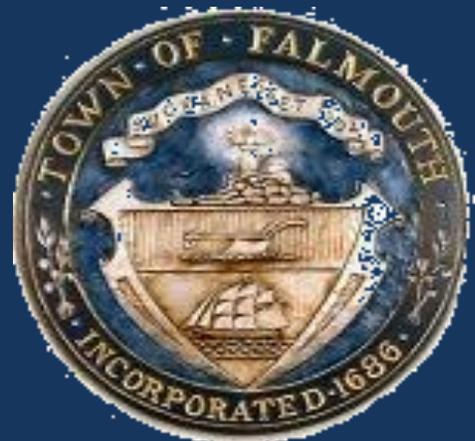


TOWN OF FALMOUTH, MASSACHUSETTS



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Fiscal Year
July 1, 2019 – June 30, 2020**



On the cover: Woods Hole is a village in the Town of Falmouth located in the furthest southwest corner of Cape Cod, four miles by sea from Martha's Vineyard. Pictured on the cover is Woods Hole Harbor at sunset. A gorgeous sight in the summer.



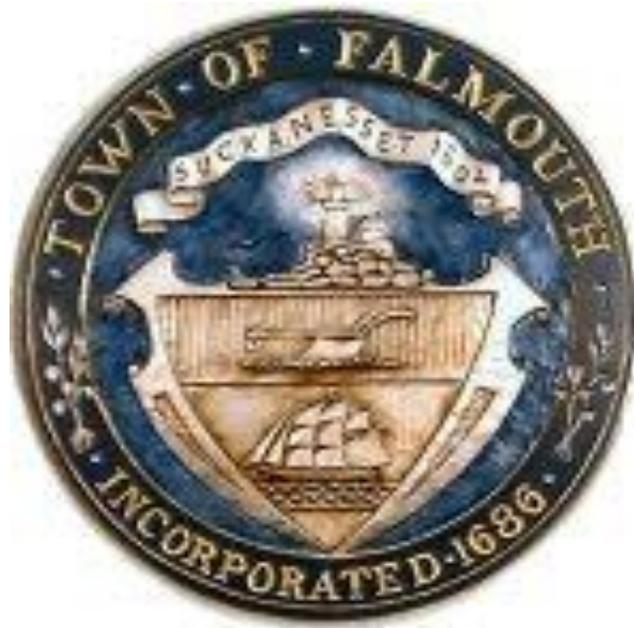
Above: Main Street in Falmouth. Lined with small mom and pop shops; it offers Cape Cod fashion in addition to numerous restaurants that provide both domestic and international cuisine. It is perfect fun for families and kids on a typical day in the summer.

TOWN OF FALMOUTH, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

Julian M. Suso, Town Manager



*Prepared by the Finance Department
Jennifer Mullen, Director of Finance*

**TOWN OF FALMOUTH, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2020**

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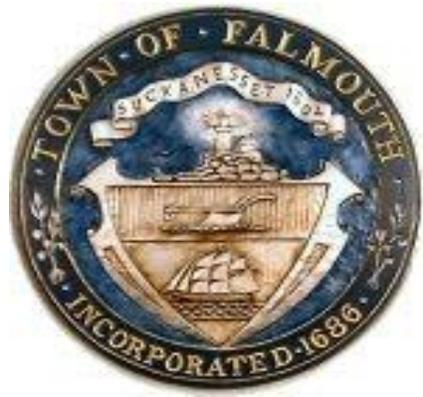
**TOWN OF FALMOUTH, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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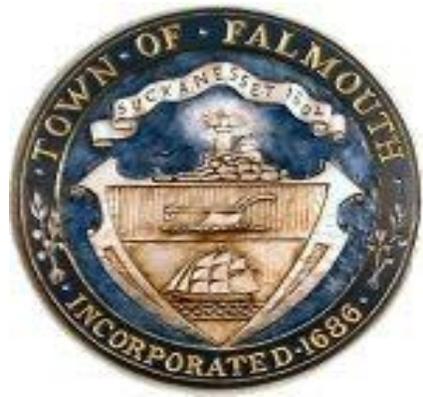
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INTRODUCTORY SECTION



This painting hanging in Falmouth Town Hall, depicts the British Warship HMS Nimrod firing on the Town on January 28, 1814 during the War of 1812. The Falmouth militia took up positions to keep the British fleet from capturing two canons and the sloop tied up at Old Stone Dock. Martha's Vineyard, Naushon Island (held by the British as their command post), and Nobska Bluff are shown in the background. Shore Street, Surf drive, and Salt Pond are clearly visible. ¹

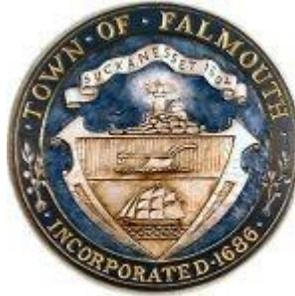
1. Source: oldstonedock.com/history/



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Town of Falmouth Select Board

Megan English Bragga, Chairman
Douglas C. Brown, Vice Chairman
Douglas H. Jones
Samuel H. Patterson
Nancy R. Taylor



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Julian M. Suso
Town Manager

Letter of Transmittal

December 30, 2020

Honorable Select Board and Citizens of the Town of Falmouth, Massachusetts:

We are pleased to acknowledge that the Town of Falmouth has completed its fifth *Comprehensive Annual Financial Report* (CAFR). The report, which was prepared by the Town's Department of Municipal Finance, is for the fiscal year ended June 30, 2020 and we are proud to be one of only about 40 communities in Massachusetts to accomplish this. This transmission is the continuation of what we are confident will continue to be an annual endeavor.

The Town is responsible for the accuracy, completeness and fairness of the data presented in the CAFR. This letter of transmittal and the **management's discussion and analysis**, located in the financial section of the CAFR, provide a comprehensive financial overview of the Town and ensure that the financial and general operations of Town government remain transparent, and therefore open for easy viewing.

The CAFR represents a complete set of financial statements prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America, that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This CAFR meets and exceeds those requirements and presents itself as an informative resource for all those interested in the financial activities of the Town.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and rating agencies as well as its citizens and taxpayers. Since the report consists of management's representations concerning the finances of the Town, management assumes full responsibility for the completeness and reliability of all of the information presented. In addition, management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Falmouth's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. *Throughout this report the Town's water utility services are identified as an Enterprise Fund. The Town has not formally authorized its water utility services as an Enterprise Fund; however, these activities meet the guidelines for such treatment under GASB 34.*

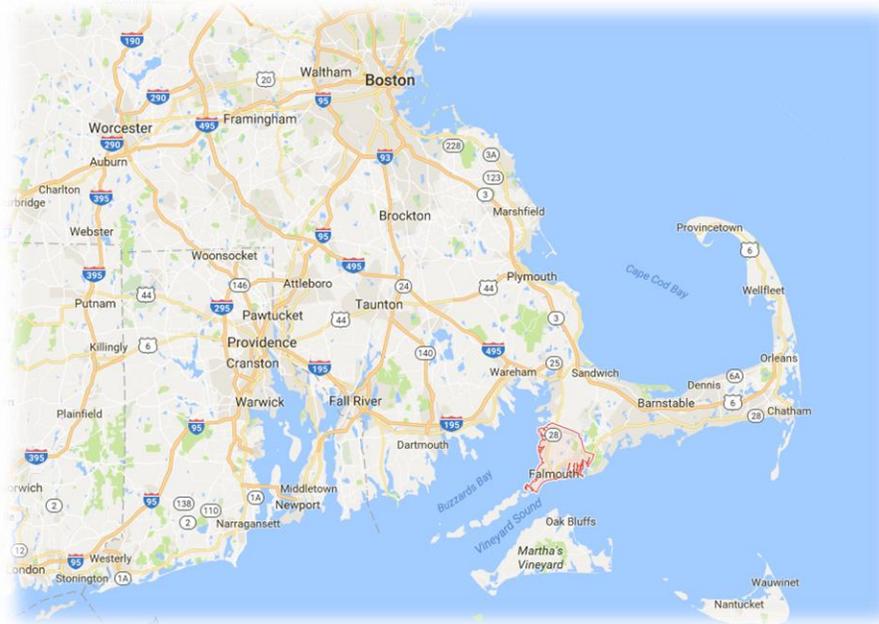
The Town of Falmouth’s financial statements have been audited by Roselli, Clark and Associates, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town’s financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town is part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town’s separately issued Single Audit Reports Pursuant to Title 2 of the US “Code of Federal Regulations” (CFR) Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

Falmouth is situated on Cape Cod, 72 miles southeast of Boston and 239 miles northeast of New York



City. Located in Barnstable County on the southwest end of Cape Cod, it is bordered on the south by both Vineyard and Nantucket Sounds and on the west by Buzzards Bay. The Towns of Bourne and Sandwich border Falmouth to the North and the Town of Mashpee borders it on the East. It occupies a total area of 54 square miles of which 45 square miles is land and is broken up into eight villages consisting of East Falmouth, Falmouth

Village, North Falmouth, Teaticket, West Falmouth, Woods Hole, Hatchville and Waquoit.



The principal highways serving the Town include State routes 28, 28A and 151. Route 28 provides a direct connection to Interstate highway 495 to Worcester, Interstate 195 to Providence and State route 3 directly to Boston. Local transportation is available through the Cape Cod Regional Transit Authority which provides bus service to fourteen towns on Cape Cod including Falmouth. Private bus companies are available for transportation off Cape Cod, primarily to Providence, Boston and New York City. The Hyannis Municipal Airport,

which is located in Barnstable, provides daily air service to Boston's Logan Airport and New York City's John F. Kennedy International Airport. Transportation is also available via ferry service on the Woods Hole Martha's Vineyard and Nantucket Steamship Authority which provides water transportation to the nearby islands of Nantucket and Martha's Vineyard.

Falmouth is primarily a residential resort community with a high stable summer population. A substantial portion of its summer residents either own property in Falmouth or are perennial visitors. The population of the Town increases from about 32,000, year-round to approximately 100,000 in the summer.

Falmouth was first settled by English colonists in 1660 and was officially incorporated in 1686. The settlement was named by explorer Bartholomew Gosnold after Falmouth, Cornwall, England his home port. Early principal activities were farming, salt works, shipping, whaling, and sheep husbandry, which was very popular due to the introduction of Merino sheep. The beginnings of water-powered mills could process the wool thus making the process efficient for its time. In 1837, Falmouth averaged about 50 sheep per square mile.

By the 1870s train travel had been introduced to Falmouth, and some of the first summer homes were constructed. Shortly thereafter, cranberries were grown in commercial quantity and strawberries were raised for the Boston market. By the 20th century the beginning of large-scale dairying in interior regions became popular and continued to be a significant industry until after World War II. Improvements in highways combined with the heavy use of neighboring Otis Air National Guard Base during World War II, led to significant population growth (400% from 1950 to 2000). Homebuilding booms which began in the 1970s and 1980s, continue today. In fact, the Town's aggregate equalized valuation is consistently ranked amongst the top ten in Massachusetts behind communities like Boston, Cambridge and Brookline.

The Town provides a full range of traditional municipal services including police and fire protection, education, ambulance, maintenance of streets, residential curbside trash, recycling, water and sewer services, marine environmental services, senior center, parks and recreational facilities and three libraries.

There are currently seven Town administered schools in Falmouth:

1. Falmouth High School (grades 9 – 12)
2. Lawrence School (grades 7 – 8)
3. Morse Pond (grades 5 – 6)
4. East Falmouth Elementary (grades Pre K – 4)
5. Mullen-Hall (grades K – 4)
6. North Falmouth Elementary (grades K – 4)
7. Teaticket Elementary (grades Pre K – 4)



Falmouth High School



Lawrence Middle School



Morse Pond



Teaticket Elementary



Mullen-Hall Elementary



North Falmouth Elementary



East Falmouth Elementary

Falmouth prides itself on the quality of its school system. The Mission of the Falmouth Public Schools is “to educate students so that they are engaged in their education in a way which develops their capacity to pursue their goals and fosters life-long learning”.

Since 1999, Falmouth has built or completely renovated four of its seven schools. These are state-of-the-art technology-infused schools aimed at preparing its students for the jobs of the new economy. The capstone of the school rebuilding effort was the \$80 million renovation of Falmouth High School, a multi-phased project completed in 2011. Total school construction costs were over \$100 million and were made possible through a partnership with the Commonwealth of Massachusetts which reimbursed the Town about 60% of eligible construction costs through the Massachusetts School Building Authority.

During fiscal year 2019 a new High School Athletic Field was built costing about \$3 million. The synthetic field is home to football, boys and girls’ soccer and lacrosse and field hockey.



The executive branch of the public schools consists of a nine-member School Committee elected to three-year terms on a staggered basis. The School Committee is the policy setting board. The Superintendent of Schools acts as the Chief Executive Officer responsible for enforcing the policies of the School Committee, and the Director of Finance and Facilities acts as the Chief Financial Officer.



School enrollment for fiscal year 2020 was 3,050 and funding for schools is provided via taxation and governmental revenues based on a minimum net school spending formula established by the Massachusetts Department of Elementary and Secondary Education (ESE). The Town currently spends above the minimum legal requirement on each student.

The Town operates under a Select Board, Town Manager and an elected representative Town Meeting form of government. Each of the Town’s 9 precincts elects 27 members. The five elected Select Board members make policy decisions and the Town Manager is responsible for carrying out and enforcing the policies of the Select Board and for managing the day to day operations of the Town. The Finance Director acts as the Town’s Chief Financial Officer.

An annual operating budget is approved by Town Meeting in April. This annual budget serves as the foundation for the Town’s financial planning and control. The budget is prepared by fund, function (e.g. general government), department (e.g. finance) and category (e.g. Personnel Services, Purchase of Services, Supplies, Other Charges & Expenses) allowing the department heads to allocate resources within the department. Transfers between categories need approval from Town Meeting unless specifically exempted by State Statute.

Factors Affecting Economic Condition

Property Taxes

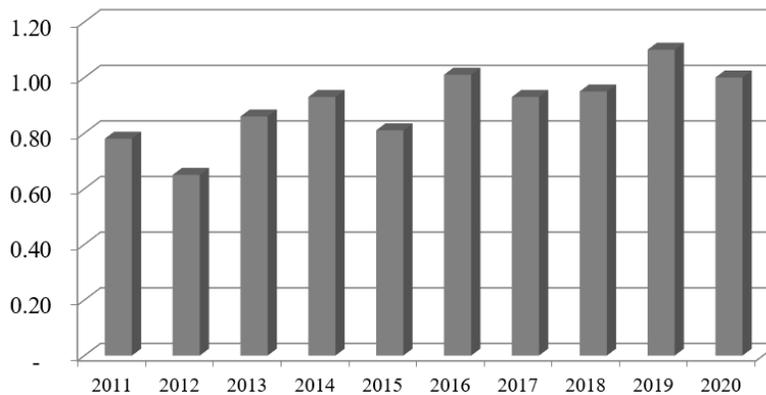
The growth of the Town’s main source of revenues, property taxes, is capped by Proposition 2 ½ and can only be overridden through a vote of Town Meeting and a ballot vote by the voters. While revenue increases have been limited in recent years, fixed costs, including health insurance and pension costs, have increased more proportionally. As a result, balancing the annual budget can be a challenge. Given its geographical location on Cape Cod, the Town does not have a large commercial and industrial property tax base, so it relies heavily on residential property taxes. Approximately 92% of the Town’s property taxes are derived from residential taxes therefore new growth is essential to revenue growth and the ability to sustain the Town’s annual costs.

The following tables summarize the Town’s building activity growth in assessed values and tax dollars over the prior several calendar years:

Calendar Year	Building Permits						Totals	
	Residential		Non-residential		Additions			
	Number	Value	Number	Value	Number	Value	Number	Value
2019	96	43,180,442	17	17,311,242	2,857	74,629,826	2,970	135,121,510
2018	115	41,259,285	3	8,937,909	2,857	80,342,502	2,975	130,539,696
2017	85	25,604,952	6	1,095,000	1,929	94,306,811	2,020	121,006,763
2016	71	27,769,500	7	3,454,063	2,759	65,840,769	2,837	97,064,332
2015	82	34,557,243	16	137,760,225	2,981	58,236,725	3,079	230,554,193
2014	85	41,408,041	6	3,892,941	2,785	73,345,636	2,876	118,646,618
2013	59	17,451,000	1	3,000,000	2,244	50,224,978	2,304	70,675,978
2012	69	26,628,430	3	5,309,500	2,404	50,544,530	2,476	82,482,460
2011	87	39,480,682	5	17,397,000	2,226	44,678,622	2,318	101,556,304
Total	749	297,339,575	64	198,157,880	23,042	592,150,399	23,855	1,087,647,854

2015 increase in non-residential is attributable to water filtration, ozone building, and wastewater treatment plant

New Growth (in millions - tax dollars)



While property taxes are capped under proposition 2 ½ the Town’s voters have periodically elected to exceed the cap and provide additional taxes to be used to offset the Town’s debt burden related to its capital projects. For fiscal year 2019, the voters provided additional taxes of \$10.2 million in that regard. Total revenues provided from taxes during fiscal year 2019 were almost \$103.1 million.

Tourism

Tourism represents a significant portion of the Town’s private employment as almost 2,500 jobs are devoted to leisure and hospitality, which is, the second largest industry group representing 17% of the Town’s employment base. A significant portion of the Town’s local revenues are directly tied to tourism; these include hotel and room occupancy excise, meals excise, beach charges and marine fees which in aggregate provided the Town with almost \$4 million in revenues in each of the last three fiscal years.

To that end the Town has a number of attractions and events designed with entertainment, recreation and tourism as the driving factors.



Falmouth Road Race



Christmas Parade



Independence Day Fireworks



Beaches



Cape Cod Summer League Baseball

Corona Virus (COVID-19) is a new respiratory disease caused by a novel coronavirus that has not previously been seen in humans. On March 10, 2020, the Governor of the Commonwealth of Massachusetts declared a state of emergency to support the Commonwealth's response to the spread of the virus. This was followed by the World Health Organization declaring the virus a pandemic and the declaration of a national emergency by the President of the United States. On March 15, 2020 the Governor announced emergency actions which called for numerous nonessential activities to end and for citizens to shelter in place. The Town is adhering to these actions by strictly following the public health recommendations of social distancing and limiting public gatherings to 10 people or less. Town employees are currently reporting to work as directed and under the discretion of management. The Town has continued to maintain all essential functions and services and expects to continue to do so.

The virus and the resulting actions by national, state and local governments is altering the behavior of businesses and citizens in a manner that has had a negative impact on global and local economies. There can be no assurances regarding the extent to which the pandemic will impact national and state economies and, accordingly, how it will adversely impact municipalities including the Town. While the impact to fiscal 2020 was minimal due to a strong first three quarters of the fiscal year, these negative impacts are likely to include reduced collection of most revenue sources in future periods while the virus continues to be a threat.

Economic Development

The Town has been very active on the economic development front. Completing industrial and technological projects that produce a positive and sustainable economic impact for the Town has been a goal for a number of years.

To that end the Town's economic development mission is to:

- Maintain strong residential values.
- Sustain four season community and promote continued investment.
- Maintain low vacancy rate and turnover in commercial property.
- Aggressively compete with other family destinations.
- Improve the appearance of property and the Town.
- Stimulate future investment in the community.

The Falmouth Economic Development Industrial Corporation (Falmouth EDIC) is the Town of Falmouth's primary agency responsible for creating and developing increased economic opportunities for both the present and the future. The EDIC's goal is a clean, diverse, economic climate that maintains and enhances Falmouth's intellectual and creative capacities, workplace opportunities, and natural resources.

