<u>\$</u>	<u>276,570</u>	
Motor vehicle excise	\$ 209,738	\$ (84,224)	\$ 125,514			
Boat excise	<u>1,002</u>	<u>(802)</u>	<u>200</u>			
Total excises	<u>210,740</u>	<u>(85,026)</u>	<u>125,714</u>	<u>\$</u>		

5. User Fee Receivable

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

	Gross	Allowance		
	<u>Amount</u>	<u>for Doubtful</u> <u>Accounts</u>		
User Fees				
Ambulance	\$ 36,745	\$ (9,186)	\$ 27,559	
Police Details	29,007	(3,771)	25,236	
Other	<u>402</u>	<u>-</u>	<u>402</u>	
Total	<u>66,154</u>	<u>(12,957)</u>	<u>53,197</u>	

6. Interfund Fund Accounts

Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ -	\$ 801,364
Nonmajor Funds:		
Capital project funds	776,364	-
Permanent expendable trust fund	<u>25,000</u>	<u>-</u>
Subtotal - Nonmajor funds	<u>801,364</u>	<u>-</u>
Total	<u><u>801,364</u></u>	<u><u>801,364</u></u>

Of the transfers out of the general fund, 776,364 was transferred to various capital project funds for capital equipment and improvement, and \$25,000 to the conservation trust fund.

7. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 29,478	\$ 5	\$ (6)	\$ 29,477
Machinery, equipment, and furnishings	8,446	514	(1,814)	7,146
Infrastructure	<u>18,235</u>	<u>-</u>	<u>(269)</u>	<u>17,966</u>
Total capital assets, being depreciated	56,159	519	(2,089)	54,589
Less accumulated depreciation for:				
Buildings and improvements	(16,168)	(713)	6	(16,875)
Machinery, equipment, and furnishings	(6,198)	(435)	1,723	(4,910)
Infrastructure	<u>(7,700)</u>	<u>(487)</u>	<u>212</u>	<u>(7,975)</u>
Total accumulated depreciation	<u>(30,066)</u>	<u>(1,635)</u>	<u>1,941</u>	<u>(29,760)</u>
Total capital assets, being depreciated, net	26,093	(1,116)	(148)	24,829
Capital assets, not being depreciated:				
Land	15,852	-	-	15,852
Construction in progress	<u>5</u>	<u>-</u>	<u>(5)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>15,857</u>	<u>-</u>	<u>(5)</u>	<u>15,852</u>
Governmental activities capital assets, net	<u><u>41,950</u></u>	<u><u>(1,116)</u></u>	<u><u>(153)</u></u>	<u><u>40,681</u></u>

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

Governmental Activities	
General government	\$ 435
Public safety	227
Education	491
Public works	401
Culture and recreation	81
Total governmental activities	\$ <u>1,635</u>

8. Deferred Outflows of Resources

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

9. Warrants Payable

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

10. Accrued Liabilities

Accrued liabilities consist of amounts accrued at June 30, 2020 for fiscal 2020 employee payrolls, as well as interest accrued on outstanding debt.

11. Tax Refunds Payable

This balance consists of estimated refunds due to property taxpayers for potential future abatements. These cases are currently in litigation or are pending with the state Appellate Tax Board.

12. Long-Term Debt

General Obligation Bonds and Loans

The Town issues general obligation bonds and loans payable (direct borrowings) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and loans

payable (direct borrowings) have been issued for governmental activities. General obligation bonds and loans payable (direct borrowings) currently outstanding are as follows:

<u>Governmental Activities</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of <u>6/30/20</u>
General obligation bonds:			
Multipurpose refunding bonds	3/1/2021	4.01%	\$ 150,000
Multipurpose refunding bonds	4/15/2023	1.55%	2,000,000
Land Acquisition	7/15/2037	3.00%	<u>2,720,000</u>
Subtotal general obligation bonds			4,870,000
Loans - direct borrowings:			
MWPAT	8/1/2020	0.00%	<u>10,200</u>
Subtotal loans - direct borrowings			<u>10,200</u>
Total Governmental Activities			\$ <u>4,880,200</u>

Future Debt Service

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

<u>Governmental</u>	<u>Bonds</u>			<u>Loans - Direct Borrowings</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>		
2021	\$ 985,000	\$ 161,225		\$ 10,200	\$ -		\$ 1,156,425
2022	820,000	127,850		-	-		947,850
2023	810,000	100,150		-	-		910,150
2024	155,000	74,688		-	-		229,688
2025	150,000	69,000		-	-		219,000
2026	150,000	61,500		-	-		211,500
2027	150,000	54,000		-	-		204,000
2028	150,000	46,500		-	-		196,500
2029	150,000	41,063		-	-		191,063
2030	150,000	37,500		-	-		187,500
2031 - 2035	750,000	123,563		-	-		873,563
Thereafter	<u>450,000</u>	<u>20,250</u>		-	-		<u>470,250</u>
Total	\$ <u>4,870,000</u>	\$ <u>917,289</u>		\$ <u>10,200</u>	\$ <u>-</u>		\$ <u>5,797,489</u>

Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-term Balance</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 5,865	\$ -	\$ (995)	\$ 4,870	\$ (985)	\$ 3,885
Loans payable (direct borrowings)	<u>21</u>	<u>-</u>	<u>(11)</u>	<u>10</u>	<u>(10)</u>	<u>-</u>
Subtotal	5,886	-	(1,006)	4,880	(995)	3,885
Net pension liability	12,335	-	(1,196)	11,139	-	11,139
Net OPEB liability	4,807	-	(120)	4,687	-	4,687
Compensated absences	<u>80</u>	<u>-</u>	<u>(19)</u>	<u>61</u>	<u>(8)</u>	<u>53</u>
Totals	<u>\$ 23,108</u>	<u>\$ -</u>	<u>\$ (2,341)</u>	<u>\$ 20,767</u>	<u>\$ (1,003)</u>	<u>\$ 19,764</u>

Long-Term Debt Supporting Governmental Activities

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

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension note. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year. Property taxes paid in advance are reported in the governmental funds balance sheet and government-wide statement of net position in connection with subsequent year property tax revenue collections which are not available for use in the current year.

14. Governmental Funds - Balances

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

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

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

Nonspendable

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

Restricted

Represents amounts that are restricted to specific purposes by constraints externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue and expendable trust 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 decision-making authority. This fund balance classification includes non-lapsing, capital article appropriations approved at Town Meeting and various special revenue and permanent expendable trust funds.

Assigned

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

Unassigned

Represents amounts that are available to spend in future periods. This fund balance classification includes general fund surplus fund balance, general stabilization funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and temporary deficit balances in various special revenue and capital project funds.

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

	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Fund</u>
Nonspendable			
Nonexpendable permanent funds:			
Cemetery perpetual care	\$ -	\$ 846,006	\$ 846,006
Library endowment funds	-	30,556	30,556
Other	<u>-</u>	<u>20,500</u>	<u>20,500</u>
Total Nonspendable	-	897,062	897,062
Restricted			
Special revenue funds:			
Water rates and betterments	-	245,177	245,177
Sale of lots	-	289,610	289,610
Park revolving	-	473,205	473,205
Fire earmark	-	104,000	104,000
Wetlands protection	-	78,614	78,614
Preschool at Chickering	-	85,901	85,901
Library gift/donation fund	-	67,091	67,091
SPED program improvement grant	-	74,515	74,515
Emergency operations grant	-	60,000	60,000
MEMA grant	-	83,259	83,259
Other	<u>-</u>	<u>504,313</u>	<u>504,313</u>
Capital project funds	-	159	159
Permanenet expendable trust funds:			
Dorothea Hovey Trust	-	609,182	609,182
Samuel Chickering Trust - park/tree	-	208,868	208,868
George Chickering Trust - park/history	-	101,842	101,842
George Chickering Trust - cemetery/park	-	203,012	203,012
Highland Perpetual Care Trust - cemetery	-	106,254	106,254
Other	<u>-</u>	<u>155,826</u>	<u>155,826</u>
Total Restricted	-	3,450,828	3,450,828
Committed			
Article carryforwards:			
General government	231,930	-	231,930
Culture and recreation	205,000	-	205,000
Regional School OPEB stabilization fund	1,681,558	-	1,681,558
Special revenue funds	-	56,982	56,982
Expendable trust funds	-	97,073	97,073
Capital project funds:			
Municipal buildings	-	310,000	310,000
Caryl Community Center design	-	187,657	187,657
Other	<u>-</u>	<u>269,123</u>	<u>269,123</u>
Total Committed	2,118,488	920,835	3,039,323