With the support of the Town, the Falmouth EDIC has generated new, quality jobs by improving the infrastructure supporting industry in Falmouth.

The following projects and initiatives completed by the EDIC have supported their mission:

- **Falmouth Technology Park** - 106-acre technology park providing 400 jobs.
- **Solar Array** - solar energy facility developed on the old Town Landfill – currently provides significant energy savings to the Town.
- **Falmouth Station** - Renovation and update of the old Falmouth Railroad Station; provides stops for Peter Pan bus lines and the Cape Cod Transit Authority.

- **Raymond Park** – ten-lot industrial subdivision partially owned by EDIC who is holding their lots for sale.



Solar Array



Falmouth Station



Raymond Park

Falmouth Business Gigabit Project

During the year, Falmouth EDIC and the Falmouth Chamber of Commerce approached OpenCape on behalf of Falmouth Main Street merchants who were having consistent difficulties related to internet connectivity. At times unable to even run credit cards for sales, these local businesses were suffering due to slow or intermittent internet.

Together, solutions to connect existing and new businesses to OpenCape’s 100% fiber network were reviewed. As part of OpenCape’s Main Streets Initiative, the Falmouth Business Gigabit Project, so called because connected businesses will have access to a shared Gigabit of Internet, includes connections to the downtown area and is also scalable for all of the Falmouth region, including Woods Hole, to support a wide swath of Falmouth Chamber of Commerce members.

After researching a variety of funding opportunities to make the initiative affordable to the business community, a collaboration was reached with MassDevelopment to be their initial recipients of a newly launched loan program, TechDollars, which helps nonprofit organizations in the state implement regional technology initiatives. In addition, the partnership worked with Falmouth’s statehouse delegation to secure a grant from the Executive Office of Housing and Economic Development’s Mass Office of Business Development to complete the necessary funding package.

OpenCape, Falmouth EDIC and the Falmouth Chamber of Commerce have done an extensive amount of development, planning and community outreach to be able to embark on the Falmouth Business Gigabit Project bringing progressive connectivity to Falmouth area business, reliably and at an affordable price since September 2019.

Route 28 Master Plan

The Town also initiates projects outside the Falmouth EDIC through its own Planning Department in collaboration with the Department of Public Works.

Most recently the Town has undertaken a Transportation Master Plan (TMP) focusing on the development of long and short-term improvements for Route 28. Route 28 is a major arterial that travels in the north/south direction through eastern Massachusetts that provides connections to Boston and Orleans. Route 28 generally runs in the east-west direction through Falmouth and provides access to a variety of land uses including residential, commercial, and the downtown area. A portion of Route 28 also runs in the north-south direction towards the Town of Bourne.



As a primary route in the Town of Falmouth, Route 28 serves both through traffic and local traffic and the efficiency of this route is critical to commerce, tourism and residents and their connectivity to the downtown.

The TMP will summarize the existing amenities available for all modes of transportation traveling through the corridor, determine deficiencies, and provide recommendations and alternatives to improve traffic operations, circulation, signage, parking and pedestrian and bicycle amenities.

This report was developed in coordination with the Town of Falmouth Planning Department and Engineering division of public works, as well as the Planning Board and Select Board, and will serve as a guide for capital planning and budgeting needs for potential future short term and long-term transportation improvement projects on Route 28.

Water and Wastewater System

The Town has currently completed major improvements to its water and wastewater systems.

The Little Pond Sewer Service Area (LPSSA) Project is complete. The goal of this project was to improve water quality in Little Pond. The project includes connection of approximately 1,400 properties on the Maravista peninsula and the eastern portion of Falmouth Heights to the existing Town sewer system, construction of approximately 16 miles of sewer pipe (gravity main, low pressure main, and force main), and construction of two new sewer lift stations, one at the end of Alphonse Street and one on Spring Bars Road. The entire Little Pond Sewer Service Area is now available for sewer connection.

In addition to the Little Pond Sewer Service Area Project, three other related projects are also completed: construction of two new treated wastewater recharge beds north of the existing recharge beds at the Town's main Wastewater Treatment Plant at 154 Blacksmith Shop Road, construction of upgrades to the Main Wastewater Treatment Plant, and construction of upgrades at the three existing wastewater lift stations affected by the Little Pond Sewer Service Area flow.

Improvements to the Town's wastewater system will result in increased property value and growth, expedite commercial redevelopment and expand footprints and bedrooms for homes previously restricted under Title V.

Town Meeting voted in strong support of this \$50 million project, including the establishment of a 70% betterment for the cost of the collection system to be recovered from abutters whose property is directly benefiting from this project.

The Town also recently set into operation a \$46.5 million water filtration system that pumps eight million of the 11 million gallons of water the Town uses daily. More specifically, in October 2017 the Long Pond Water Treatment Plant began pumping water into the distribution system. The plant takes water from Long Pond, removes the algae, ozonates the water, filters the water through activated carbon and disinfects it with sodium hypochlorite. The treatment plant replaced an 1890's era facility that operated under a filtration waiver.



The Long Pond Water Treatment Plant received an ENR New England 2017 Best Project Award in the Water/Environment category, and an Associated Builders & Contractors of Massachusetts Eagle Award in the Public Works – Environmental category.

These major improvements to these vital services are a critical step for the Town as it continues to strive to be on the cutting edge of the delivery of basic utility infrastructure services that are environmentally advanced with respect to other Cape Cod communities. A significant portion of the non-betterment related funding for these projects is provided through loans from the Massachusetts Clean Water Trust at interest rates ranging from 0% to 2%.

Water Main Upgrades

Recently, the Town approved \$7.6M in water main upgrades along the Main Street / Route 28 corridor. Relative to that approval, in the spring of 2019, the Town started replacing 18,000 linear feet of water mains that dated back to 1898.

This project improves reliability, water quality and fire protection along this vital corridor. The Town has also submitted design plans and made application-for a \$10M roadway improvement project along this same corridor through the regional Transportation Improvement Program (TIP). This roadway project would be grant-eligible with State funding and improve safety for vehicles, pedestrians and bicycles.

Senior Center

In December 2019, construction was completed on a new 17,500 square foot senior center located between the police station and recreation/community center in the Town center. This facility replaces an outmoded 4,000 square foot facility that was much too small to serve the needs of the year-round community let alone the summer population.

The new senior center includes a large multi-purpose room, a commercial kitchen and a café space for social and recreational activities on the first floor. The second floor has multiple activity rooms, meeting rooms for professional counseling and health insurance and tax preparation assistance, as well as a fully equipped fitness room.



Total costs for the project were approximately \$9.5 million. Due to the restrictions imposed by the Governor and the vulnerability of the individuals who are intended to use the facility to COVID-19, the Senior Center opening has been delayed.

Coonamessett River Restoration

The Conservation Commission continues its involvement with the Coonamessett River Restoration Project, which is overseen by a technical team drawn from State and Federal agencies, the Falmouth Conservation Commission, local non-profit organizations, citizen volunteers and engineering consultants. All permits were obtained and all funding for Phase 2 construction have been secured from Federal and State grants: NOAA (\$670,000 remaining); NRCS (\$666,667 John Parker culvert replacement); Division of Ecological Restoration (\$360,000); and the Municipal Vulnerability Preparedness Program (\$760,000).

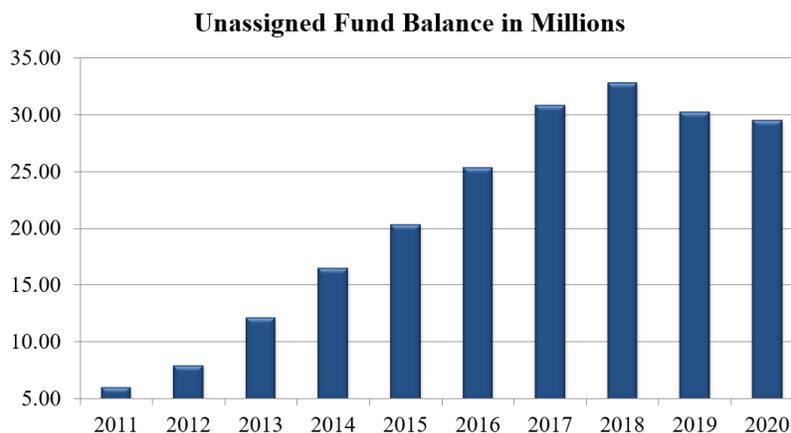
An RFP was issued, and the contract was awarded to SumCo, who began construction in late fall 2019; this construction includes bog restoration, removal of middle dam and the replacement of failing culverts at John Parker Road with a bridge. Phase 2 has begun with a prior contract to SumCo to build Swift’s Crossing, the replacement for Middle berm, which was funded through Community Preservation Act (CPA) funds.



Conservation Commissioners joined with members of the Coonamessett River Trust and The 300 Committee to lead field trips for over 400 elementary school students to learn about the importance of wetlands, herring and how the restoration will improve resiliency in the face of change due to global warming and its effect on the climate.

Unassigned General Fund Balance

One of the methods the Town uses to maintain reserves from year to year is to conservatively forecast revenues. This allows the Town to use free cash (surplus) for reserves, capital projects or other non-operating one-time expenses. In addition, spending controls such as monthly budget monitoring has resulted in turn-backs which also assisted the Town in this process. As a result, the Town has been able to responsibly maintain and/or increase reserves from year to year as illustrated below:



Long-term Financial Planning

The Town prepares rolling five-year operating budget projections. The Town believes this will (1) provide better insight when preparing annual budgets; (2) alert the Town to any potential budget issues far ahead of when these situations become real; and (3) allow the Town to determine when available financing for its capital needs can be provided or if a need for borrowing to finance projects is required.

The following represents the Town's five-year revenue projections:

	2021	2022	2023	2024	2025
Real Estate and Personal Property Taxes	\$ 111,443,733	\$ 114,787,045	\$ 118,230,656	\$ 121,777,576	\$ 125,430,903
Intergovernmental Revenue - Local Aid	9,405,026	9,405,026	9,405,026	9,405,026	9,405,026
Local Receipts	19,730,000	20,124,600	20,527,092	20,937,634	21,356,387
Recurring transfers from special revenue	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Total Revenues	<u>\$144,578,759</u>	<u>\$148,316,671</u>	<u>\$152,162,774</u>	<u>\$156,120,236</u>	<u>\$160,192,316</u>

The Town expects that annual budget sources as forecasted will be sufficient to fund annual appropriations.

Property Tax Override

In May 2020, the Town of Falmouth was most gratified to have Falmouth voters overwhelmingly approve a proposed permanent property tax override of \$971,507. The override was for the purpose of hiring eight full-time firefighters to supplement Fire Department staffing in furtherance of successfully implementing a five-fire station model for the Town-wide deployment of Fire/Rescue services. This includes the mandatory assignment of two firefighters to each piece of fire or rescue equipment in service to the public. Following multiple public forums and discussions which provided facts and information to the public on Fire Department operations and planned service enhancements, this was the first permanent override passed by Falmouth voters in thirty years. This mission critical staffing enhancement to public safety is in the process of implementation.

Capital Improvements

The Town continues to invest aggressively in capital improvements. Since 2005 the Town has invested approximately \$250 million in improving facilities and adding much needed infrastructure as follows:

- Library renovation - \$10.0 million;
- Improvements to schools; almost \$80 million;
- Improvements to road infrastructure: almost \$11 million;
- Improvements to wastewater infrastructure: over \$64 million;
- Improvements to water infrastructure: over \$48 million;
- Fire Department additions: almost \$4 million;
- Marina infrastructure; \$2.8 million;
- Land purchases almost \$4 million;
- Public Works buildings; \$6 million;
- Public Works equipment and machinery; \$3 million;
- Recreation improvements; \$1.1 million;
- Senior Center; \$4.5 million;
- High School Athletic Field; \$3 million
- Police equipment and vehicles; \$2 million.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting. This is a very prestigious award and in order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

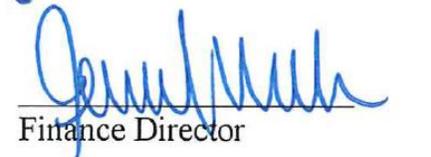
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for this certificate.

The GFOA awarded this Certificate of Achievement for Excellence in Financial Reporting to the Town of Falmouth for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the fourth year that the Town has received this prestigious award.

The publication of this CAFR represents an important achievement in the ability of the Town of Falmouth to provide enhanced financial information and accountability to its citizens, elected and appointed officials, and investors. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Office. Special thanks also go to the certified public accounting firm of Roselli, Clark and Associates for their advice and assistance in the preparation of this report.

Respectfully submitted,


Town Manager


Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Falmouth
Massachusetts**

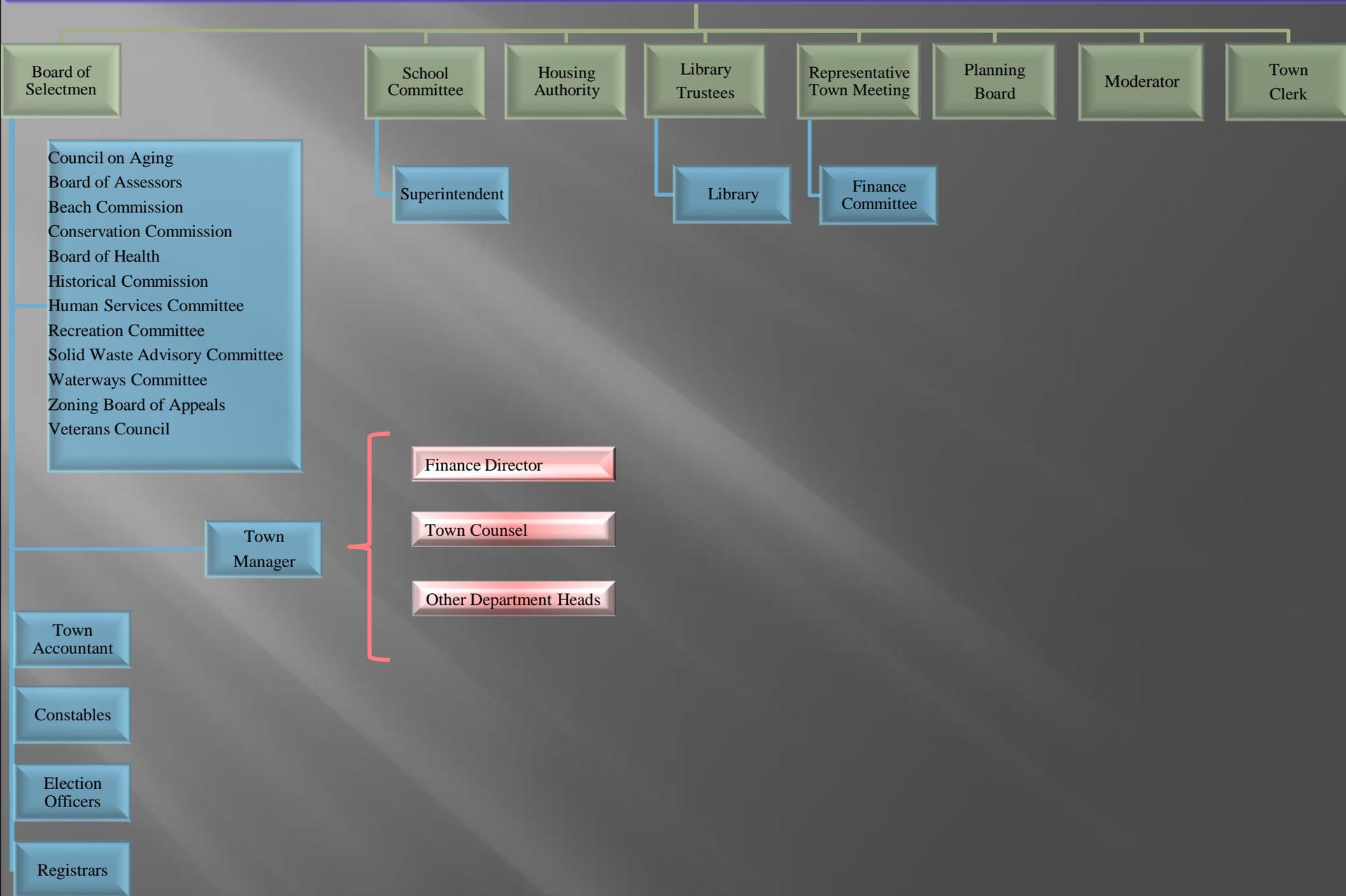
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

Falmouth Voters



**PRINCIPAL TOWN OFFICIALS
As of June 30, 2020**

Elected Officials

Select Board

Megan English Braga, Chairperson
Douglas Brown, Vice-Chairperson
Douglas H. Jones
Samuel H. Patterson
Nancy R. Taylor

Moderator

David Vieira

Town Clerk

Michael Palmer

School Committee

Kelly Welch, Chairperson
Natalie Kanellopoulos, Vice-Chairperson
Melissa Keefe, Secretary
William Rider
Lisa E. Hart
John Furnari
Terri Medeiros
Andrea Thorrold
Leah Palmer

Appointed Officials

Finance Committee

Keith Schwegel, Chairperson
Nick Lowell, Vice Chairperson
Susan P. Smith, Secretary
Kathleen Beriau
Joseph L. Drolette
Ron Dyer
Peter Hargraves
Cynthia Eaton

Mary Harris
Judith P. Magnani
Deborah D. Maguire
James Marnell
Wendy Vogel
Joseph Lemay
James Newman

Town Manager

Julian M. Suso

Assistant Town Manager

Peter Johnson-Staub

Superintendent of Schools

Lori S. Duerr

Director of Finance

Jennifer Mullen

Town Counsel

Frank Duffy Jr.

School Director of Finance

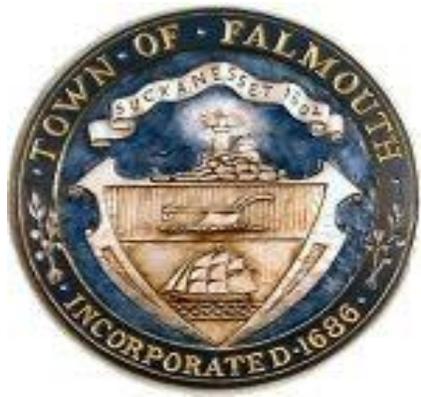
Patrick Murphy

Town Accountant

Victoria Rose

Treasurer/Collector

Patricia O'Connell

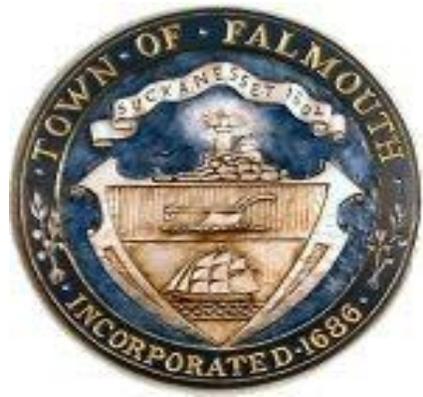


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FINANCIAL SECTION



The Falmouth Country Club in East Falmouth is a year-round 27-hole golf course purchased by the Town in 2004 for \$15.8 million. The purchase was subsidized by a combination of bond issuances, government subsidies, Land Bank reserves and fund raisers. It is currently managed by an outside organization under a revenue sharing lease arrangement.