(continued)

(continued)

	General Fund	Nonmajor Governmental Fund	Total Governmental Fund
Assigned			
Encumbrances:			
General government	51,150	-	51,150
Public safety	19,381	-	19,381
Education	8,230	-	8,230
Public works	2,413	-	2,413
Health and human services	95	-	95
Culture and recreation	13,182	-	13,182
Reserve for expenditures:			
Capital	200,000	-	200,000
Reduce tax rate	1,500,000	-	1,500,000
Overlay	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Assigned	1,894,451	-	1,894,451
Unassigned			
General fund	13,226,135	-	13,226,135
General stabilization fund	949,013	-	949,013
Capital project fund deficit	-	(201,514)	(201,514)
Special revenue fund deficits	-	(281,248)	(281,248)
Total Unassigned	<u>14,175,148</u>	<u>(482,762)</u>	<u>13,692,386</u>
Total Fund Balance	\$ <u>18,188,087</u>	\$ <u>4,785,963</u>	\$ <u>22,974,050</u>

15. Norfolk County 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 Town employees (except teachers and administrators under contract employed by the School Department) are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System, which provides pension benefits, deferred allowances, and death and disability benefits. The System's authority is established by Chapter 32 of the Massachusetts General Laws, which also govern contribution percentages and benefits paid. The System's Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial report, which is publicly available from the System's administrative offices at 480 Neponset Street, Building #15, Canton, Massachusetts 02021.

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

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily

withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2020 was \$1,421,027, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by 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 \$11,138,715 for its proportionate share of the System's 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 1.8972%.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,690,562. In addition, the Town reported deferred outflows 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	\$ 954,384	\$ -
Changes of assumptions	204,307	-
Net difference between projected and actual investment earnings	-	(313,722)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>20,094</u>	<u>(97,882)</u>
Total	<u>\$ 1,178,785</u>	<u>\$ (411,604)</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 December 31:

2021	\$ 458,579
2022	240,273
2023	355,172
2024	<u>(286,843)</u>
Total	<u>\$ 767,181</u>

Actuarial Assumptions

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

Inflation	3.00%
Projected salary increases	3.5-5.5%
Investment rate of return	7.75%
Cost of living increases	3.0% of the first \$18,000 of retirement income

Mortality rates were based on the RP-2014 Blue Collar Mortality Table adjusted with Scale with MP-2014.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.50%	6.60%
International equity	15.50%	8.00%
Fixed income	20.50%	3.80%
Real estate	9.50%	8.20%
Private equity	10.00%	9.10%
Hedge funds	11.50%	7.20%
Real assets	<u>2.50%</u>	<u>9.90%</u>
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2019 was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the pension plan reaches full funding status by 2040. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the System's net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share

of the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1%	Current	1%
Decrease	Discount Rate		Increase
<u>(6.75%)</u>	<u>(7.75%)</u>		<u>(8.75%)</u>
\$ 14,467,010	\$ 11,138,715		\$ 8,310,666

Pension Plan Fiduciary Net Position

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

16. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

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

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes 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 State Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty 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.

MTRS funding policies have been established by Chapter 32 of the MGL. The State 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% (Changed from 7.35%) 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 the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Target Allocation

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	<u>4.00%</u>	<u>4.10%</u>
Total	<u><u>100.00%</u></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 <u>to 6.25%</u>	Current Discount <u>Rate 7.25%</u>	1% Increase <u>to 8.25%</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

Special Funding Situation

The Commonwealth is a nonemployer contributing entity and is required by statute to make all actuarially 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* 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.

Commonwealth Proportions Associated with the Town

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$15,648,720 based on a proportionate share of 0.062064%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$896,018 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$1,001,661 as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2009, the Town 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 Harvard Pilgrim, Tufts Health, Fallon Health, Blue Cross Blue Shield, and Group Term Life Insurance. 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 June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	92
Active employees	<u>156</u>
Total	<u><u>248</u></u>

Investments

The OPEB trust fund assets does not have a formal investment policy. At June 30, 2020 investments consisted of various mutual funds, corporate equities, and corporate bonds with BNY Mellon. Concentration and rate of return information was not available.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.66%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3.00% Annually
Investment rate of return	6.10%, net of OPEB plan investment expense, including inflation 2.66% as of June 30, 2020 (S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Municipal bond rate	
Discount rate	6.25%
Healthcare cost trend rates	Medicare Supplement Plans: Initial Trend of 4.50% for 2020 grading down 0.00% per year for an ultimate trend rate of 4.50%. Non-Medicare Plans: Initial Trend of 4.50% for 2020 grading down 0.00% per year for an ultimate trend rate of 4.50%.
Retirees' share of benefit-related costs	Retirees pay 50% of premiums for life insurance.
Participation rate	80%

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2014 Mortality Table for Blue and White (General employees and Teachers respectively) Collar employees projected generationally with scale MP-2016 for males and females.
- Post-Retirement Mortality: RP-2014 Mortality Table for Blue and White (general employees and Teachers respectively) Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
- Disabled Mortality: RP-2014 Mortality Table for Blue and White (General employees and Teachers respectively) Collar Healthy Annuitants projected generationally with scale MP-2016 males and females (set forward 1 year for Blue Collar employees).

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - large cap	30.25%	4.00%
Domestic equity - small/mid cap	12.50%	5.29%
International equity - developed market	12.25%	5.45%
International equity - emerging market	4.50%	6.42%
Domestic fixed income	9.75%	2.05%
International fixed income	9.25%	3.00%
Alternatives	3.00%	6.50%
Real estate	1.75%	6.25%
Cash and cash equivalents	<u>16.75%</u>	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 6.25%. 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	\$ 10,423,578
Plan fiduciary net position	<u>5,737,015</u>
Net OPEB liability	<u>\$ 4,686,563</u>

Plan fiduciary net position as a percentage of the total OPEB liability	55.04%
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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 <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 10,257,746	\$ 5,450,925	\$ 4,806,821
Changes for the year:			
Service cost	278,003	-	278,003
Interest	646,688	-	646,688
Contributions - employer	-	522,576	(522,576)
Net investment income	-	146,806	(146,806)
Differences between expected and actual experience	(1,270,581)	-	(1,270,581)
Changes in assumptions	895,014	-	895,014
Benefit payments	<u>(383,292)</u>	<u>(383,292)</u>	<u>-</u>
Net Changes	<u>165,832</u>	<u>286,090</u>	<u>(120,258)</u>
Balances, end of year	<u>\$ 10,423,578</u>	<u>\$ 5,737,015</u>	<u>\$ 4,686,563</u>

Changes of assumptions reflect updated mortality tables and expected long-term medical trend has been updated to 4.50%

Differences between expected and actual experience reflect premiums for Medicare supplement plans increasing by 3% vs. the expected 5%. Additionally, there are fewer retirees than expected and a reduction in the number of retirees over the age of 65 enrolled in active plans.