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ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Falmouth, Massachusetts
Falmouth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Massachusetts, (the "Town") as of and for the year ended June 30, 2020, (except for the Pension Trust Fund and the Falmouth Economic Development Corporation which are as of December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town as of June 30, 2020, (except for the Town of Falmouth Contributory Retirement System and the Falmouth Economic Development Corporation, which are as of December 31, 2019) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement of Prior Year Ending Balances

As more fully described in Note IV, a restatement of prior year ending fund balances was made to the Town's governmental and business-type activities and its water major enterprise fund. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town of Falmouth
Page Three

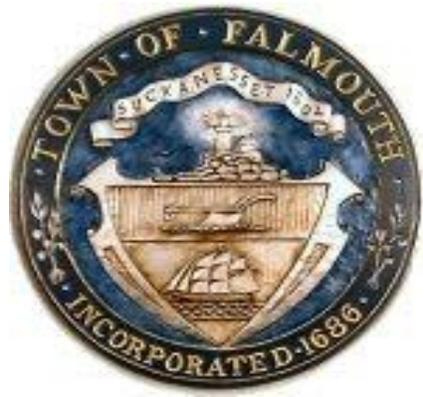
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 30, 2020



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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Falmouth, Massachusetts (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

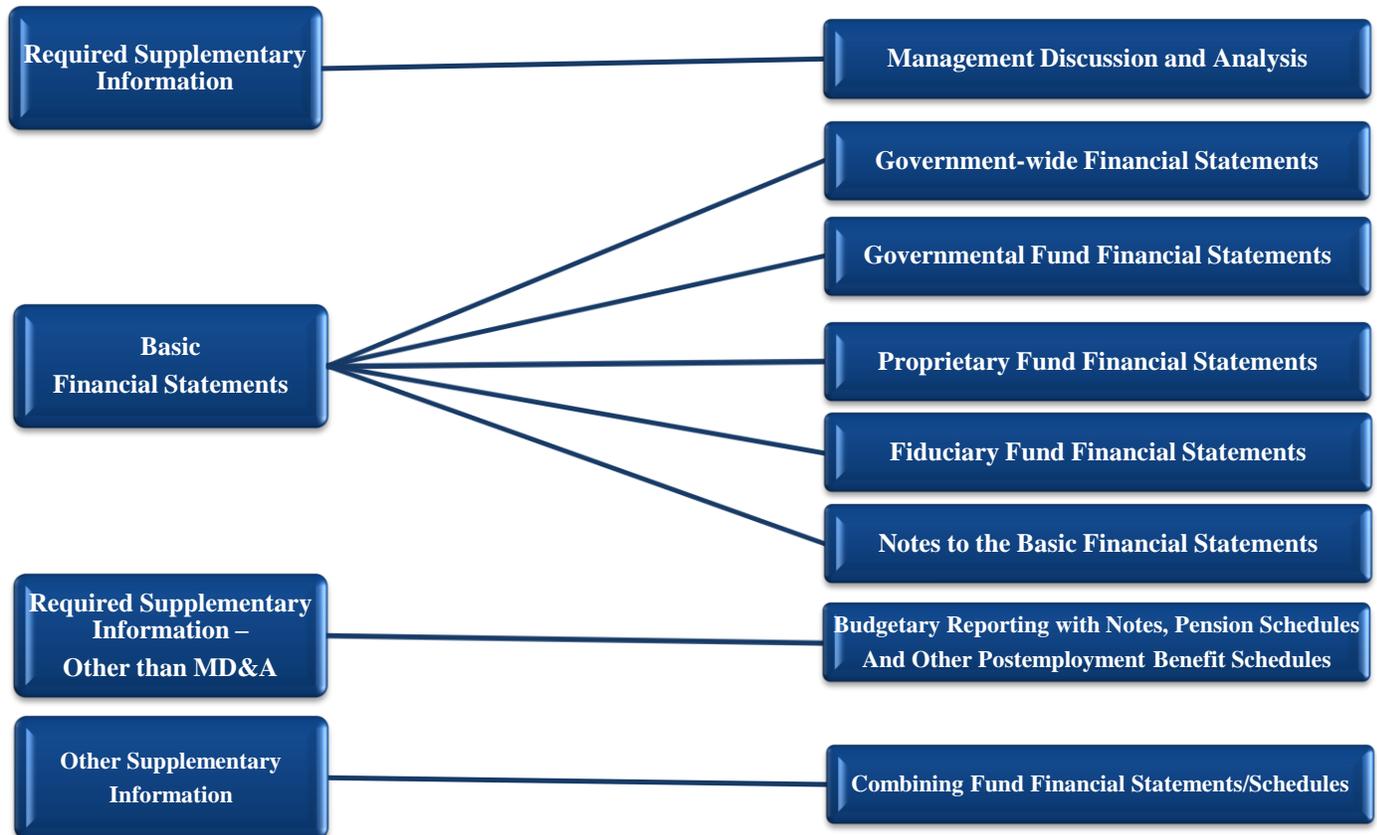
Financial Highlights

- Fiscal 2020 can be characterized as a year that was dealt many financial challenges due to the emergence of the novel coronavirus, COVID-19. Reaching the United States west coast in January of 2020, the virus spread to pandemic proportions nationally; quickly spreading and reaching Massachusetts in late February. The strength in transmission of the virus forced lock downs of businesses, schools, restaurants and all non-essential activity in many states including Massachusetts. These lockdowns essentially brought most economic activity to a halt as its impact was felt globally. Despite this, the Town was able to navigate through these challenges and end up with a relatively positive outcome. This was leveraged mostly in part to a strong first three quarters of the year bolstered by significant reserves the Town has accumulated. In addition, the Town was the beneficiary of multiple grants created to assist communities during this very challenging time. Its impact on fiscal 2021 is yet to be determined given that a second wave of the virus has emerged and its impact is can't be predicted, however the impact to fiscal 2020 is included in various areas of this Management Discussion and Analysis.
- The assets and deferred outflows of financial resources of the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$145.6 million (*total net position*). About \$83.8 million represented net position of governmental activities and about \$61.8 million represented net position of the business-type activities.
- The government's total net position decreased by \$0.3 million. This trivial amount was due to a decrease in the governmental activities of \$1.7 million almost entirely offset by an increase in the business-type activities of about \$1.4 million.
- The Town's Unassigned Fund Balance reported in the General Fund was over \$29.5 million (about 19.9% of General Fund expenditures), while total fund balance in the General Fund was over \$43.8 million (29.5% of General Fund expenditures). Furthermore, the Town reported restricted fund balances of approximately \$7.3 million, \$7.7 million, \$4.8 million, \$2.7 million and \$8.8 million in the Receipts Reserved for Appropriation, Community Preservation Fund, Capital Projects Fund, Sewer Capital Project Fund, and the combined Nonmajor Governmental Funds, respectively. A trivial amount is included as nonspendable in the Nonmajor Governmental Funds.
- Governmental activities debt increased by over \$5.7 million. Detail of the transactions that contributed to this change are summarized in the long-term debt section of this Management, Discussion and Analysis.

Overview of the Financial Statements

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

The layout and relationship of the financial statements and supplementary information is visually illustrated in the diagram on the following page.



Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town’s assets, deferred outflows, liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include general government, public safety, highways and streets, education, health and human services, sewer services, debt service, fringe benefits and culture and

recreation. The business-type activities of the Town are comprised completely of the water utility services fund.

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

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

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

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.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Receipts Reserved for Appropriation, Community Preservation Fund, Capital Projects Fund and Sewer Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor governmental funds is provided in the form of combining statements.

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

Proprietary Funds – The Town maintains only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial

statements. The Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The Town uses a proprietary fund to account for its water utility services.

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

The System is a Pension Trust that is a legally separate entity reported as a fiduciary fund. Because the System services almost entirely the Town, it is presented as if it were part of the primary government as a fiduciary fund due to the significance of its operations.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning:

- The Town’s proportionate share of net pension liability (NPL)
- Contributions to its pension plan
- The Commonwealth's collective share of NPL to the Massachusetts Teachers' Retirement System
- The Schedule of Net Other Postemployment Benefits Liability and Related Ratios,
- The Schedule of Contributions to its Other Postemployment Benefits Plan
- The Schedule of Investment Returns – Other Postemployment Benefits Plan
- The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$145.6 million at the close of the most recent fiscal year. Data regarding net position is presented as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	June 30		June 30		June 30	
	2020	2019	2020	2019	2020	2019
<u>Assets</u>						
Current and other assets	\$ 117,856,878	\$ 123,844,873	\$ 6,393,992	\$ 6,496,956	\$ 124,250,870	\$ 130,341,829
Capital assets, net	312,144,160	304,432,354	104,355,637	102,451,387	416,499,797	406,883,741
Total assets	430,001,038	428,277,227	110,749,629	108,948,343	540,750,667	537,225,570
Deferred Outflows of Resources	38,582,701	31,702,329	854,619	1,000,701	39,437,320	32,703,030
<u>Liabilities</u>						
Long-term liabilities	366,242,604	325,727,480	49,460,768	48,665,658	415,703,372	374,393,138
Other liabilities	11,389,533	27,409,542	99,920	524,608	11,489,453	27,934,150
Total liabilities	377,632,137	353,137,022	49,560,688	49,190,266	427,192,825	402,327,288
Deferred Inflows of Resources	7,145,064	11,021,848	227,081	235,590	7,372,145	11,257,438
<u>Net Position</u>						
Net investment in capital assets	212,130,408	195,917,472	63,240,739	63,052,501	275,371,147	258,969,973
Restricted	40,993,285	43,898,903	-	-	40,993,285	43,898,903
Unrestricted	(169,317,155)	(143,995,689)	(1,424,260)	(2,529,313)	(170,741,415)	(146,525,002)
Net position	\$ 83,806,538	\$ 95,820,686	\$ 61,816,479	\$ 60,523,188	\$ 145,623,017	\$ 156,343,874

By far, the largest portion (almost \$275.4 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (almost \$41.0 million) represents resources that are subject to external restriction on how they may be used.

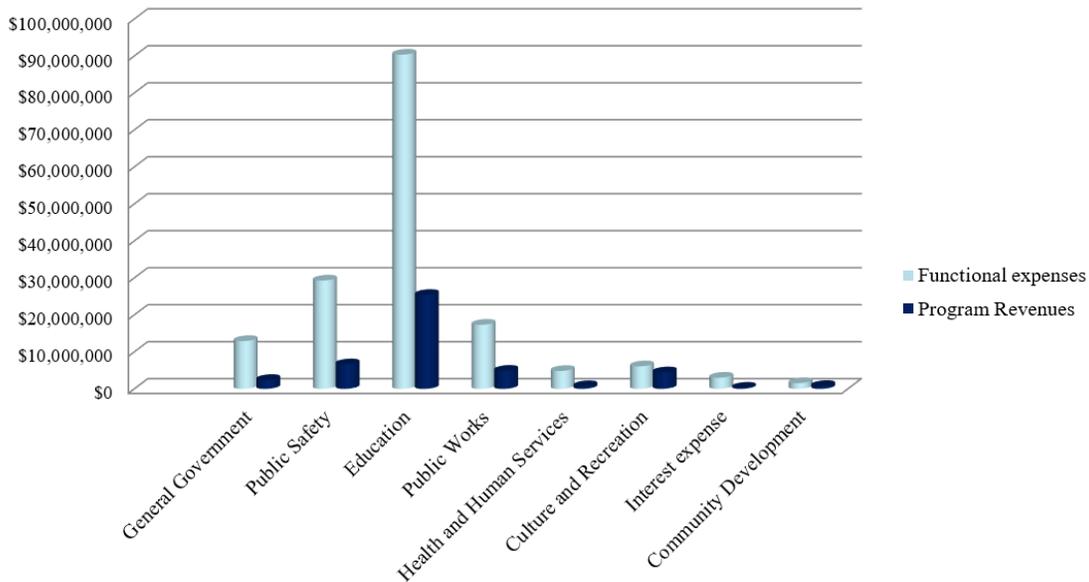
Unrestricted net position is reported as a deficit, of over \$170.7 million. This is due to the implementation of GASB 68 and GASB 75 which resulted in significant related net pension and net OPEB liabilities. This deficit is expected to increase from year to year until a time that the Town adopts an adequate funding schedule for the net OPEB liability. The net pension liability is funded by statute on an annual basis and is expected to be fully funded in less than 20 years.

The condensed statement of changes is as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	June 30		June 30		June 30	
	2020	2019	2020	2019	2020	2019
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 12,871,352	\$ 13,244,949	\$ 6,651,037	\$ 6,857,045	\$ 19,522,389	\$ 20,101,994
Operating grants and contributions	26,252,473	24,195,111	-	-	26,252,473	24,195,111
Capital grants and contributions	6,401,056	2,860,500	33,542	35,086	6,434,598	2,895,586
General revenues:						
Property taxes	109,628,166	105,905,904	-	-	109,628,166	105,905,904
Intergovernmental	1,651,911	2,172,038	-	-	1,651,911	2,172,038
Other	9,752,718	9,662,414	14,748	33,609	9,767,466	9,696,023
Total Revenues	166,557,676	158,040,916	6,699,327	6,925,740	173,257,003	164,966,656
<u>Expenses</u>						
General government	12,920,940	15,246,101	-	-	12,920,940	15,246,101
Public safety	29,281,207	28,338,433	-	-	29,281,207	28,338,433
Education	90,350,751	81,536,717	-	-	90,350,751	81,536,717
Public works	17,324,213	16,580,231	-	-	17,324,213	16,580,231
Health and human services	4,825,910	2,807,955	-	-	4,825,910	2,807,955
Culture and recreation	6,085,455	6,089,325	-	-	6,085,455	6,089,325
Debt service	3,002,258	2,816,838	-	-	3,002,258	2,816,838
Community preservation	1,546,127	551,127	-	-	1,546,127	551,127
Water	-	-	8,214,702	7,525,174	8,214,702	7,525,174
Total Expenses	165,336,861	153,966,727	8,214,702	7,525,174	173,551,563	161,491,901
Change in net position before transfers	1,220,815	4,074,189	(1,515,375)	(599,434)	(294,560)	3,474,755
Transfers	(2,921,077)	(5,554,871)	2,921,077	5,554,871	-	-
Change in net position	(1,700,262)	(1,480,682)	1,405,702	4,955,437	(294,560)	3,474,755
Net position, beginning of year	95,820,686	97,301,368	60,523,188	55,567,751	156,343,874	152,869,119
Restatement for net OPEB liability	(10,313,886)	-	(112,411)	-	(10,426,297)	-
Net position, beginning of year, as restated	85,506,800	97,301,368	60,410,777	55,567,751	145,917,577	152,869,119
Net position, end of year	\$ 83,806,538	\$ 95,820,686	\$ 61,816,479	\$ 60,523,188	\$ 145,623,017	\$ 156,343,874

Governmental Activities – The governmental activities decreased net position by approximately \$1.7 million. This was after the impact of a prior period adjustment that reduced net position by approximately \$10.3 million. This operating result was consistent with the prior year. Expenses typically exceed revenues by a relatively small amount due accrual items that are not in the Town’s statutory budget.

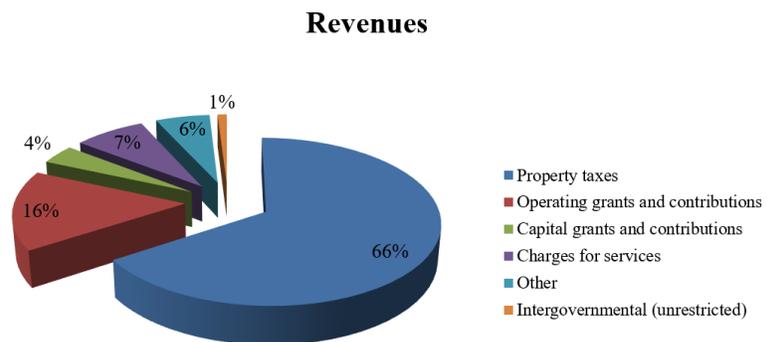
Fiscal Year 2020 Expenses and Program Revenues – governmental activities are graphically presented as follows:



Major revenue sources of governmental activities consist of revenue from:

(1) Property taxes which represented 65.8% of total revenues. This was an increase of \$3.7 million over the prior year, which is reasonable under Massachusetts General Laws; communities are allowed to assess taxes at 2 ½% of the prior year plus any new growth. The Town experienced approximately \$1.0 million increase in new growth. Therefore, this increase met an increase that is expected from year to year.

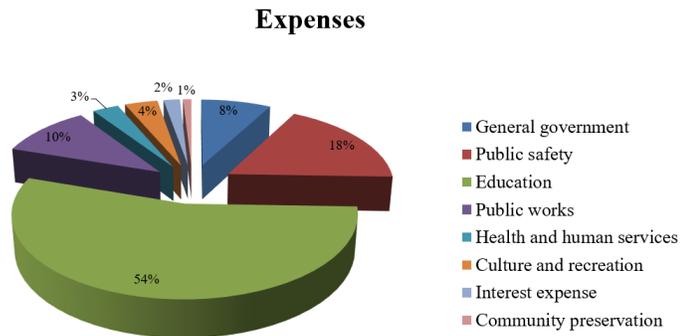
(2) Operating grants which comprised approximately 15.8% of the total governmental activity revenues; the dollar amount was modestly higher than the prior year as the Town continues to be the beneficiary of operating grants from the Federal and State Government as well as pass through pension benefits for the Town’s teachers who belong to the Massachusetts Teacher’s Retirement System. The latter is a special funding situation as defined under GASB 68. This amount was \$2.7 million greater than the prior year and made up the majority of this increase. This also has a similar collateral impact on expenses.



(3) Capital grants and contributions is a small amount (about 3.8%) of total revenue in the current year. The increase (over \$3.5 million) in amount over the prior year is due to the government grant eligibility of three capital projects.

The Town’s total expenses were \$11.4 million greater than the prior year. This was primarily due to three factors; (1) an increase of \$2.8 million in benefits expenses related to the special funding situation described above; (2) a \$5.8 million increase in benefit expenses as a result of recording current year GASB 68 and GASB 75 impacts and (3) normal inflationary pressures and salary increases to comply with collective bargaining which were partially offset by a one-time charge in the prior year of \$2.4 million related to decommissioning two Town windmills.

Major expenses consist of the following:



Education costs represent the Town’s largest expense category as education continues to be an area in which the Town devotes substantial resources. Approximately 54.6% of the Town’s total disbursements are related to education. Public Safety expenses represented approximately 17.7% of total expenses and Public works expenses represented 10.5% of total expenses. Dollar increases in these functional categories were due to the items noted in (1) and (2) above. Decreases in General Government, which represents about 7.8% of functional expenses, were primarily due to the one-time charge for dismantling the wind turbines in the prior year. The increase in Health and Human Services was directly due to initiation of expenses associated with the Affordable Housing Trust. However, this function expense made up as small portion of the total expenses.

All other functional expense categories combined were less than 10% and their impacts are not material to the overall operating discussion.

Business-type Activities – Net position of the business-type activities increased by about \$1.4 million over the prior year balances. Net revenues were significantly lower than expenses due to water usage being reduced during the pandemic and the Town not increasing user fees. However, a general fund subsidy of \$2.9 million offset this decrease, with the balance used to subsidize infrastructure improvements.

Fund-wide Financial Analysis of the Governmental Funds

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

Governmental Funds – The focus of the Town’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town’s financing requirements. In particular, *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.

The following discussion summarizes the highlights in Governmental Funds:

General Fund – The General Fund is the Town’s operating fund. Typical, the operating fund is designed for revenues to equal expenditures. Given the robust economy in Massachusetts particularly in Barnstable County, which recently was designated as a Metropolitan Statistical Area, operating funds

have been generating a surplus for the last several years. This continued for the first three quarters of the fiscal year and this result was able to leverage a fourth quarter shelter in place requirement mandated by the Governor.