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:

	Current		
1%	Discount	1%	
<u>Decrease</u>	<u>Rate</u>	<u>Increase</u>	
\$ 6,058,168	\$ 4,686,563	\$ 3,517,694	

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 is calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Current Healthcare Cost Trend	1% <u>Decrease</u>	1% <u>Increase</u>
	\$ 4,686,563	\$ 3,426,517	\$ 6,227,757

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 \$944,571. At June 30, 2020, the Town reported deferred outflows 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	\$ 337,419	\$ (1,041,235)
Change in assumptions	1,427,166	-
Net difference between projected and actual OPEB investment earnings	<u>208,235</u>	<u>-</u>
Total	<u>\$ 1,972,820</u>	<u>\$ (1,041,235)</u>

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

Year Ended June 30:

2021	\$ 356,572
2022	356,572
2023	255,005
2024	43
2025	<u>(36,607)</u>
Total	<u>\$ 931,585</u>

Dover-Sherborn Regional School District – Unfunded OPEB Liability

The Town is a member of the Dover-Sherborn Regional School District (District). As of July 1, 2018, the District's most recent actuarial valuation, the District's unfunded actuarial OPEB

Liability was \$23,008,644, which will be funded through future operating assessments to the District's member Towns. In fiscal year 2020, the Town's portion of the District's annual operating assessment was 56.63%. In fiscal year 2020 the Town established a Regional School OPEB Stabilization Fund for the purpose of funding the Town's portion of the District's OPEB liability. As of June 30, 2020 the balance in the fund was \$1,681,558.

18. Beginning Fund Balance Reclassification

Funds previously classified as Private Purpose Funds in the 2019 Financial Statements has been reclassified to Nonmajor Governmental Funds. As a result, the beginning balances for Nonmajor Governmental Funds and Governmental Activities have been reclassified by \$21,567.

19. Commitments and Contingencies

COVID-19

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

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end the Town's general fund has \$94,451 in encumbrances that will be honored in the next fiscal year.

20. 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 DOVER, MASSACHUSETTS

Required Supplemental Information
General Fund

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts	
Revenues				
Property taxes	\$ 34,345,833	\$ 34,345,833	\$ 34,339,198	\$ (6,635)
Excises	1,339,312	1,339,312	1,542,924	203,612
Penalties, interest and other taxes	75,200	75,200	77,215	2,015
Charges for services	501,500	501,500	560,277	58,777
Licenses, permits, and fees	255,000	255,000	313,315	58,315
Intergovernmental	1,668,848	1,668,848	1,727,600	58,752
Fines and forfeitures	2,000	2,000	8,524	6,524
Investment income	75,000	75,000	260,420	185,420
Miscellaneous	-	-	48,332	48,332
Total Revenues	38,262,693	38,262,693	38,877,805	615,112
Expenditures				
General government	2,852,514	2,852,514	2,184,996	667,518
Public safety	3,406,602	3,406,602	3,056,775	349,827
Education	23,204,342	23,204,342	22,025,511	1,178,831
Public works	2,224,734	2,229,022	2,053,435	175,587
Health and human services	256,958	256,958	252,043	4,915
Culture and recreation	1,319,743	1,319,743	1,221,670	98,073
Employee benefits	4,410,110	4,410,110	3,607,900	802,210
Debt service	1,202,750	1,202,750	1,200,216	2,534
Intergovernmental	327,560	327,560	326,725	835
Prior year carryforwards	452,457	452,457	365,453	87,004
Total Expenditures	39,657,770	39,662,058	36,294,724	3,367,334
Excess (deficiency) of revenues over expenditures	(1,395,077)	(1,399,365)	2,583,081	3,982,446
Other Financing Sources (Uses)				
Transfer in	10,400	10,400	-	(10,400)
Transfer out	(2,401,364)	(2,401,364)	(2,401,364)	-
Use of free cash:				
Operating budget	133,584	137,872	137,872	-
Reduce the tax rate	1,500,000	1,500,000	1,500,000	-
Transfer to stabilization fund(s)	1,600,000	1,600,000	1,600,000	-
Use of overlay surplus	100,000	100,000	100,000	-
Use of prior year fund balance (carryforwards)	452,457	452,457	452,457	-
Total Other Financing Sources (Uses)	1,395,077	1,399,365	1,388,965	(10,400)
Excess of revenues and other sources over expenditures and other uses	\$ _____ -	\$ _____ -	\$ 3,972,046	\$ 3,972,046