Revenues in the General Fund exceeded forecasts by \$3.7 million; experiences were observed through all revenue categories. As previously discussed, the economy continued to remain robust through the first three quarters of the fiscal year. Excise, user charges, licenses, permits and investment income all outpaced their estimates.

Strong budget management and conservative estimates had a similar impact on expenditures. Across the board favorable results caused expenditures to end below budget by about \$4.9 million. These savings were observed in many categories with benefits, public safety and general government being the largest beneficiaries. The shelter in place fourth quarter lockdown also resulted in less activity, contributing to this result.

This favorable budget operating result of \$8.6 million was offset by appropriations from surplus, mostly for capital, which led to the General Fund decreasing over the prior year by almost \$0.8 million.

The Town's Unassigned Fund Balance reported in the General Fund was over \$29.5 million (19.9% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$43.8 million (29.5% of General Fund expenditures).

Receipts Reserved for Appropriation increased by almost \$0.2 million, as revenues exceeded net other financing uses. This was also a function of the strength in the economy in the first three quarters which slowed down in the fourth quarter as revenues in this group of funds is typically generated from charges. Fund balance of over \$7.0 million is classified as restricted in this fund.

Community Preservation Fund operations were flat. This fund is used to accumulate balances that will be used for open space purchases, historical preservation and affordable housing. Sources of revenue are from property taxes, intergovernmental receipts and interest income. The restricted fund balance is almost \$7.7 million, and it approximates the prior year balance.

Capital Projects Fund increased by over \$9.9 million. This was primarily due to a bond issuance to subsidize capital expenditures. The fund had carried a deficit of \$5.1 million into the current year due to prior year capital expenditures being subsidized by short-term borrowings. This bond issuance was used to refinance this deficit as well as current year expenditures thus the significant increase. The restricted fund balance is over \$4.8 million at year-end.

Sewer Capital Projects Fund increased by over \$1.9 million, also due to a bond issuance. The restricted fund balance is over \$2.7 million at year-end.

Nonmajor Governmental Funds increased by \$0.6 million. Since these funds are for the most part designed to accommodate money in equals money out, the increase was primarily due to timing. The majority of the fund balance, almost \$8.8 million, is restricted with a trivial balance included as nonspendable.

Proprietary Funds – The Town's proprietary funds consist completely of the Water Utility Services Fund which provides the same type of information found in the government-wide financial statements under Business-type activities. At the end of the year, net position of the Water Fund was approximately \$61.8

million, which represents an almost \$1.4 million increase from the prior year. The primary cause of this was a transfer from the General Fund for capital purposes.

Fiduciary Funds – The Town’s fiduciary funds are comprised of the Town’s Private Purpose Trust Funds, its Other Postemployment Benefits Trust and its Pension Trust Fund. Total Net Position of these funds is almost \$159.8 million.

The Pension Fund is used to pay pension benefits to retirees. The net position at the end of the year was about \$156.7 million or over \$23.7 million greater than the prior year. This was primarily due to robust market conditions during the year ended December 31, 2019.

The Private Purpose Trust Funds make up almost \$1.9 million of the net position balance at year-end; These assets are used strictly for purposes outside of the public domain such as scholarships and public assistance and increased due to earnings from investments exceeding distributions.

In addition, the Town has elected to establish a trust under Chapter 32B Section 20 of the MGL whose sole purpose will be to accumulate funds to reduce the Town’s unfunded net postemployment liability. This fund increased by approximately \$0.6 million to almost \$1.3 million due to a contribution made by the Town in excess of premiums paid for retirees and investment income. The Town anticipates the use of an annual dedicated budget source to fund a portion of the annually determined contribution in future years.

General Fund Budgetary Highlights

The final amended budget was consistent with the original budget as amendments were not significant and in total were less than 1% of total budget.

Major budget to actual differences on the revenue side included excise, which exceeded forecast by over \$1.7 million, intergovernmental which exceeded forecast by about \$0.7 million and departmental, user charges and other which exceeded forecast by almost \$1.7 million. As previously discussed, these were a byproduct of the continued economic expansion in the northeast for the first three quarters of the fiscal year that offset the adverse impacts of the pandemic in quarter four.

The Town also experienced favorable variances in almost all budget categories as budget monitoring controls implemented in the prior year were very effective. In addition, reduced activity in the fourth quarter, due to the pandemic, resulted in lower expenditures. The largest beneficiaries were benefits which were over \$1.1 million under budget, general government which was \$0.8 million under budget and public safety which was almost \$0.6 million under budget.

Further detail of budget to actual comparisons may be reviewed as part of the Required Supplementary Information following the footnotes to this report.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business type activities as of June 30, 2020 amounts to approximately \$416.5 million (net of accumulated depreciation) an increase from the previous year’s balance of almost \$9.6 million. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, and equipment. The total increase is primarily due to infrastructure improvements for water and sewer and multiple other projects offset by depreciation.

The Town has undergone significant capital improvements over the past several years. These include major improvements and additions to infrastructure assets, more specifically roads, water distribution components and sewer infrastructure; along with municipal facilities, fire-fighting equipment, vehicles and major purchases to preserve open space. Additional information on the Town capital assets can be found in Note II. Subsection D, of this report.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding, inclusive of unamortized premiums, of approximately \$154.3 million (\$111.3 million Governmental activities and \$43.0 million Business-type activities). The entire amount comprises debt backed by the full faith and credit of the government. The Town’s credit rating from Standard and Poor was maintained at “AAA”. This is the highest investment grade issued by this agency.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation. The current debt limitation for the Town is approximately \$617.1 million, which is significantly in excess of the Town’s outstanding general obligation debt classified as inside the debt limit. The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town. The increase in long-term debt from the prior year to the current year is summarized as follows:

Additions:	
Governmental Activities	\$ 14,410,000
Business-Type Activities	2,735,000
Regular Scheduled Maturities:	
Governmental Activities	(15,861,092)
Business-Type Activities	(1,832,445)
Advanced Refunding (net)	2,615,000
Bond Premiums Received:	
Governmental Activities	3,463,041
Business-Type Activities	395,554
Amortization of Bond Premium	
Governmental Activities	(176,482)
Business-Type Activities	(74,718)
	\$ 5,673,858

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

Economic Factors and Next Year’s Budgets and Rates

- The COVID-19 pandemic has had a catastrophic impact nation-wide. With the majority of the Country under lockdown for the entire 4th quarter, the impacts have caused significant reductions in revenue and thus an adverse impact on operations. The Town survived fiscal 2020 due to a strong first three quarters and conservative revenue estimates. However, the impact to fiscal year 2021 is

uncertain and thus, the Town has taken a very conservative approach in estimating revenues for fiscal year 2021.

- The Town's real estate tax base is made up predominantly of residential taxes, which comprise nearly 92.3% of the Town's real estate tax base. The Town also relies to a lesser but moderate extent on its commercial and industrial real estate tax base, which in aggregate comprise 5.8% of the Town's real estate tax base. The remainder of the Town's tax base is made up of personal property taxes. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- The Town's property values have been steadily increasing over the past several years. Property values are at all-time highs in many Town neighborhoods.
- The Town anticipates state aid for 2021 to remain consistent with the prior year as the State has guaranteed aid to be level funded.
- Unemployment rates across the Commonwealth continue to be among the highest in the country as the effects of the COVID-19 pandemic has hit states with higher pre-pandemic employment rates the hardest.
- Tourism in the area remains robust and contributes to the Town operations; valuation growth engenders a strong tax base for which the Town ranks in the top 10 in the Commonwealth.

All of the above items were considered when the Town developed its budget for fiscal year 2021. The budget was adopted in June 2020 and the tax rate was approved in December 2020.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 59 Town Hall Square, Falmouth, Massachusetts 02540, or via email at jennifer.mullen@falmouthma.gov.

Complete standalone financial statements of the Falmouth Contributory Retirement System can be obtained from the Retirement Office, 80 Davis Straits Suite 102, Falmouth, Massachusetts 02540.

Basic Financial Statements

TOWN OF FALMOUTH, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			(December 31, 2019)
	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	\$ 63,324,000	\$ 4,341,602	\$ 67,665,602	\$ 472,612
Investments	20,627,527	597,681	21,225,208	-
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes	2,981,561	-	2,981,561	-
Tax liens and deferrals	2,333,199	-	2,333,199	-
Excise	953,465	-	953,465	-
User fees	-	1,215,235	1,215,235	-
Special assessments	23,448,550	181,694	23,630,244	-
Departmental and other	802,054	-	802,054	17,340
Notes receivable	-	-	-	36,551
Intergovernmental	3,386,522	57,780	3,444,302	-
Prepaid items	-	-	-	3,001
Property held for sale	-	-	-	85,763
Capital assets, not being depreciated	89,449,412	1,486,126	90,935,538	-
Capital assets, net of accumulated depreciation	222,694,748	102,869,511	325,564,259	-
Total Assets	430,001,038	110,749,629	540,750,667	615,267
Deferred Outflows of Resources				
Related to net other postemployment benefits liability	31,385,227	572,034	31,957,261	-
Related to net pension liability	6,342,361	282,585	6,624,946	-
Deferred charge on refunding	855,113	-	855,113	-
Total Deferred Outflows of Resources	38,582,701	854,619	39,437,320	-
Liabilities				
Warrants and accounts payable	6,663,428	99,920	6,763,348	11,802
Accrued payroll	3,389,795	-	3,389,795	-
Retainage payable	228,653	-	228,653	-
Other liabilities	21,399	-	21,399	-
Unearned revenue	-	-	-	1,000
Interest expense	1,086,258	-	1,086,258	-
Long-term liabilities:				
Due within one year	10,679,267	2,637,729	13,316,996	-
Due in more than one year	355,563,337	46,823,039	402,386,376	-
Total Liabilities	377,632,137	49,560,688	427,192,825	12,802
Deferred Inflows of Resources				
Related to net other postemployment benefits liability	3,466,405	63,178	3,529,583	-
Related to net pension liability	3,678,659	163,903	3,842,562	-
Total Deferred Inflows of Resources	7,145,064	227,081	7,372,145	-
Net Position				
Net investment in capital assets	212,130,408	63,240,739	275,371,147	-
Restricted:				
Nonexpendable permanent funds	25,000	-	25,000	-
Expendable permanent funds	2,353,585	-	2,353,585	-
Community preservation	7,797,709	-	7,797,709	-
Federal and State grants	3,380,852	-	3,380,852	-
Debt service	26,593,574	-	26,593,574	-
Gift funds	842,565	-	842,565	-
Property held for sale	-	-	-	85,763
Unrestricted	(169,317,155)	(1,424,260)	(170,741,415)	516,702
Total Net Position	\$ 83,806,538	\$ 61,816,479	\$ 145,623,017	\$ 602,465

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			(December 31, 2019) Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
<i>Governmental Activities:</i>								
General government	\$ 12,920,940	\$ 1,994,735	\$ 113,152	\$ 295,000	\$ (10,518,053)		\$ (10,518,053)	\$ -
Public safety	29,281,207	5,884,722	133,884	600,000	(22,662,601)		(22,662,601)	-
Education	90,350,751	771,944	24,607,927	-	(64,970,880)		(64,970,880)	-
Public works	17,324,213	2,368,431	86,507	2,425,628	(12,443,647)		(12,443,647)	-
Health and human services	4,825,910	162,740	553,327	-	(4,109,843)		(4,109,843)	-
Culture and recreation	6,085,455	1,688,780	457,718	2,315,044	(1,623,913)		(1,623,913)	-
Interest expense	3,002,258	-	299,958	-	(2,702,300)		(2,702,300)	-
Community development	1,546,127	-	-	765,384	(780,743)		(780,743)	-
Total Governmental Activities	165,336,861	12,871,352	26,252,473	6,401,056	(119,811,980)		(119,811,980)	-
<i>Business-Type Activities:</i>								
Water	8,214,702	6,651,037	-	33,542		\$ (1,530,123)	(1,530,123)	-
Total Business-type Activities	8,214,702	6,651,037	-	33,542		(1,530,123)	(1,530,123)	-
Total Primary Government	\$ 173,551,563	\$ 19,522,389	\$ 26,252,473	\$ 6,434,598	(119,811,980)	(1,530,123)	(121,342,103)	-
Component Unit:								
Falmouth EDIC	\$ 258,071	\$ 142,010	\$ -	\$ 80,000				\$ (36,061)
Total Component Unit	\$ 258,071	\$ 142,010	\$ -	\$ 80,000				(36,061)
General Revenues:								
Real and personal property taxes					109,628,166	-	109,628,166	-
Motor vehicle and other excise					7,760,411	-	7,760,411	-
Grants and contributions not restricted to specific programs					1,651,911	-	1,651,911	-
Penalties and interest on taxes					765,150	-	765,150	-
Unrestricted investment income					1,227,157	14,748	1,241,905	5,898
Other					-	-	-	804
Transfers (net)					(2,921,077)	2,921,077	-	-
Total General Revenues and Transfers					118,111,718	2,935,825	121,047,543	6,702
Change in Net Position					(1,700,262)	1,405,702	(294,560)	(29,359)
Net Position:								
Beginning of year, as restated (see Note IV)					85,506,800	60,410,777	145,917,577	631,824
End of year					\$ 83,806,538	\$ 61,816,479	\$ 145,623,017	\$ 602,465

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	General	Receipts Reserved for Appropriation	Community Preservation	Capital Projects	Sewer Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash and cash equivalents	\$ 30,797,885	\$ 7,191,401	\$ 7,775,211	\$ 7,378,909	\$ 3,651,719	\$ 6,528,875	\$ 63,324,000
Investments	18,248,942	-	-	-	-	2,378,585	20,627,527
Receivables, net of allowance for uncollectibles:							
Real estate and personal property taxes	2,923,951	-	57,610	-	-	-	2,981,561
Tax liens and deferrals	2,282,869	-	50,330	-	-	-	2,333,199
Excise	953,465	-	-	-	-	-	953,465
Special assessments	100,815	22,562,816	-	784,919	-	-	23,448,550
Other	747,095	54,959	-	-	-	-	802,054
Intergovernmental	3,147,441	31,846	-	28,153	138,093	40,989	3,386,522
Due from other funds	-	-	-	-	-	-	-
Total Assets	59,202,463	29,841,022	7,883,151	8,191,981	3,789,812	8,948,449	117,856,878
Deferred Outflows of Resources	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 59,202,463	\$ 29,841,022	\$ 7,883,151	\$ 8,191,981	\$ 3,789,812	\$ 8,948,449	\$ 117,856,878
Liabilities:							
Warrants and accounts payable	\$ 3,199,777	\$ -	\$ 85,442	\$ 2,406,628	\$ 835,193	\$ 136,388	\$ 6,663,428
Accrued payroll and withholdings	3,389,795	-	-	-	-	-	3,389,795
Retainage payable	-	-	-	158,678	69,975	-	228,653
Other liabilities	21,399	-	-	-	-	-	21,399
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	6,610,971	-	85,442	2,565,306	905,168	136,388	10,303,275
Deferred Inflows of Resources:							
Unavailable revenues - property taxes	3,826,831	-	107,940	-	-	-	3,934,771
Unavailable revenues - excise taxes	953,465	-	-	-	-	-	953,465
Unavailable revenues - special assessments	100,815	22,562,816	-	784,919	-	-	23,448,550
Unavailable revenues - other	747,095	-	-	-	-	-	747,095
Unavailable revenues - intergovernmental	3,147,441	-	-	-	138,093	-	3,285,534
Total Deferred Inflows of Resources	8,775,647	22,562,816	107,940	784,919	138,093	-	32,369,415
Fund Balances:							
Nonspendable	-	-	-	-	-	25,000	25,000
Restricted	729,687	7,278,206	7,689,769	4,841,756	2,746,551	8,787,061	32,073,030
Committed	12,336,381	-	-	-	-	-	12,336,381
Assigned	1,222,125	-	-	-	-	-	1,222,125
Unassigned	29,527,652	-	-	-	-	-	29,527,652
Total Fund Balances	43,815,845	7,278,206	7,689,769	4,841,756	2,746,551	8,812,061	75,184,188
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 59,202,463	\$ 29,841,022	\$ 7,883,151	\$ 8,191,981	\$ 3,789,812	\$ 8,948,449	\$ 117,856,878

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

Total Governmental Fund Balances		\$ 75,184,188
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		312,144,160
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		32,369,415
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds, interest is not reported until due.		(1,086,258)
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred charge on refunding transactions	855,113	
Deferred outflows related to net other postemployment benefits liability	31,385,227	
Deferred outflows related to net pension liability	6,342,361	
Deferred inflows related to net other postemployment benefits liability	(3,466,405)	
Deferred inflows related to net pension liability	<u>(3,678,659)</u>	
Net effect of reporting deferred outflows and inflows of resources		31,437,637
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Bonds and notes payable	(106,982,025)	
Unamortized premiums on bonds	(4,332,148)	
Landfill monitoring	(330,000)	
Compensated absences	(1,694,600)	
Net pension liability	(69,137,064)	
Net other postemployment benefits liability	<u>(183,766,767)</u>	
Net effect of reporting long-term liabilities		<u>(366,242,604)</u>
Net Position of Governmental Activities		<u>\$ 83,806,538</u>

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

	General	Receipts Reserved for Appropriation	Community Preservation	Capital Projects	Sewer Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Real and personal property taxes	\$ 105,968,114	\$ -	\$ 3,092,023	\$ -	\$ -	\$ -	\$ 109,060,137
Intergovernmental	23,815,773	394,571	765,384	1,128,457	-	8,858,835	34,963,020
Motor vehicle and other excises	7,748,576	-	-	-	-	-	7,748,576
Licenses and permits	2,116,063	-	-	-	-	-	2,116,063
Departmental and other	1,932,661	1,498,788	-	-	-	856,036	4,287,485
User charges	6,277,380	-	-	-	-	-	6,277,380
Special assessments	940,829	158,375	-	132,745	-	-	1,231,949
Penalties and interest on taxes	754,563	-	10,587	-	-	-	765,150
Fines and forfeitures	181,661	-	-	-	-	-	181,661
Investment income	1,037,811	-	102,374	-	-	86,972	1,227,157
Contributions and donations	-	-	-	-	-	455,883	455,883
Total Revenues	<u>150,773,431</u>	<u>2,051,734</u>	<u>3,970,368</u>	<u>1,261,202</u>	<u>-</u>	<u>10,257,726</u>	<u>168,314,461</u>
Expenditures:							
Current:							
General government	8,236,717	-	3,000	17,929	-	236,459	8,494,105
Public safety	17,409,942	-	-	-	-	291,149	17,701,091
Education	53,526,099	-	203,695	495,838	-	4,009,792	58,235,424
Public works	11,940,952	-	381,431	1,291,931	1,894,834	86,774	15,595,922
Health and human services	1,699,885	-	-	4,549,388	-	1,848,371	8,097,644
Culture and recreation	3,207,864	-	319,354	-	-	2,384,271	5,911,489
Pension and fringe benefits	36,189,561	-	-	-	-	-	36,189,561
Community development	-	-	1,546,127	-	-	-	1,546,127
State and county tax assessments	4,088,464	-	-	-	-	-	4,088,464
Debt service:							
Principal	9,606,092	-	-	-	-	-	9,606,092
Interest	2,796,775	-	-	-	-	-	2,796,775
Total Expenditures	<u>148,702,351</u>	<u>-</u>	<u>2,453,607</u>	<u>6,355,086</u>	<u>1,894,834</u>	<u>8,856,816</u>	<u>168,262,694</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,071,080</u>	<u>2,051,734</u>	<u>1,516,761</u>	<u>(5,093,884)</u>	<u>(1,894,834)</u>	<u>1,400,910</u>	<u>51,767</u>
Other Financing Sources (Uses)							
Transfers in	3,160,628	72,225	-	2,535,000	-	425,000	6,192,853
Transfers out	(5,528,302)	(1,895,052)	(1,567,169)	(123,407)	-	-	(9,113,930)
Issuance of refunding bonds	8,770,410	-	-	-	-	-	8,770,410
Payments to refunding escrow agent	(10,567,755)	-	-	-	-	(1,341,378)	(11,909,133)
Premiums on bonds and notes	1,332,130	-	-	1,790,000	200,000	140,911	3,463,041
Issuance of bonds and notes	-	-	-	10,810,000	3,600,000	-	14,410,000
Total Other Financing Sources (Uses)	<u>(2,832,889)</u>	<u>(1,822,827)</u>	<u>(1,567,169)</u>	<u>15,011,593</u>	<u>3,800,000</u>	<u>(775,467)</u>	<u>11,813,241</u>
Net Change in Fund Balances	<u>(761,809)</u>	<u>228,907</u>	<u>(50,408)</u>	<u>9,917,709</u>	<u>1,905,166</u>	<u>625,443</u>	<u>11,865,008</u>
Fund Balances, Beginning	<u>44,577,654</u>	<u>7,049,299</u>	<u>7,740,177</u>	<u>(5,075,953)</u>	<u>841,385</u>	<u>8,186,618</u>	<u>63,319,180</u>
Fund Balances, Ending	<u>\$ 43,815,845</u>	<u>\$ 7,278,206</u>	<u>\$ 7,689,769</u>	<u>\$ 4,841,756</u>	<u>\$ 2,746,551</u>	<u>\$ 8,812,061</u>	<u>\$ 75,184,188</u>

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 11,865,008**

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. In addition, when a capital asset is disposed of, a gain or loss is calculated and reported in the Statement of Activities whereas in the governmental funds, proceeds are reported as revenues. The net amounts are reflected here as reconciling items:

Capital outlays	\$ 17,581,706	
Depreciation expense	(9,869,900)	
Net effect of reporting capital assets		7,711,806

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

Issuance of refunding bonds	(8,770,410)	
Premiums from bonds and notes	(3,463,041)	
Amortization of deferred charge on refunding	(305,756)	
Amortization of premiums on bonds and notes payable	176,482	
Issuance of bonds and notes	(14,410,000)	
Payments to refunding escrow agent	11,909,133	
Repayments of debt	9,606,092	
Net effect of reporting long-term debt		(5,257,500)

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

(1,756,785)

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

(76,209)

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

Compensated absences	(120,596)	
Other postemployment benefits	(11,271,247)	
Pension benefits	(2,824,739)	
Landfill liability	30,000	

Net effect of reporting long-term liabilities (14,186,582)

Change in Net Position of Governmental Activities **\$ (1,700,262)**

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

			Business-type Activities - <u>Enterprise Funds</u> Water Enterprise
Assets:			
Current Assets:			
Cash and cash equivalents	\$	4,341,602	
Investments		597,681	
Receivables (net)			
User fees		1,215,235	
Special assessments		1,915	
Intergovernmental		5,272	
Total Current Assets			<u>6,161,705</u>
Noncurrent Assets:			
Receivables (net):			
Special assessments		179,779	
Intergovernmental		52,508	
Capital assets, not being depreciated		1,486,126	
Capital assets, net of accumulated depreciation		102,869,511	
Total Noncurrent Assets			<u>104,587,924</u>
Total Assets			<u>110,749,629</u>
Deferred Outflows of Resources:			
Related to net other postemployment benefits liability		572,034	
Related to net pension liability		282,585	
Total Deferred Outflows of Resources			<u>854,619</u>
Liabilities:			
Current Liabilities:			
Warrants and accounts payable		99,920	
Compensated absences		16,264	
Bonds and notes payable		2,621,465	
Total Current Liabilities			<u>2,737,649</u>
Noncurrent Liabilities:			
Compensated absences		48,791	
Bonds and notes payable		40,344,457	
Net pension liability		3,080,412	
Net other postemployment benefits liability		3,349,379	
Total Noncurrent Liabilities			<u>46,823,039</u>
Total Liabilities			<u>49,560,688</u>
Deferred Inflows of Resources:			
Related to net other postemployment benefits liability		63,178	
Related to net pension liability		163,903	
Total Deferred Inflows of Resources			<u>227,081</u>
Net Position:			
Net investment in capital assets		63,240,739	
Unrestricted		(1,424,260)	
Total Net Position	\$		<u>61,816,479</u>

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Business-type Enterprise Funds
	Water Enterprise
Operating Revenues:	
Charges for services	\$ 6,651,037
Total Operating Revenues	6,651,037
Operating Expenses:	
Operating costs	3,947,194
Depreciation	3,241,724
Total Operating Expenses	7,188,918
Total Operating Income	(537,881)
Nonoperating Revenues (Expenses):	
Interest expense	(1,025,784)
Interest income	14,748
Total Nonoperating Revenues (Expenses)	(1,011,036)
Income Before Capital Contributions and Transfers	(1,548,917)
Capital contributions	33,542
Transfers in	2,921,077
Change in Net Position	1,405,702
Net Position at Beginning of Year, as restated (see Note IV)	60,410,777
Net Position at End of Year	\$ 61,816,479

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Business-type Activities - Enterprise Funds Water Enterprise
Cash Flows from Operating Activities:	
Receipts from users	\$ 6,412,485
Payments to vendors	(2,655,852)
Payments to employees	(1,373,739)
Net Cash Provided by Operating Activities	<u>2,382,894</u>
Cash Flows from Noncapital Financing Activities:	
Transfers in	2,921,077
Net Cash Provided by Noncapital Financing Activities	<u>2,921,077</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of bonds	2,914,590
Premiums from issuance of bonds	399,586
Proceeds from capital grants	5,168
Proceeds from capital assessments	32,155
Acquisition and construction of capital assets	(5,145,974)
Principal payments on bonds and notes	(2,562,277)
Payments to refunding escrow agent	(194,032)
Interest expense	(1,100,502)
Net Cash Used for Capital and Related Financing Activities	<u>(5,651,286)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment of operating cash, net	(14,748)
Investment income	14,748
Net Cash Provided by Investing Activities	<u>-</u>
Net Change in Cash and Cash Equivalents	(347,315)
Cash and Cash Equivalents:	
Beginning of Year	<u>4,688,917</u>
End of Year	<u>\$ 4,341,602</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income	\$ (537,881)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	3,241,724
Changes in assets, deferred outflows, liabilities and deferred inflows:	
User fees receivable	(238,552)
Deferred outflows of resources	146,082
Warrants and accounts payable	(424,688)
Compensated absences	11,004
Net pension liability	(568,531)
Net other postemployment benefits liability	611,372
Deferred inflows of resources	142,364
Net Cash Provided by Operating Activities	<u>\$ 2,382,894</u>
Noncash capital and related financing activities:	
Amortization of bond premium	\$ 74,718
Governmental debt subsidies	5,168
Change in fair value of investments	(4,030)

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and Cash Equivalents	\$ 1,503,604	\$ -	\$ 1,582,543
Investments (at fair value):			
Equity securities	-	1,859,263	-
Domestic equity mutual funds	62,226,104	-	-
International equity mutual funds	14,023,241	-	-
Fixed income mutual funds	30,666,661	-	-
Private equity funds	16,909,318	-	-
Real estate funds	12,086,208	-	-
PRIT	20,571,813	-	-
Total Investments	156,483,345	1,859,263	-
Receivables:			
Other receivables	1,661	-	93,891
Total Receivables	1,661	-	93,891
Total Assets	157,988,610	1,859,263	1,676,434
Liabilities:			
Warrants and accounts payable	40,721	-	-
Payroll liabilities	-	-	868,773
Performance bonds	-	-	633,114
Other	-	-	174,547
Total Liabilities	40,721	-	1,676,434
Net Position:			
Restricted for pensions	156,659,231	-	-
Restricted for other postemployment benefits	1,288,658	-	-
Held in trust for private purposes	-	1,859,263	-
Total Net Position	\$ 157,947,889	\$ 1,859,263	\$ -

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 13,885,143	\$ -
Employee	3,173,956	-
Other	1,105,195	196,330
Total Contributions	<u>18,164,294</u>	<u>196,330</u>
Investment income:		
Interest and dividends	1,358,164	36,786
Net appreciation in fair value of investments	23,013,631	4,887
Less - investment management fees	(1,022,521)	-
Net investment earnings	<u>23,349,274</u>	<u>41,673</u>
Total Additions (net)	<u>41,513,568</u>	<u>238,003</u>
Deductions		
Benefit payments to pensioners and beneficiaries	16,807,129	-
Member refunds	173,170	-
Transfers and reimbursements to other systems	651,489	-
Payroll expenses of the System	180,630	-
Other administrative expenses	160,316	-
Scholarships	-	4,200
Human services	-	25,924
Total Deductions	<u>17,972,734</u>	<u>30,124</u>
CHANGE IN NET POSITION	23,540,834	207,879
NET POSITION AT BEGINNING OF YEAR	<u>134,407,055</u>	<u>1,651,384</u>
NET POSITION AT END OF YEAR	<u>\$ 157,947,889</u>	<u>\$ 1,859,263</u>

See accompanying notes to basic financial statements.

TOWN OF FALMOUTH, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Falmouth is situated on 44.5 square miles, located in Barnstable County, Massachusetts. Falmouth was incorporated as a town in 1686. An elected five-member Board of Selectmen serves as the chief executive goal-setting and policy making authority of the Town and the Town Manager serves as the Chief Administrative Officer implementing policies and goals on behalf of the Board. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish, public education in grades K-12, water and sewer services, street maintenance, waterways oversight, parks and recreational facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria including: being financially accountable, and able to impose its will; appointing a voting majority of the component units' governing body and if the potential for the component unit to provide specific financial benefits or to impose specific financial burdens on the Town.

The following component unit is included in the Town's reporting entity because of the significance of its operations. Data is blended with the fiduciary funds of the primary government.

Falmouth Contributory Retirement System - The System was established to provide retirement benefits to Town employees, the Falmouth Housing Authority employees and their beneficiaries. While legally separate, the System provides services almost entirely to the Town and is reported as a pension trust fund in the fiduciary fund financial statements. A stand-alone audited financial report for the year ended December 31, 2019, was issued and is available at the Retirement Office, 80 Davis Straits, Suite 102, Falmouth, Massachusetts.

The following component unit is included in the Town's reporting entity because the Town is financially accountable for, and can impose its will on, the organization. Data is presented discretely in a separate column.

Discretely Presented Component Unit – The Falmouth Economic Development and Industrial Corporation (the EDIC) is a municipal corporation established on April 7, 1981, through Article 39 of the Annual Town Meeting called by the Town, in accordance with the provisions of Massachusetts General Law Chapter 121C. The Corporation’s purpose is to improve local economic conditions and promote private employment with Falmouth, Massachusetts. A Town appointed, volunteer Board of Directors (“the Board”) governs the Corporation. The Board may legally consist of up to seven members; currently, the Board has all seven-member positions filled. A stand-alone audit financial report for the year ended December 31, 2019, was issued and is available from the Board of Directors, Falmouth EDIC, 59 Town Hall Square, Falmouth, MA 02540.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

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

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

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

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

Receipts Reserved For Appropriation Fund – is used to account for monies received by the Town from various specific purposes that may only be used subject to appropriation by Town Meeting.

Community Preservation Fund – is used to account for specific activities that engender development of community housing, and recreation land as well as preservation of historic resources and open space acquisitions.

Capital Projects Fund – is used to account for all financial resources that are restricted, committed or assigned for the acquisition or construction of capital facilities and other capital assets of the governmental funds.

Sewer Capital Project Fund – is used to account for financial resources to be used for the acquisition or construction of sewer facilities and infrastructure.

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

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

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

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

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

The government reports the following major proprietary fund:

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

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

The government reports the following fiduciary funds:

Pension Trust Fund – is used to account for the activities of the System, which accumulates resources for pension benefits to retired Town employees and to accumulate funds for future payments of other postemployment benefits for retirees, such as health and life insurance.

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

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

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

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are due in four installments on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. The Town is allowed to take delinquent taxes into tax title fourteen days subsequent to the mailing of a demand for payment of the delinquent taxes.

User fees consist of water fees. Water user fees are levied twice a year for residential user and quarterly for industrial users and are based on individual meter readings. They are subject to penalties and interest if they are not paid by the respective due date.

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

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

Capital assets are recorded at historical cost or estimated historical cost if purchased and constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Net interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

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

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Infrastructure	40-50 years

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension and the net other postemployment benefit liabilities and outflows which related to debt refunding’s. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

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

Community preservation represents assets that are restricted by State Law for the purpose of acquiring or developing open space and recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act.

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

Debt service represents capital grants and contributions used to fund a portion of debt service on outstanding capital related debt of various Town functions.

Gift funds represent assets that are restricted by donors for specific governmental programs and uses.

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

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

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

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

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

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

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

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

As part of the Town's financial policies and procedures, the Board of Selectmen annually vote to establish minimum fund balance amounts for the general and stabilization funds.

Stabilization Funds – The Town maintains a general stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B. The fund may be used for any municipal purpose upon the condition of a two-thirds vote of the Town Meeting. The balance of the fund totals \$6,752,364 at June 30, 2020 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a health insurance stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B. The fund may be used for employee health insurance costs upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,513,013 at June

30, 2020 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a capital improvement stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B. The fund may be used for capital outlays upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$4,821,115 at June 30, 2020 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a renewable energy stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B. The fund may be used for constructing wind energy facilities or other renewable energy facilities upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$7,122 at June 30, 2020 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a special education stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B. The fund may be used for providing special education services upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$958,741 at June 30, 2020 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

The Town maintains a debt stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B. The fund may be used for debt related activity upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$2,720,758 at June 30, 2020 and is reported as unassigned fund balance in the General Fund. There are no requirements for additions.

Encumbrances and carryforwards – The Town’s encumbrance and carryforward policy regarding the General Fund is to (1) classify encumbrances that arise from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify carryforwards that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$1,222,125 of encumbrances from normal purchasing activity in the General Fund as assigned and \$12,336,381 of carryforwards from Town Meeting votes in the General Fund as committed. Encumbrances have been assigned for specific purposes for which resources already have been allocated. There are no encumbrances reported in any other fund.

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

	General	Receipts Reserved for Appropriation	Community Preservation	Capital Projects	Sewer Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:							
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Restricted:							
Ferry fee receipts	-	1,382,775	-	-	-	-	1,382,775
Title V program	-	231,828	-	-	-	-	231,828
Golf course	-	584,192	-	-	-	-	584,192
Waterways	-	934,483	-	-	-	-	934,483
Energy revolving	-	1,496,648	-	-	-	-	1,496,648
Parking meter receipts	-	401,753	-	-	-	-	401,753
Debt service	296,610	-	-	-	-	-	296,610
Town federal and state grants	-	-	-	-	-	1,052,611	1,052,611
School federal and state grants	-	-	-	-	-	447,861	447,861
Transfer station revolving fund	-	-	-	-	-	329,974	329,974
Other town revolving funds	-	-	-	-	-	303,020	303,020
School revolving funds	-	-	-	-	-	3,457,445	3,457,445
Town gift funds	-	-	-	-	-	793,519	793,519
School gift funds	-	-	-	-	-	49,046	49,046
Capital outlay - special assessments	-	1,775,053	-	756,247	-	-	2,531,300
Capital outlay - schools	-	-	-	303,197	-	-	303,197
Capital outlay - senior center	-	-	-	600,541	-	-	600,541
Capital outlay - energy management	-	-	-	510,581	-	-	510,581
Capital outlay - coastal erosion	-	-	-	2,360,000	-	-	2,360,000
Capital outlay - sewer	-	-	-	-	2,746,551	-	2,746,551
Capital outlay - other purposes	-	-	-	311,190	-	-	311,190
Community preservation	-	-	7,689,769	-	-	-	7,689,769
Employee benefits	433,077	-	-	-	-	-	433,077
Affordable housing trust	-	-	-	-	-	1,847,764	1,847,764
Conservation trust	-	-	-	-	-	296,762	296,762
Other trust funds	-	-	-	-	-	209,059	209,059
Other purposes	-	471,474	-	-	-	-	471,474
Committed:							
Document management	243,438	-	-	-	-	-	243,438
Cable access	144,410	-	-	-	-	-	144,410
Property revaluations	235,460	-	-	-	-	-	235,460
Building improvements	486,070	-	-	-	-	-	486,070
Facilities maintenance	686,897	-	-	-	-	-	686,897
Information technology	479,827	-	-	-	-	-	479,827
Conservation projects	245,958	-	-	-	-	-	245,958
Other general government articles	915,258	-	-	-	-	-	915,258
Police equipment	345,647	-	-	-	-	-	345,647
Police site improvements	66,617	-	-	-	-	-	66,617
Fire equipment	1,794,253	-	-	-	-	-	1,794,253
Marine services	733,310	-	-	-	-	-	733,310
Education	1,414,397	-	-	-	-	-	1,414,397
Public works infrastructure	2,560,368	-	-	-	-	-	2,560,368
Public works equipment	1,159,415	-	-	-	-	-	1,159,415
Other public works	472,621	-	-	-	-	-	472,621
Other purposes	352,435	-	-	-	-	-	352,435
Assigned:							
Education	870,512	-	-	-	-	-	870,512
Unemployment	169,154	-	-	-	-	-	169,154
Other purposes	182,459	-	-	-	-	-	182,459
Unassigned	29,527,652	-	-	-	-	-	29,527,652
Total Fund Balances	\$43,815,845	\$ 7,278,206	\$7,689,769	\$ 4,841,756	\$2,746,551	\$ 8,812,061	\$75,184,188

E. Excess of Expenditures Over Appropriations and Deficits

During fiscal year 2020, expenditures exceeded appropriations for state and county charges by \$76,466 which were funded with available funds. The Town did not incur any material fund deficits.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

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

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town maintains a deposit policy for custodial credit risk relative to cash holdings which includes the assessment of the financial stability of the institutions where deposits are held. At year-end, the carrying amount of the Town's deposits was \$52,213,993 and the bank balance was \$53,634,929. Of the Town's bank balance, \$15,069,615 was covered by either federal depository insurance or by the Depositors' Insurance Fund (DIF), and the remainder was collateralized. The carrying amount of cash includes \$25,000 of bank certificates of deposit with maturities of less than one year that are considered cash and cash equivalents.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town maintains investment policies related to custodial credit risk which includes the assessment of the financial stability of the institutions where investments are held.

The Town's investments in the MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town's investments in United States governmental obligations, corporate bond holdings, equity securities, and bond mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town's investments in negotiable certificates of deposit are fully insured by federal depository insurance.

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

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

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

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

	Fair value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 5,454,079	\$ 3,656,258	\$ 1,797,821	\$ -
Corporate bonds	10,295,252	-	10,295,252	-
Negotiable certificates of deposit	1,979,269	-	1,979,269	-
Bond mutual funds	454,684	-	454,684	-
Repurchase agreements	16,641,988	-	16,641,988	-
Money market mutual funds	243,498	-	243,498	-
Total debt securities	35,068,770	3,656,258	31,412,512	-
Equity securities:				
Common stock	5,355,871	5,355,871	-	-
Equity mutual funds	826,908	-	826,908	-
Total equity securities	6,182,779	5,355,871	826,908	-
Total investments by fair value level	\$ 41,251,549	\$ 9,012,129	\$ 32,239,420	\$ -
Investments measured at amortized cost				
MMDT	155,732			
Total investments	\$ 41,407,281			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. Government obligations, corporate bonds, negotiable certificates of deposit, bond and money market mutual funds and repurchase agreements classified in Level 2 are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices. The State Treasurer’s investment pool (MMDT) is valued at amortized cost. The MMDT’s investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool. There are no restrictions or limits on withdrawals from the pool and no direct fees are charged to participants.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Such securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments, through fair value losses arising from increasing interest rates. The Town does not have formal investment policies related to interest rate risk.