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>
Revenues/expenditures/other financing sources/(uses) (GAAP basis)	\$ 39,881,030	\$ 36,297,708	\$ (801,364)
Record use of free cash and overlay surplus	-	-	3,337,872
Reverse beginning of year appropriation carryforwards from expenditures	-	-	452,457
Add end-of-year appropriation carryforwards to expenditures	-	903,315	-
Reverse the effect of non-budgeted State contributions for teachers retirement	(896,018)	(896,018)	-
Reverse effect of combining general fund and general stabilization funds	(106,206)	-	(1,600,000)
Other	<u>(1,001)</u>	<u>(10,281)</u>	<u>-</u>
Budgetary basis	<u>\$ 38,877,805</u>	<u>\$ 36,294,724</u>	<u>\$ 1,388,965</u>

See Independent Auditors' Report.

TOWN OF DOVER, MASSACHUSETTS

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

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 30, 2019	1.897200%	\$11,138,715	\$ 5,592,326	199.18%	64.60%
June 30, 2019	December 30, 2018	1.895000%	\$12,335,320	\$ 5,899,222	209.10%	58.30%
June 30, 2018	December 30, 2017	1.891000%	\$10,457,312	\$ 5,699,731	183.47%	63.50%
June 30, 2017	December 30, 2016	1.931000%	\$10,080,257	\$ 5,476,473	184.06%	61.60%
June 30, 2016	December 30, 2015	1.930951%	\$10,489,173	\$ 5,279,232	198.69%	58.60%
June 30, 2015	December 30, 2014	1.967919%	\$10,206,123	\$ 4,971,794	205.28%	60.12%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.062064%	\$ -	\$ 15,648,720	\$ 15,648,720	\$ 4,516,489	- 53.95%
June 30, 2019	June 30, 2018	0.063857%	\$ -	\$ 15,141,252	\$ 15,141,252	\$ 4,484,592	- 54.84%
June 30, 2018	June 30, 2017	0.062584%	\$ -	\$ 14,322,654	\$ 14,322,654	\$ 4,249,746	- 54.25%
June 30, 2017	June 30, 2016	0.069711%	\$ -	\$ 15,585,825	\$ 15,585,825	\$ 4,585,349	- 52.73%
June 30, 2016	June 30, 2015	0.069118%	\$ -	\$ 14,162,133	\$ 14,162,133	\$ 4,381,313	- 55.38%
June 30, 2015	June 30, 2014	0.072644%	\$ -	\$ 11,547,676	\$ 11,547,676	\$ 4,381,344	- 61.64%

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

See Independent Auditors' Report.

TOWN OF DOVER, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

Norfolk County Retirement System

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the						Contributions as a Percentage of <u>Covered Payroll</u>
		Actuarially Determined <u>Contribution</u>	Actuarially Determined <u>Contribution</u>	Contribution Deficiency (Excess)	Covered <u>Payroll</u>			
June 30, 2020	December 30, 2019	\$ 1,421,027	\$ 1,421,027	\$ -	\$ 5,592,326			25.41%
June 30, 2019	December 30, 2018	\$ 1,325,669	\$ 1,325,669	\$ -	\$ 5,899,222			22.47%
June 30, 2018	December 30, 2017	\$ 1,210,458	\$ 1,210,458	\$ -	\$ 5,699,731			21.24%
June 30, 2017	December 30, 2016	\$ 1,129,266	\$ 1,129,266	\$ -	\$ 5,476,473			20.62%
June 30, 2016	December 30, 2015	\$ 1,023,985	\$ 1,023,985	\$ -	\$ 5,279,232			19.40%
June 30, 2015	December 30, 2014	\$ 929,040	\$ 929,040	\$ -	\$ 4,971,794			18.69%