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

Investments	Fair value	Time Until Maturity (Years)		
		< 1	1-5	6 - 10 Years
U.S. Government obligations	\$ 5,454,079	\$ 919,642	\$ 4,534,437	\$ -
Corporate bonds	10,295,252	1,536,176	8,759,076	-
Negotiable certificates of deposit	1,979,269	711,565	1,267,704	-
Bond mutual funds	454,684	-	234,740	219,944
Repurchase agreements	16,641,988	16,641,988	-	-
Money market mutual funds	243,498	243,498	-	-
MMDT	155,732	155,732	-	-
Total Town Investments with Maturities	<u>\$ 35,224,502</u>	<u>\$ 20,208,601</u>	<u>\$ 14,795,957</u>	<u>\$ 219,944</u>

The time until maturity for repurchase agreements, money market mutual funds and MMDT is based on the weighted average maturity of the underlying investments.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. The Town has 53% of its investments in U.S. Government or U.S. Government agency securities.

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

Investments	Quality Ratings (Moody's)						
	Aaa	Aa3	A1	A2	A2	Baa1	Baa2
U.S. Government obligations	\$ 5,454,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	503,867	1,392,830	1,065,392	2,144,318	1,073,100	1,730,037	2,385,708
Repurchase agreements	16,641,988	-	-	-	-	-	-
Total	<u>\$ 22,599,933</u>	<u>\$ 1,392,830</u>	<u>\$ 1,065,392</u>	<u>\$ 2,144,318</u>	<u>\$ 1,073,100</u>	<u>\$ 1,730,037</u>	<u>\$ 2,385,708</u>

The Town's investments in negotiable certificates of deposit, money market mutual funds and MMDT are unrated.

The System

Massachusetts General Laws Chapter 32 and PERAC regulations require the System to invest funds only in pre-approved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2019, \$30,068 of the System's cash deposits were uninsured; all of which was held with State Street Bank and Trust.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured

and/or registered in the name of the System. At December 31, 2019, the System was not exposed to custodial credit risk on its investments.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. Such risk is reduced by the fact that the System maintains its excess funds in highly liquid bank accounts; thereby, allowing for timely reallocation should the need arise.

Fair Value of Investments – The following table presents the fair value of the System’s investments by type as of December 31, 2019:

<u>Investments by Fair Value Level</u>	December 31, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Mutual funds:				
Domestic fixed income mutual funds	\$ 30,211,977	\$ 30,211,977	\$ -	\$ -
Domestic equity mutual funds	61,392,130	61,392,130	-	-
International equity mutual funds	14,023,241	14,023,241	-	-
Total investments by fair value level	<u>105,627,348</u>	<u>\$ 105,627,348</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
Private equity funds	16,909,318			
Real estate funds	12,086,208			
PRIT funds	<u>20,571,813</u>			
Total investments measured at the NAV	<u>49,567,339</u>			
Total investments measured at fair value	<u>\$ 155,194,687</u>			

Equity securities, domestic fixed income funds and mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

<u>Investments Measured at NAV</u> <u>By Asset Class</u>	<u>Fair Value</u>	<u>Unfunded</u>
		<u>Commitments</u>
Private equity funds	\$ 16,909,318	\$ 1,597,204
Real estate funds	12,086,208	120,000
PRIT funds	<u>20,571,813</u>	<u>6,769,449</u>
	<u>\$ 49,567,339</u>	<u>\$ 8,486,653</u>

Investments measured at NAV include comingled/pooled funds in private equity or venture funds, real estate and investments in PRIT.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event of an invested party will be unable to fulfill its obligations, such as to provide required payments to investors, to meet current or future performance expectations, to abide by industry regulations and proper operational practices, ceasing to exist, or filing for bankruptcy. In those instances, the System may not be able to recover the full amount of its principal investment and/or investment

earnings. As previously noted, PERAC and Massachusetts statutory regulations have been enacted to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by Moody's and Standard and Poor's. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System does maintain a significant portion (approximately 99%) of its monetary assets as investment holdings.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2019, uninsured short-term investment funds with fair values of \$1,433,778 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Concentration of Credit Risk: Investments – The following investments held by the System at December 31, 2019 represent approximately 70.8% of the System's total investments:

SSGA Passive Bond Market Index SL Fund	15.4%
Rhumblin Russell 1000 Funds	12.5%
LMCG Mid-Cap Core Fund	10.1%
Aristotle Capital Small Cap Equity Fund	10.1%
PRIT Hedge Fund	9.9%
HGK Trinity Street International Equity Fund GP, LLC	7.0%
Dimensional Fund Advisors International Core Equity Portfolio	5.8%

Discretely Presented Component Unit – Falmouth EDIC

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk relative to cash withholdings. At year-end, the carrying amount of the Corporation's deposits was \$472,612 and the bank balance was \$479,112. The Corporation carries deposits that are fully insured through a combination of coverages provided by the Federal Deposit Insurance Corporation (FDIC), as well as the Depositors Insurance Fund (DIF).

The Corporation's carrying amount of deposits include approximately \$253,000 of certificates of deposits with maturities less than one year that due to their highly liquid nature have been reported as cash and cash equivalents in the financial statements.

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

The Corporation categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. As of December 31, 2019, the Corporation carried no investments which required categorization.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. The Corporation does not have a formal investment policy that limits investment maturity periods as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk – The Corporation maintains no financial holdings that classified as investments at December 31, 2019; therefore, no concentration credit risk existed at that time.

Credit Risk – The Corporation has not adopted a formal policy related to credit risk. As of December 31, 2019, none of the Corporations monetary assets were invested in or subject to credit quality ratings or risk.

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 2,923,951	\$ -	\$ 2,923,951
Tax liens and deferrals	2,333,199	-	2,333,199
Motor vehicle and boat excise	953,465	-	953,465
Ambulance user charges	707,768	(232,619)	475,149
Sewer user charges	271,946	-	271,946
Sewer assessments	22,596,293	-	22,596,293
Street assessments	784,919	-	784,919
Title V assessments	67,338	-	67,338
Community Preservation tax	57,610	-	57,610
Solar revenues	54,959	-	54,959
Intergovernmental	3,386,522	-	3,386,522
Total	<u>\$ 34,137,970</u>	<u>\$ (232,619)</u>	<u>\$ 33,905,351</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	\$ 1,215,235	\$ -	\$ 1,215,235
Water assessments	181,694	-	181,694
Intergovernmental	57,780	-	57,780
Total	<u>\$ 1,454,709</u>	<u>\$ -</u>	<u>\$ 1,454,709</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

Receivable type:	General	Other	Total
	Fund	Governmental Funds	
Real estate and personal property taxes	\$ 1,543,962	\$ 57,610	\$ 1,601,572
Tax liens	2,282,869	50,330	2,333,199
Motor vehicle and boat excise	953,465	-	953,465
Ambulance user charges	475,149	-	475,149
Sewer user charges	271,946	-	271,946
Sewer assessments	100,815	22,495,478	22,596,293
Street assessments	-	784,919	784,919
Title V assessments	-	67,338	67,338
Intergovernmental	3,147,441	138,093	3,285,534
Total	<u>\$ 8,775,647</u>	<u>\$ 23,593,768</u>	<u>\$ 32,369,415</u>

Massachusetts Clean Water Trust – The Town has entered into various loan agreements with the Massachusetts Clean Water Trust (MCWT). Under these agreements, it is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$3,343,314 (\$3,285,534 for governmental activities and \$57,780 for business-type activities) and interest in the amount of \$718,565 until the maturities of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, a receivable totaling \$3,147,441 has been reported in the General Fund of the Town, a receivable of \$138,093 has been reported in the Sewer Capital Project Major Fund and a receivable totaling \$57,780 has been reported in the Water Enterprise Fund.

Discretely Presented Component Unit – Falmouth EDIC

The Corporation carries its notes receivables at the principal amount due reduced by the loan loss allowance. Interest rates charged on these notes are 1%. The notes are primarily secured by each security agreement and a UCC-1 Financing statement given by each borrower on its fixtures. This document is filed with Commonwealth of Massachusetts. The Corporation evaluates these notes based on the past payment history and credit worthiness of the borrower’s and establishes a note loss allowance if it determines that contractual payments of interest and principal on the note will not be collected in accordance with the terms of the note agreement. Amounts receivable are charged off against the allowance only if reasonable attempts at collection fail.

The following reflect the receivables for the Corporation as of December 31, 2019:

Receivable Type	Gross Amount	Allowance for Uncollectibles	Net Amount
Notes receivable	\$ 36,551	\$ -	\$ 36,551
Rental income	17,340	-	17,340
Totals	\$ 53,891	\$ -	\$ 53,891

The notes receivable portion above is scheduled to mature as follows:

Year Ending December 31,	Amount
2020	\$ 36,551
Total	\$ 36,551

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2020, was as follows:

Transfers Out	Transfers In					Total
	General Fund	Receipts Reserved for Appropriation	Capital Projects	Nonmajor Governmental Funds	Water Enterprise Fund	
General Fund	\$ -	\$ 72,225	\$ 2,535,000	\$ -	\$ 2,921,077	\$ 5,528,302 ⁽¹⁾
Receipts Reserved for Appropriation	1,895,052	-	-	-	-	1,895,052 ⁽²⁾
Community Preservation Fund	1,142,169	-	-	425,000	-	1,567,169 ⁽³⁾
Capital Projects	123,407	-	-	-	-	123,407 ⁽²⁾
Total	\$ 3,160,628	\$ 72,225	\$ 2,535,000	\$ 425,000	\$ 2,921,077	\$ 9,113,930

- (1) Transfers to receipts reserved for appropriation for waterways projects, transfers to capital projects for coastal erosion and energy projects and transfers to water enterprise to supplement operations
- (2) Transfers to general fund to supplement operating budgets
- (3) Transfers to general fund to supplement operating budgets and transfer to nonmajor governmental funds for affordable housing purposes

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 86,528,047	\$ -	\$ -	\$ 86,528,047
Construction in process	7,181,578	2,921,365	(7,181,578)	2,921,365
Total capital assets not being depreciated	<u>93,709,625</u>	<u>2,921,365</u>	<u>(7,181,578)</u>	<u>89,449,412</u>
Capital assets being depreciated:				
Buildings and improvements	167,718,762	10,656,330	-	178,375,092
Improvements other than buildings	21,925,661	3,167,783	-	25,093,444
Infrastructure	152,286,798	4,877,429	-	157,164,227
Machinery and equipment	22,066,760	2,198,871	-	24,265,631
Vehicles	16,221,945	941,506	-	17,163,451
Total capital assets being depreciated	<u>380,219,926</u>	<u>21,841,919</u>	<u>-</u>	<u>402,061,845</u>
Less accumulated depreciation for:				
Buildings and improvements	(67,714,424)	(3,842,046)	-	(71,556,470)
Improvements other than buildings	(9,966,783)	(725,236)	-	(10,692,019)
Infrastructure	(63,204,726)	(3,137,938)	-	(66,342,664)
Machinery and equipment	(15,134,659)	(1,473,179)	-	(16,607,838)
Vehicles	(13,476,605)	(691,501)	-	(14,168,106)
Total accumulated depreciation	<u>(169,497,197)</u>	<u>(9,869,900)</u>	<u>-</u>	<u>(179,367,097)</u>
Total capital assets being depreciated, net	<u>210,722,729</u>	<u>11,972,019</u>	<u>-</u>	<u>222,694,748</u>
Governmental activities capital assets, net	<u><u>\$ 304,432,354</u></u>	<u><u>\$ 14,893,384</u></u>	<u><u>\$ (7,181,578)</u></u>	<u><u>\$ 312,144,160</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities: Water</i>				
Capital assets not being depreciated:				
Land	\$ 1,486,126	\$ -	\$ -	\$ 1,486,126
Total capital assets not being depreciated	1,486,126	-	-	1,486,126
Capital assets being depreciated:				
Buildings and improvements	163,824	-	-	163,824
Improvements other than buildings	239,301	-	-	239,301
Infrastructure	146,544,176	5,145,974	-	151,690,150
Machinery and equipment	1,336,917	-	-	1,336,917
Total capital assets being depreciated	148,284,218	5,145,974	-	153,430,192
Less accumulated depreciation for:				
Buildings and improvements	(163,824)	-	-	(163,824)
Improvements other than buildings	(16,015)	(6,407)	-	(22,422)
Infrastructure	(46,614,844)	(3,149,043)	-	(49,763,887)
Machinery and equipment	(524,274)	(86,274)	-	(610,548)
Total accumulated depreciation	(47,318,957)	(3,241,724)	-	(50,560,681)
Total capital assets being depreciated, net	100,965,261	1,904,250	-	102,869,511
Business-type activities capital assets, net	\$ 102,451,387	\$ 1,904,250	\$ -	\$ 104,355,637

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 377,969
Public safety	1,446,124
Education	3,104,757
Public works	3,823,228
Health and human services	116,943
Culture and recreation	1,000,879
Total Governmental Activities	<u>\$ 9,869,900</u>

Business-Type Activities:

Water	\$ 3,241,724
Total Business-Type Activities	<u>\$ 3,241,724</u>

E. Temporary Debt

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

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal

steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2020, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	3.00%	Matured	\$ 16,400,000	\$ -	\$ (16,400,000)	\$ -
Total Governmental Notes			<u>\$ 16,400,000</u>	<u>\$ -</u>	<u>\$ (16,400,000)</u>	<u>\$ -</u>

F. Long-Term Obligations

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

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
General obligation bonds	\$ 64,173,000	\$ 23,180,410	\$ (18,730,000)	\$ 68,623,410	\$ 6,928,410
Unamortized bond premium	1,045,589	3,463,041	(176,482)	4,332,148	714,240
Notes from direct borrowings and placements	40,899,707	-	(2,541,092)	38,358,615	2,582,967
Landfill closure	360,000	-	(30,000)	330,000	30,000
Compensated absences	1,574,004	514,097	(393,501)	1,694,600	423,650
Net pension liability	81,897,217	17,238,615	(29,998,768)	69,137,064	-
Net other postemployment benefits liability (a)	150,223,296	47,825,718	(14,282,247)	183,766,767	-
Total Governmental Activities	<u>\$ 340,172,813</u>	<u>\$ 92,221,881</u>	<u>\$ (66,152,090)</u>	<u>\$ 366,242,604</u>	<u>\$ 10,679,267</u>
<i>Business-type Activities: Water</i>					
General obligation bonds	\$ 6,522,000	\$ 2,914,590	\$ (1,115,000)	\$ 8,321,590	\$ 826,590
Unamortized bond premium	427,828	395,554	(74,718)	748,664	116,742
Notes from direct borrowings and placements	35,538,113	-	(1,642,445)	33,895,668	1,678,133
Compensated absences	54,051	24,517	(13,513)	65,055	16,264
Net pension liability	3,648,943	768,069	(1,336,600)	3,080,412	-
Net other postemployment benefits liability (a)	2,738,007	871,682	(260,310)	3,349,379	-
Total Business-type Activities	<u>\$ 48,928,942</u>	<u>\$ 4,974,412</u>	<u>\$ (4,442,586)</u>	<u>\$ 49,460,768</u>	<u>\$ 2,637,729</u>

(a) As restated. See note IV.

The governmental activities liabilities will be liquidated by the General Fund. The business-type liabilities will be liquidated by the Water Enterprise Fund.

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

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i><u>Governmental Activities</u></i>					
General obligation bonds	2.00 - 6.00%	\$ 41,300,000	\$ 14,410,000	\$ (13,320,000)	\$ 42,390,000
Refunding bonds	2.00 - 5.00%	2,445,000	8,770,410	(315,000)	10,900,410
Advanced refunding bonds	2.00 - 5.00%	20,428,000	-	(5,095,000)	15,333,000
Total General Obligation Bonds		64,173,000	23,180,410	(18,730,000)	68,623,410
Add: Unamortized bond premium		1,045,589	3,463,041	(176,482)	4,332,148
Total General Obligation Bonds, net		65,218,589	26,643,451	(18,906,482)	72,955,558
Massachusetts Clean Water Trust	0% - 5.5%	40,899,707	-	(2,541,092)	38,358,615
Total notes from direct borrowings and placements		40,899,707	-	(2,541,092)	38,358,615
Total Governmental Activities debt		\$106,118,296	\$ 26,643,451	\$ (21,447,574)	\$ 111,314,173
<i><u>Business-type Activities - Water</u></i>					
General obligation bonds	2.00 - 6.00%	\$ 3,040,000	\$ 2,735,000	\$ (190,000)	\$ 5,585,000
Refunding bonds	1.00 - 4.00%	1,495,000	179,590	(380,000)	1,294,590
Advanced refunding bonds	2.00 - 5.00%	1,987,000	-	(545,000)	1,442,000
Total General Obligation Bonds		6,522,000	2,914,590	(1,115,000)	8,321,590
Add: Unamortized bond premium		427,828	395,554	(74,718)	748,664
Total General Obligation Bonds, net		6,949,828	3,310,144	(1,189,718)	9,070,254
Massachusetts Clean Water Trust	0% - 2.0%	35,538,113	-	(1,642,445)	33,895,668
Total notes from direct borrowings and placements		35,538,113	-	(1,642,445)	33,895,668
Total Business-type Activities - Water debt		\$ 42,487,941	\$ 3,310,144	\$ (2,832,163)	\$ 42,965,922

Massachusetts Clean Water Trust (MCWT)

The Town has fifteen outstanding notes from direct borrowings and placements issued to the MCWT as follows:

Governmental Activities			Business-type Activities - Water		
Date of Issue	Date of Maturity	Original Amount	Date of Issue	Date of Maturity	Original Amount
07/24/03	02/01/21	\$ 195,089	02/23/10	07/15/29	105,000
11/23/04	08/01/24	185,254	02/11/16	01/15/36	16,126,207
11/16/05	07/15/25	200,000	04/13/17	01/15/37	15,320,673
12/01/04	08/01/29	3,018,332	09/12/18	07/15/38	7,281,031
02/23/10	07/15/29	4,865,000			\$ 38,832,911
11/01/03	08/01/23	12,346,237			
03/18/09	07/15/25	250,000			
03/18/09	07/15/28	7,775,000			
02/11/16	01/15/46	4,284,956			
02/11/16	01/15/46	11,140,583			
04/13/17	01/15/47	20,869,482			
		<u>\$ 65,129,933</u>			

The financing agreements with the MCWT contain a provision that in the event of default, outstanding amounts due and payable shall be paid from any undisbursed proceeds on account or be deducted from any state local aid distributions owed to the Town. This provision also allows the MCWT to declare the entire outstanding principal amount due immediately. The notes are backed by the full faith and credit of the Town and are considered in default for non-payment of scheduled principal and interest. In the event of default, the notes are due immediately.

The Town does not maintain any lines of credit nor is it currently in default of any of its loan provisions.

Payments on outstanding bonds and note balances due in future years consist of the following:

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<i>Governmental Activities</i>				
2021	\$ 6,928,410	\$ 2,792,066	\$ 2,582,967	\$ 202,104
2022	6,840,000	2,363,349	2,608,680	154,515
2023	6,460,000	2,073,941	2,650,549	73,426
2024	5,950,000	1,819,213	2,672,529	29,836
2025	5,955,000	1,577,296	1,849,622	49,441
2026-2030	20,385,000	4,891,807	8,907,861	115,446
2031-2035	11,975,000	1,631,374	5,133,651	-
2036-2040	4,130,000	310,677	5,172,296	-
2041-2045	-	-	5,211,233	-
2046-2050	-	-	1,569,227	-
Total	<u>\$ 68,623,410</u>	<u>\$ 17,459,723</u>	<u>\$ 38,358,615</u>	<u>\$ 624,768</u>
<i>Business-Type Activities - Water</i>				
2021	\$ 826,590	\$ 326,906	\$ 1,678,133	\$ 673,747
2022	820,000	275,181	1,714,597	640,225
2023	740,000	239,881	1,751,853	605,975
2024	720,000	209,282	1,789,919	570,979
2025	720,000	179,081	1,828,812	535,223
2026-2030	2,195,000	559,556	9,757,680	2,111,975
2031-2035	1,625,000	240,170	10,831,357	1,094,042
2036-2040	675,000	54,675	4,543,317	144,773
Total	<u>\$ 8,321,590</u>	<u>\$ 2,084,732</u>	<u>\$ 33,895,668</u>	<u>\$ 6,376,939</u>

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

Project	Amount
Water treatment plant	\$ 1,751,330
Waste Water Management	5,950,518
CWMP Study & Design	272,250
School Windows	947,636
Wild Harbor Bulkhead	300,000
Other	500,000
Total authorized and unissued	<u>\$ 9,721,734</u>

Current Refunding – On December 12, 2019, the Town issued general obligation refunding bonds of \$8,950,000, paying interest at 5.0% per annum. The proceeds, along with \$1,392,794 of premiums from this issuance, \$1,341,378 of MSBA construction reimbursement and \$483,396 of available funds, were used to retire \$11,855,000 of callable general obligation bonds. As a result of the current refunding, the Town reduced its total debt service requirements by \$2,698,647, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$985,400.

G. Operating Lease

In 2013 the System, as lessee, entered into a ten-year, non-cancellable facility lease with a third party for its office space. Future minimum annual rental expense obligations due under this facility lease which includes rent and common area maintenance fees as are as follows:

<u>Calendar Year</u>	<u>Lease Payments</u>
2020	\$ 41,155
2021	41,323
2022	42,165
2023	<u>32,762</u>
	<u>\$ 157,405</u>

III. Other Information

A. Retirement System

Retirement System Description – The Town contributes to the Town of Falmouth Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan for the Town and Falmouth Housing Authority. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. The System is administered by the Town of Falmouth and is part of the reporting entity. Standalone audited financial statements for the year ended December 31, 2019 were issued and are available at the Retirement Office, 80 Davis Straits, Suite 102, Falmouth, Massachusetts 02540. Disclosures applicable to the Falmouth Housing Authority are not material.

Membership – Membership in the System as of December 31, 2019, was as follows:

Retirees and beneficiaries receiving benefits	415
Active plan members	581
Inactive plan members	<u>167</u>
Total	<u><u>1,163</u></u>

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

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

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

Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age.

The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

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

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

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

Employer contributions to the System totaled \$8,621,683 for the year ended December 31, 2019. The Town contributed \$8,431,144 to the System in fiscal year 2020, which equaled the actuarially determined contribution requirement for the fiscal year. The Town’s contributions as a percentage of covered payroll was approximately 28.79%.

Net Pension Liability – The components of the net pension liability of the System at December 31, 2019 (dollar amounts in thousands) were as follows:

Total pension liability	\$	230,501
Plan fiduciary net position		<u>(156,659)</u>
Net pension liability	\$	<u>73,842</u>
Plan fiduciary net position as a percentage of the total pension liability		68.0%

At June 30, 2020, the Town reported a liability of \$72,217,476 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2019. There were not any material changes to the System’s benefit terms since the actuarial valuation.

The Town’s proportion of the net pension liability is based on a projection of the Town’s long-term share of contributions to the System relative to the projected contributions of all employers. The Town’s proportion was approximately 97.8% at December 31, 2019, which was consistent with the proportion measured at January 1, 2018.

Fiduciary Net Position – The elements of the System’s basic financial statements (that is, all information about the System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the fiduciary fund financial statements. The System’s full audited financial statements as of and for the year ended December 31, 2019 can be obtained by contacting the Retirement Board.

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

Pension Expense – The Town recognized \$11,381,738 in pension expense in the statement of activities in fiscal year 2020.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 958,440
Net differences between projected and actual earnings on pension plan investments	-	2,884,122
Changes of assumptions	6,314,946	-
Changes in proportion and differences between employers' contributions and proportionate share of contributions	310,000	-
Total	<u>\$ 6,624,946</u>	<u>\$ 3,842,562</u>

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

<u>Year ended June 30,</u>	
2021	\$ 1,610,768
2022	1,158,932
2023	2,390,684
2024	(2,378,000)
2024	-
Total	<u>\$ 2,782,384</u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2018. The significant actuarial assumptions used in the actuarial valuation included:

Actuarial cost method	Individual entry age normal
Amortization method	Top payments increase 6.31% per year until FY 2032 with a final amortization payment in FY 2033 (formerly 5.86%)
Remaining amortization period	14 years
Asset valuation method	Market value
Investment rate of return	7.25% per annum (formerly 7.5%)
Projected salary increases	Service based table with ultimate ranges of 4.25%, and 4.75% for groups 1 and 4, respectively
Cost of living adjustments	3.0% of the first \$14,000 of benefits
Mortality rates:	
Pre-retirement	RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
Post-retirement	RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
Disabled retiree	RP-2000 Healthy Annuitant table projected generally with Scale BB and a base year of 2012 (gender distinct)

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation. The target allocation and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Policy Range</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	33.0% to 43.0%	7.6% to 10.1%
International equity	10.0% to 20.0%	7.6%
Fixed income	14.5% to 24.5%	2.6% to 8.7%
Real Estate/ Real Assets	7.5% to 12.5%	7.5%
Private equity	5.0% to 10.0%	13.1%
Hedge funds	7.5% to 12.5%	7.3%
Cash	0.0% to 3.0%	nil

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2018 actuarial valuation report was 7.25%, which was a reduction from the previous discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents net pension liability of the System calculated using the discount rate of 7.25% as well as the System’s net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate (dollar amounts in thousands):

	<u>1% Decrease (6.25%)</u>	<u>Current Discount (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net pension liability	\$ 99,411	\$ 73,842	\$ 52,202

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate (dollar amounts in thousands):

	<u>1% Decrease (6.25%)</u>	<u>Current Discount (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of net pension liability	\$ 97,224	\$ 72,217	\$ 51,054

B. Massachusetts Teachers' Retirement System

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

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

For the year ended June 30, 2020, the Commonwealth contributed \$6,087,865 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.421682%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

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

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town Portion
Net pension liability	\$ 106,322,988	\$ (106,322,988)	\$ -
Pension expense	12,893,508	(12,893,508)	-

The Town has recognized intergovernmental revenue and pension expense of \$12,893,508 associated with this arrangement.

C. Other Postemployment Benefits

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

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

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

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of the July 1, 2018 actuarial valuation date:

Retirees and beneficiaries currently receiving benefits	808
Inactive employees	<u>659</u>
Total	<u><u>1,467</u></u>

Contributions – The contribution requirements of Plan members and the Town are established and may be amended by the Town, through negotiation with the Town employee unions. Retirees contribute 50-65 percent of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions which vary annually. The costs of administering the Plan are paid by the Town. For the year ended June 30, 2020, the Town’s average contribution rate was 7.7% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2018, using an actuarial valuation as of June 30, 2020. The components of the net OPEB liability of the Town were as follows:

Total OPEB Liability	\$ 188,406,151
Plan fiduciary net position	<u>(1,290,005)</u>
Net OPEB liability	<u><u>\$ 187,116,146</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.68%

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

Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation
Municipal bond rate	2.21% as of June 30, 2020
Discount rate	2.21% as of June 30, 2020
Inflation	
Health care trend rate	7.0% decreasing to 4.5% at a rate of 0.25% per year
Salary increases	Group 1 and 2: 6.0% decreasing to 4.00% over 11 years Group 4: 7.0% decreasing to 4.5% over 11 years Teachers: 7.5% decreasing to 4.0% over 20 years
Pre-retirement mortality	Non-teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 Teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016
Post-retirement mortality	Non-teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017 Teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016
Disabled mortality	Non-teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017 Teachers: RP-2014 White Collar Healthy Annuitant Mortality Table set forward four years projected generationally with Scale BB2D from 2014
Actuarial cost method	Individual entry age normal - level percentage of payroll

Discount Rate – The discount rate used to measure the total OPEB liability was 2.21%. The only key change in assumptions from the prior year was the decrease of this discount rate from 3.50%.

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

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

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table and are part of the Town's OPEB investment policy:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	20.00%	6.15%
International developed markets equ	20.00%	6.78%
International emerging markets equi	5.00%	8.65%
Core fixed income	10.00%	1.11%
High yield fixed income	10.00%	3.51%
Real estate	10.00%	4.33%
Commodities	10.00%	4.13%
Hedge fund, GTAA, Risk parity	10.00%	3.19%
Private equity	5.00%	9.99%
	100.00%	

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

	Discount Rate			
	Current Rate	1% Decrease	Current	1% Increase
	Net OPEB Liability	2.21%	\$ 221,061,982	\$ 187,116,146

	Health Care Trend Rate			
	Current Rate	1% Decrease	Current	1% Increase
	Net OPEB Liability	7.00% > 4.50%	\$ 154,863,147	\$ 187,116,146

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2019	\$ 152,961,303	\$ 749,854	\$ 152,211,449
Changes for the year:			
Service cost	5,246,823	-	5,246,823
Interest	5,453,924	-	5,453,924
Difference between expected and actual experience	-	-	-
Changes in assumptions	29,507,561	-	29,507,561
Net investment income	-	40,151	(40,151)
Employer contributions	-	5,263,460	(5,263,460)
Benefit payments withdrawn from trust	-	(4,763,460)	4,763,460
Benefit payments	(4,763,460)	-	(4,763,460)
Net changes	35,444,848	540,151	34,904,697
Balances at June 30, 2020	\$ 188,406,151	\$ 1,290,005	\$ 187,116,146

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – The Town recognized OPEB expense of \$16,740,139. Deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 31,940,977	\$ 2,821,479
Differences between projected and actual earnings	16,284	-
Differences between actual and expected experience	-	708,104
	<u>\$ 31,957,261</u>	<u>\$ 3,529,583</u>

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

June 30,	Recognition
2021	\$ 6,109,379
2022	8,927,192
2023	7,483,627
2024	5,907,480
	<u>\$ 28,427,678</u>

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

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

Investment Rate of Return – For the year ended June 30, 2020 the annual money-weighted rate of return on investments, net of investment expense, was 0.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Pension and Other Employee Benefit Trust Funds

The Town reports two pension and other employee benefit trust funds in a single column in the Statement of Net Position and Statement of Changes in Net Position in the Fiduciary Funds. The Town's Other Postemployment Benefits Trust Fund does not issue stand-alone financial statements and must be reported separately.

The Statement of Net Position of the Town's pension and other employee benefit trust funds are as follows:

	Pension Trust Fund (December 31, 2019)	Other Postemployment Benefits Trust Fund	Total
Assets:			
Cash and Cash Equivalents	\$ 1,503,604	\$ -	\$ 1,503,604
Investments (at fair value):			
Domestic equity mutual funds	61,392,130	833,974	62,226,104
International equity mutual funds	14,023,241	-	14,023,241
Fixed income mutual funds	30,211,977	454,684	30,666,661
Private equity funds	16,909,318	-	16,909,318
Real estate funds	12,086,208	-	12,086,208
PRIT	20,571,813	-	20,571,813
Total Investments	155,194,687	1,288,658	156,483,345
Receivables:			
Employer and employee contributions	1,661	-	1,661
Total Receivables	1,661	-	1,661
Total Assets	156,699,952	1,288,658	157,988,610
Liabilities:			
Warrants and accounts payable	40,721	-	40,721
Total Liabilities	40,721	-	40,721
Net Position:			
Restricted for pensions	156,659,231	-	156,659,231
Restricted for other postemployment benefits	-	1,288,658	1,288,658
Total Net Position	\$ 156,659,231	\$ 1,288,658	\$ 157,947,889

The Statement of Changes in Net Position of the Town's pension and other employee benefit trust funds are as follows:

	Pension Trust Fund (December 31, 2019)	Other Postemployment Benefits Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 8,621,683	\$ 5,263,460	\$ 13,885,143
Employee	3,173,956	-	3,173,956
Other	1,105,195	-	1,105,195
Total Contributions	<u>12,900,834</u>	<u>5,263,460</u>	<u>18,164,294</u>
Investment income:			
Interest and dividends	1,319,360	38,804	1,358,164
Net appreciation in fair value of investments	23,013,631	-	23,013,631
Less - investment management fees	(1,022,521)	-	(1,022,521)
Net investment earnings	<u>23,310,470</u>	<u>38,804</u>	<u>23,349,274</u>
Total Additions (net)	<u>36,211,304</u>	<u>5,302,264</u>	<u>41,513,568</u>
Deductions			
Benefit payments to pensioners and beneficiaries	12,043,669	4,763,460	16,807,129
Member refunds	173,170	-	173,170
Transfers and reimbursements to other systems	651,489	-	651,489
Payroll expenses of the System	180,630	-	180,630
Other administrative expenses	160,316	-	160,316
Total Deductions	<u>13,209,274</u>	<u>4,763,460</u>	<u>17,972,734</u>
CHANGE IN NET POSITION	23,002,030	538,804	23,540,834
NET POSITION AT BEGINNING OF YEAR	<u>133,657,201</u>	<u>749,854</u>	<u>134,407,055</u>
NET POSITION AT END OF YEAR	<u>\$ 156,659,231</u>	<u>\$ 1,288,658</u>	<u>\$ 157,947,889</u>

E. Risk Financing

The Town is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; natural disasters and various employee benefits including health, workers' compensation and unemployment compensation. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is a part of a premium-based self-insurance group, which insures for worker's compensation, general and personal liability, through the Massachusetts Inter-local Insurance Association (MIIA). Additionally, the Town is part of a premium-based health insurance group, Cape Cod Municipal Health Group, which serves over sixty cities, towns, and school systems. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town's experience history.

F. Landfill Closure and Post-closure Care Costs

The Town's landfill was closed during fiscal year 2000 and a final cover was installed in accordance with Federal and State laws and regulations. Those laws and regulations require the Town to perform certain maintenance and monitoring functions (post-closure care) at the site for 30 years after the landfill cover is installed. The liability for closure and post-closure care is based on current costs which are subject to changes due to inflation, deflation, changes in technology or applicable laws and regulations. In accordance with generally accepted accounting principles, the estimated cost of closure and post-closure care costs of \$330,000 has been accrued in the liabilities of the Governmental Funds.

G. Commitments and Contingencies

A summary discussion of the Town's exposure to commitments and contingencies follows:

Wind Turbine Litigation –

In 2010 and 2011, the Town acquired and erected two wind turbines at its wastewater treatment plant. When the turbines began operations, homeowners in the immediate neighborhood began to complain that the noise and vibration of the turbines constituted a nuisance. There were several cases filed pertaining to both zoning and nuisance claims.

The following summarizes the most recent court decisions and the Town's current position regarding these cases:

Wind I: Plaintiffs allege Wind I, the first of the two wind turbines owned by the Town and installed at the wastewater treatment plant on Blacksmith Shop Road was built in violation of the Town's zoning-by-law. The litigation ended with a decision of the Massachusetts Appeals Court that the Town needed to obtain a special permit from the Zoning Board of Appeals to continue operation of Wind I. The Town applied for this special permit and it was denied. Initially the Town appealed the judgment but subsequently withdrew the appeal as Wind I was determined to be a nuisance under the zoning bylaw in a related court case. Accordingly, Wind I was taken out of operation pursuant to this determination made by the Court.

Wind II: The second Town wind turbine was financed by a loan/grant from the Massachusetts Clean Water Trust "MCWT", formerly the Massachusetts Water Pollution Abatement Trust with funds that originated with the United States under the American Recovery and Reinvestment Act of 2009. The original loan amount was approximately \$4.9 million, and the interest rate is 0%.

The loan qualifies for full principal forgiveness as long as the wind turbine continues to operate as an energy efficient project. Several neighbors of Wind II filed an application with the Town's Zoning Board of Appeals requesting a Cease and Desist Order for Wind II on the grounds it was built without a special permit from the Zoning Board of Appeals. This application was denied by the Board. The neighbors appealed this denial to Superior Court which affirmed the Zoning Board's decision. In a related court case, the Court ruled Wind II as a nuisance under the zoning by-law and also ordered it to cease operations. As a result, Wind II was also taken out of operation.

During fiscal year 2019, the decision to dismantle and decommission Wind I and Wind 2 was made, and the Town received an estimated cost of \$2,400,000 to accomplish this. In addition, during fiscal 2019, the Board of Selectmen mandated that no wind turbines would be able to stand or operate at any location in Falmouth. Further, Town Meeting appropriated an amount from certified free cash (available surplus) to fund these costs as soon as a vendor is selected and thus will be paid from current available resources.

With respect to these decisions, the following transactions have been recorded in the financial statements in the applicable years that key events took place:

- Both Wind 1 and Wind 2 were determined to be impaired during fiscal year 2017 and net book value of \$4,054,247 and \$4,854,799 respectively, were recorded as impairment losses in the Statement of Activities at that time.
- During fiscal 2019, the amount of \$2,400,000 representing the estimated cost to dismantle and decommission Wind 1 and Wind 2 has been recorded as a liability in the Capital Projects major fund and in the Statement of Net Position. It was also been expensed immediately during fiscal 2019 since both Wind 1 and Wind 2 are out of operation and will be dismantled in the near future.
- Debt service for Wind I will be partially offset from revenue generated from a major solar array built at the Town Landfill site. The bonds were refunded in the current year and outstanding debt is currently \$1,600,020 and remaining interest is \$411,390. It is scheduled to mature in 2029.
- The Town has contacted MCWT on occasion regarding the status of the interest free note on Wind 2. These communications have not yielded any resolutions and the Town continues to carry debt related to this at \$2,677,157 that is being paid from annual appropriations authorized at Town Meeting. This debt matures in 2030 and has not been called or deemed in default as of fiscal 2020.

The Town is also party to other certain legal claims that arise in the normal course of operations which are subject to many uncertainties. The outcome of individual litigation matters is not always predictable with assurance; although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes that any resulting liability, if any for these other claims, should not materially affect the basic financial statements of the Town at June 30, 2020.

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

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties.

The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

H. Implementation of New GASB Pronouncements

Current Year Implementations –

None

Future Implementations –

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

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

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

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

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

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

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

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatements

As a result of a new actuarial valuation for its other postemployment benefits liability, it was determined that a prior period restatement was required to properly present the net other postemployment benefits liability at June 30, 2019.