Massachusetts Teachers' Retirement System

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the						Contributions as a Percentage of <u>Covered Payroll</u>
		Actuarially Determined <u>Contribution</u>	Actuarially Determined <u>Contribution</u>	Contribution Deficiency (Excess)	Covered <u>Payroll</u>			
June 30, 2020	June 30, 2019	\$ 896,018	\$ 896,018	\$ -	\$ 4,516,489			19.84%
June 30, 2019	June 30, 2018	\$ 839,577	\$ 839,577	\$ -	\$ 4,484,592			18.72%
June 30, 2018	June 30, 2017	\$ 773,238	\$ 773,238	\$ -	\$ 4,249,746			18.19%
June 30, 2017	June 30, 2016	\$ 783,953	\$ 783,953	\$ -	\$ 4,585,349			17.10%
June 30, 2016	June 30, 2015	\$ 706,343	\$ 706,343	\$ -	\$ 4,381,313			16.12%
June 30, 2015	June 30, 2014	\$ 680,946	\$ 680,946	\$ -	\$ 4,381,344			15.54%

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

See Independent Auditors' Report.

TOWN OF DOVER, 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	\$ 278,003	\$ 306,189	\$ 257,232	\$ 251,253
Interest	646,688	621,173	473,320	446,235
Differences between expected and actual experience	(1,270,581)	-	720,852	-
Changes of assumptions	895,014	263,092	1,119,261	-
Benefit payments, including refunds of member contributions	<u>(383,292)</u>	<u>(360,380)</u>	<u>(330,003)</u>	<u>(244,908)</u>
Net change in total OPEB liability	165,832	830,074	2,240,662	452,580
Total OPEB liability - beginning	<u>10,257,746</u>	<u>9,427,672</u>	<u>7,187,010</u>	<u>6,734,430</u>
Total OPEB liability - ending (a)	10,423,578	10,257,746	9,427,672	7,187,010
Plan Fiduciary Net Position				
Contributions - employer	522,576	500,817	470,440	422,146
Net investment income	146,806	170,893	383,492	432,438
Benefit payments, including refunds of member contributions	<u>(383,292)</u>	<u>(360,380)</u>	<u>(330,003)</u>	<u>(244,908)</u>
Net change in plan fiduciary net position	286,090	311,330	523,929	609,676
Plan fiduciary net position - beginning	<u>5,450,925</u>	<u>5,139,595</u>	<u>4,615,666</u>	<u>4,005,990</u>
Plan fiduciary net position - ending (b)	<u>5,737,015</u>	<u>5,450,925</u>	<u>5,139,595</u>	<u>4,615,666</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 4,686,563</u>	<u>\$ 4,806,821</u>	<u>\$ 4,288,077</u>	<u>\$ 2,571,344</u>

Schedules are 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 DOVER, 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	\$ 10,423,578	\$ 10,257,746	\$ 9,427,672	\$ 7,187,010
Plan fiduciary net position	<u>5,737,015</u>	<u>5,450,925</u>	<u>5,139,595</u>	<u>4,615,666</u>
Net OPEB liability (asset)	<u><u>\$ 4,686,563</u></u>	<u><u>\$ 4,806,821</u></u>	<u><u>\$ 4,288,077</u></u>	<u><u>\$ 2,571,344</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.04%	53.14%	54.52%	64.22%
Covered employee payroll	\$ 12,789,381	\$ 11,065,403	\$ 10,743,109	\$ 10,430,203
Net OPEB liability as a percentage of covered employee payroll	36.64%	43.44%	39.91%	24.65%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 607,067	\$ 643,697	\$ 565,561	\$ 447,438
Contributions in relation to the actuarially determined contribution	<u>522,576</u>	<u>500,817</u>	<u>470,440</u>	<u>447,438</u>
Contribution deficiency (excess)	<u><u>\$ 84,491</u></u>	<u><u>\$ 142,880</u></u>	<u><u>\$ 95,121</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 12,789,381	\$ 11,065,403	\$ 10,743,109	\$ 10,430,203
Contributions as a percentage of covered employee payroll	4.09%	4.53%	4.38%	4.29%
	<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	2.66%	3.32%	8.19%	Unavailable

Schedules are 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.