The impacts to the June 30, 2019 fund balances of each fund are illustrated as follows:

	Governmental Activities	Business-type Activities	Water Enterprise
Prior year as presented	\$ 95,820,686	\$ 60,523,188	\$ 60,523,188
Restate net OPEB liability	(10,313,886)	(112,411)	(112,411)
As restated	<u>\$ 85,506,800</u>	<u>\$ 60,410,777</u>	<u>\$ 60,410,777</u>

Required Supplementary Information

TOWN OF FALMOUTH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2020

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

(dollar amounts are in thousands)

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	97.8%	97.3%	97.3%	97.1%	97.1%	96.9%
Town's proportionate share of the net pension liability (asset)	\$ 72,217	\$ 85,546	\$ 59,898	\$ 69,211	\$ 64,484	\$ 56,559
Town's covered payroll	\$ 29,292	\$ 29,139	\$ 27,648	\$ 27,593	\$ 26,681	\$ 26,626
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	246.5%	293.6%	216.6%	250.8%	241.7%	212.4%
Plan fiduciary net position as a percentage of the total pension liability	68.0%	60.3%	70.1%	64.1%	63.8%	66.9%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 8,431	\$ 7,890	\$ 7,451	\$ 7,082	\$ 6,748	\$ 6,416
Contributions in relation to the actuarially determined contribution	<u>8,431</u>	<u>7,890</u>	<u>7,451</u>	<u>7,082</u>	<u>6,748</u>	<u>6,416</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 29,951	\$ 29,457	\$ 28,340	\$ 27,609	\$ 27,038	\$ 26,650
Contributions as a percentage of covered payroll	28.1%	26.8%	26.3%	25.7%	25.0%	24.1%

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

See accompanying independent auditor's report.

TOWN OF FALMOUTH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
 YEAR ENDED JUNE 30, 2020

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

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

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

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

See accompanying independent auditor's report.

TOWN OF FALMOUTH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2020

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$5,246,823	\$ 4,438,998	\$ 4,361,404	\$ 5,054,578
Interest	5,453,924	4,980,915	4,620,284	3,955,895
Differences between expected and actual experience	-	(1,464,900)	-	-
Changes in assumptions	29,507,561	23,159,362	(4,996,304)	(14,107,391)
Benefit payments	(4,763,460)	(4,794,266)	(4,046,371)	(3,872,125)
Net change in total OPEB liability	35,444,848	26,320,109	(60,987)	(8,969,043)
Total OPEB liability - beginning of year	152,961,303	126,641,194	126,702,181	135,671,224
Total OPEB liability - end of year (a)	<u>\$188,406,151</u>	<u>\$ 152,961,303</u>	<u>\$ 126,641,194</u>	<u>\$ 126,702,181</u>
Plan fiduciary net position:				
Contributions - employer	\$5,263,460	\$ 4,894,266	\$ 4,146,371	\$ 3,972,125
Net investment income	40,151	89,906	(6,526)	10,103
Benefit payments	(4,763,460)	(4,794,266)	(4,046,371)	(3,872,125)
Net change in Plan fiduciary net position	540,151	189,906	93,474	110,103
Plan fiduciary net position - beginning of year	749,854	559,948	466,474	356,371
Plan fiduciary net position - end of year (b)	<u>\$ 1,290,005</u>	<u>\$ 749,854</u>	<u>\$ 559,948</u>	<u>\$ 466,474</u>
Net OPEB liability - end of year (a) - (b)	<u>\$187,116,146</u>	<u>\$ 152,211,449</u>	<u>\$ 126,081,246</u>	<u>\$ 126,235,707</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.68%	0.49%	0.44%	0.37%
Covered-employee payroll	\$68,000,000	\$ 65,500,750	\$ 65,013,809	N/A
Net OPEB liability as a percentage of covered-employee payroll	275.17%	232.38%	193.93%	N/A

N/A - Information not available

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

See accompanying independent auditor's report.

TOWN OF FALMOUTH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2020

SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30,			
	2020	2019	2018	2017
Actuarially-determined contribution	\$8,096,104	\$ 7,841,263	\$ 6,560,565	\$ 8,695,228
Contributions in relation to the actuarially-determined contribution	(5,263,460)	(4,894,266)	(4,146,371)	(3,972,125)
Contribution deficiency (excess)	\$ 2,832,644	\$ 2,946,997	\$ 2,414,194	\$ 4,723,103
Covered-employee payroll	\$68,000,000	\$ 67,328,937	\$ 65,500,750	\$ 65,013,809
Contribution as a percentage of covered-employee payroll	7.74%	7.27%	6.33%	6.11%
Valuation date	June 30, 2018	June 30, 2018	June 30, 2016	June 30, 2016
Amortization period	28 years	28 years	30 years	30 years
Investment rate of return	7.00%	7.00%	7.00%	7.00%
Municipal bond rate	2.21%	3.50%	3.45%	3.13%
Single equivalent discount rate	2.21%	3.50%	3.87%	3.58%
Inflation	3.25%	3.25%	3.50%	3.50%
Healthcare cost trend rates	7.0% > 4.5%	7.0% > 4.5%	7.0% > 4.5%	7.0% > 4.5%
Salary increases	7.5% > 4.0%	7.5% > 4.0%	7.5% > 4.0%	7.5% > 4.0%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)			
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)			

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,			
	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	0.80%	13.89%	-1.40%	2.25%

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

See accompanying independent auditor's report.

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
<i>Taxes:</i>						
Real estate taxes	\$ 104,195,004	\$ 104,195,004	\$ 102,555,873	\$ -	\$ 102,555,873	\$ (1,639,131)
Personal property taxes	2,091,724	2,091,724	2,053,997	-	2,053,997	(37,727)
Tax title	-	-	303,117	-	303,117	303,117
Motor vehicle excise	4,340,000	4,340,000	5,129,787	-	5,129,787	789,787
Boat excise	85,000	85,000	144,450	-	144,450	59,450
Meals excise	760,000	760,000	975,738	-	975,738	215,738
Room occupancy excise	800,000	800,000	1,498,601	-	1,498,601	698,601
	<u>112,271,728</u>	<u>112,271,728</u>	<u>112,661,563</u>	<u>-</u>	<u>112,661,563</u>	<u>389,835</u>
<i>Intergovernmental:</i>						
State aid - chapter 70	6,780,099	6,780,099	6,780,099	-	6,780,099	-
State aid - state owned land	461,240	461,240	461,240	-	461,240	-
State aid - unrestricted	1,472,161	1,472,161	1,472,161	-	1,472,161	-
State aid - veterans benefits	312,432	312,432	391,979	-	391,979	79,547
State aid - other	616,980	616,980	371,125	-	371,125	(245,855)
Federal revenue through State	40,000	40,000	310,033	-	310,033	270,033
MSBA school construction reimbursement	685,368	685,368	685,368	-	685,368	-
	<u>10,368,280</u>	<u>10,368,280</u>	<u>10,472,005</u>	<u>-</u>	<u>10,472,005</u>	<u>103,725</u>
<i>User charges:</i>						
Ambulance user charges	2,220,200	2,220,200	2,521,909	-	2,521,909	301,709
Town marina user charges	641,000	641,000	779,307	-	779,307	138,307
Solid waste disposal user charges	100,000	100,000	136,080	-	136,080	36,080
Sewer user charges	1,800,000	1,800,000	1,824,889	-	1,824,889	24,889
Water user charges	6,450,000	6,450,000	6,388,802	-	6,388,802	(61,198)
Beach user charges	910,500	910,500	1,015,195	-	1,015,195	104,695
	<u>12,121,700</u>	<u>12,121,700</u>	<u>12,666,182</u>	<u>-</u>	<u>12,666,182</u>	<u>544,482</u>
<i>Departmental fees and other:</i>						
Payments in lieu of taxes	165,000	165,000	144,786	-	144,786	(20,214)
Municipal lien fees	105,000	105,000	144,600	-	144,600	39,600
Recreation fees	120,000	120,000	44,455	-	44,455	(75,545)
Rental of municipal property	98,000	98,000	87,069	-	87,069	(10,931)
Police private detail charges	77,000	77,000	61,680	-	61,680	(15,320)
Fire inspection fees	45,000	45,000	42,485	-	42,485	(2,515)
Other fire revenue	12,000	12,000	375,552	-	375,552	363,552
Treasurer's miscellaneous	850	850	580,802	-	580,802	579,952
Collector's miscellaneous	12,400	12,400	83,730	-	83,730	71,330
Other miscellaneous	177,750	177,750	387,866	-	387,866	210,116
	<u>813,000</u>	<u>813,000</u>	<u>1,953,025</u>	<u>-</u>	<u>1,953,025</u>	<u>1,140,025</u>
<i>Licenses and permits:</i>						
Liquor licenses	100,000	100,000	165,600	-	165,600	65,600
Building permits	999,800	999,800	1,646,465	-	1,646,465	646,665
Board of Health licenses and permits	97,000	97,000	116,240	-	116,240	19,240
Other licenses and permits	108,500	108,500	187,758	-	187,758	79,258
	<u>1,305,300</u>	<u>1,305,300</u>	<u>2,116,063</u>	<u>-</u>	<u>2,116,063</u>	<u>810,763</u>
<i>Fines and forfeitures:</i>						
Parking violations	75,000	75,000	148,630	-	148,630	73,630
Other fines	45,000	45,000	33,031	-	33,031	(11,969)
	<u>120,000</u>	<u>120,000</u>	<u>181,661</u>	<u>-</u>	<u>181,661</u>	<u>61,661</u>
<i>Special Assessments</i>						
	<u>900,000</u>	<u>900,000</u>	<u>972,984</u>	<u>-</u>	<u>972,984</u>	<u>72,984</u>
<i>Penalties and interest on taxes</i>						
	<u>575,000</u>	<u>575,000</u>	<u>773,995</u>	<u>-</u>	<u>773,995</u>	<u>198,995</u>
<i>Interest and investment income</i>						
	<u>191,000</u>	<u>191,000</u>	<u>611,852</u>	<u>-</u>	<u>611,852</u>	<u>420,852</u>
Total Revenues	<u>138,666,008</u>	<u>138,666,008</u>	<u>142,409,330</u>	<u>-</u>	<u>142,409,330</u>	<u>3,743,322</u>

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Expenditures:						
<i>General Government:</i>						
Town Meeting:						
Salary and wages	4,000	4,000	991	-	991	3,009
Other expenses	34,500	34,500	27,161	969	28,130	6,370
	<u>38,500</u>	<u>38,500</u>	<u>28,152</u>	<u>969</u>	<u>29,121</u>	<u>9,379</u>
Town Moderator:						
Salary and wages	1,500	1,500	1,500	-	1,500	-
	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
Selectmen/Town Manager:						
Salary and wages	468,043	468,043	463,077	-	463,077	4,966
Specific departmental expenses	41,720	41,720	37,837	-	37,837	3,883
Other expenses	69,875	69,875	63,130	2,500	65,630	4,245
Article expenses	2,068,828	2,024,403	502,390	1,463,898	1,966,288	58,115
	<u>2,648,466</u>	<u>2,604,041</u>	<u>1,066,434</u>	<u>1,466,398</u>	<u>2,532,832</u>	<u>71,209</u>
Finance Department:						
Salary and wages	127,827	132,377	132,377	-	132,377	-
Other expenses	3,112	3,112	2,993	-	2,993	119
Article expenses	306,982	306,982	67,709	239,273	306,982	-
	<u>437,921</u>	<u>442,471</u>	<u>203,079</u>	<u>239,273</u>	<u>442,352</u>	<u>119</u>
Town Accountant:						
Salary and wages	171,953	174,253	174,237	-	174,237	16
Specific departmental expenses	55,000	55,000	45,000	10,000	55,000	-
Other expenses	2,665	2,665	1,504	-	1,504	1,161
	<u>229,618</u>	<u>231,918</u>	<u>220,741</u>	<u>10,000</u>	<u>230,741</u>	<u>1,177</u>
Assessing Department:						
Salary and wages	350,586	350,586	329,350	-	329,350	21,236
Other expenses	19,765	19,765	9,434	4,700	14,134	5,631
	<u>370,351</u>	<u>370,351</u>	<u>338,784</u>	<u>4,700</u>	<u>343,484</u>	<u>26,867</u>
Town Treasurer:						
Salary and wages	335,522	342,522	342,458	-	342,458	64
Other expenses	222,319	222,319	154,632	21,516	176,148	46,171
	<u>557,841</u>	<u>564,841</u>	<u>497,090</u>	<u>21,516</u>	<u>518,606</u>	<u>46,235</u>
Personnel Department:						
Salary and wages	244,545	246,770	242,795	-	242,795	3,975
Other expenses	67,470	67,470	54,400	326	54,726	12,744
	<u>312,015</u>	<u>314,240</u>	<u>297,195</u>	<u>326</u>	<u>297,521</u>	<u>16,719</u>
Legal Department:						
Salary and wages	318,239	318,239	296,801	-	296,801	21,438
Specific departmental expenses	150,000	250,000	219,117	-	219,117	30,883
Other expenses	60,885	60,885	50,423	786	51,209	9,676
	<u>529,124</u>	<u>629,124</u>	<u>566,341</u>	<u>786</u>	<u>567,127</u>	<u>61,997</u>
Finance Committee:						
Reserve fund	325,000	273,500	-	-	-	273,500
	<u>325,000</u>	<u>273,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,500</u>

(continued)

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Information Technology:						
Salary and wages	554,140	554,140	447,996	-	447,996	106,144
Specific departmental expenses	22,000	22,000	5,718	-	5,718	16,282
Other expenses	420,084	420,084	394,744	24,543	419,287	797
Article expenses	744,863	744,863	265,036	479,827	744,863	-
	<u>1,741,087</u>	<u>1,741,087</u>	<u>1,113,494</u>	<u>504,370</u>	<u>1,617,864</u>	<u>123,223</u>
Geographical Information Systems:						
Salary and wages	85,232	85,532	85,527	-	85,527	5
Other expenses	17,500	17,500	15,079	-	15,079	2,421
Article expenses	55,000	55,000	-	55,000	55,000	-
	<u>157,732</u>	<u>158,032</u>	<u>100,606</u>	<u>55,000</u>	<u>155,606</u>	<u>2,426</u>
Town Clerk:						
Salary and wages	238,527	245,427	244,326	-	244,326	1,101
Other expenses	41,240	41,240	39,275	-	39,275	1,965
Article expenses	220,000	220,000	535	219,465	220,000	-
	<u>499,767</u>	<u>506,667</u>	<u>284,136</u>	<u>219,465</u>	<u>503,601</u>	<u>3,066</u>
Elections:						
Salary and wages	44,000	60,000	59,377	-	59,377	623
Other expenses	26,600	40,600	39,569	-	39,569	1,031
	<u>70,600</u>	<u>100,600</u>	<u>98,946</u>	<u>-</u>	<u>98,946</u>	<u>1,654</u>
Conservation Commission:						
Salary and wages	264,336	277,236	277,193	-	277,193	43
Specific departmental expenses	5,606	5,606	2,603	-	2,603	3,003
Other expenses	14,350	14,350	9,875	207	10,082	4,268
Article expenses	471,798	471,798	225,840	245,958	471,798	-
	<u>756,090</u>	<u>768,990</u>	<u>515,511</u>	<u>246,165</u>	<u>761,676</u>	<u>7,314</u>
Planning Department:						
Salary and wages	268,976	270,376	270,346	-	270,346	30
Other expenses	10,875	10,875	8,947	1,565	10,512	363
Article expenses	49,000	49,000	2,000	47,000	49,000	-
	<u>328,851</u>	<u>330,251</u>	<u>281,293</u>	<u>48,565</u>	<u>329,858</u>	<u>393</u>
Zoning Board of Appeals:						
Salary and wages	128,395	130,245	130,203	-	130,203	42
Specific departmental expenses	600	600	-	-	-	600
Other expenses	6,050	6,050	4,532	11	4,543	1,507
	<u>135,045</u>	<u>136,895</u>	<u>134,735</u>	<u>11</u>	<u>134,746</u>	<u>2,149</u>
Facilities Maintenance:						
Salary and wages	668,334	668,834	668,833	-	668,833	1
Specific departmental expenses	250,870	250,870	226,483	35	226,518	24,352
Other expenses	158,369	158,369	129,103	19	129,122	29,247
Article expenses	832,222	832,222	128,465	686,897	815,362	16,860
	<u>1,909,795</u>	<u>1,910,295</u>	<u>1,152,884</u>	<u>686,951</u>	<u>1,839,835</u>	<u>70,460</u>
Court Judgments:						
Specific departmental expenses	500	500	-	-	-	500
	<u>500</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Town Insurance:						
Other expenses	1,690,724	1,690,724	1,542,054	-	1,542,054	148,670
	<u>1,690,724</u>	<u>1,690,724</u>	<u>1,542,054</u>	<u>-</u>	<u>1,542,054</u>	<u>148,670</u>
<i>Total General Government</i>	<u>12,740,527</u>	<u>12,814,527</u>	<u>8,442,975</u>	<u>3,504,495</u>	<u>11,947,470</u>	<u>867,057</u>

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<i>Public Safety:</i>						
Police Department:						
Salary and wages	6,137,445	6,137,445	5,781,893	-	5,781,893	355,552
Specific departmental expenses	14,905	14,905	7,589	-	7,589	7,316
Capital expenses	100,000	100,000	100,000	-	100,000	-
Other expenses	496,683	496,683	443,863	6,153	450,016	46,667
Article expenses	664,097	664,097	251,671	412,264	663,935	162
	<u>7,413,130</u>	<u>7,413,130</u>	<u>6,585,016</u>	<u>418,417</u>	<u>7,003,433</u>	<u>409,697</u>
Fire Department:						
Salary and wages	6,935,729	6,935,729	6,914,417	-	6,914,417	21,312
Specific departmental expenses	70,423	70,423	55,742	12,561	68,303	2,120
Other expenses	493,164	753,164	677,079	39,455	716,534	36,630
Article expenses	2,584,822	2,584,822	790,569	1,794,253	2,584,822	-
	<u>10,084,138</u>	<u>10,344,138</u>	<u>8,437,807</u>	<u>1,846,269</u>	<u>10,284,076</u>	<u>60,062</u>
Building Department:						
Salary and wages	625,298	625,298	616,840	-	616,840	8,458
Other expenses	49,640	49,640	34,098	-	34,098	15,542
	<u>674,938</u>	<u>674,938</u>	<u>650,938</u>	<u>-</u>	<u>650,938</u>	<u>24,000</u>
Consolidated Communication Department:						
Salary and wages	613,778	679,278	679,251	-	679,251	27
Other expenses	49,171	49,171	41,301	4,200	45,501	3,670
	<u>662,949</u>	<u>728,449</u>	<u>720,552</u>	<u>4,200</u>	<u>724,752</u>	<u>3,697</u>
Marine and Environmental Services:						
Salary and wages	767,437	767,437	654,939	-	654,939	112,498
Specific departmental expenses	67,000	67,000	62,308	-	62,308	4,692
Other expenses	181,000	181,000	142,326	348	142,674	38,326
Article expenses	894,348	894,348	156,056	733,310	889,366	4,982
	<u>1,909,785</u>	<u>1,909,785</u>	<u>1,015,629</u>	<u>733,658</u>	<u>1,749,287</u>	<u>160,498</u>
<i>Total Public Safety</i>	<u>20,744,940</u>	<u>21,070,440</u>	<u>17,409,942</u>	<u>3,002,544</u>	<u>20,412,486</u>	<u>657,954</u>
<i>Education:</i>						
School Department:						
Salary and other expenses	53,223,417	53,223,417	48,786,429	4,260,307	53,046,736	176,681
Article expenses	2,993,569	2,993,569	1,518,993	1,414,397	2,933,390	60,179
	<u>56,216,986</u>	<u>56,216,986</u>	<u>50,305,422</u>	<u>5,674,704</u>	<u>55,980,126</u>	<u>236,860</u>
Upper Cape Vocational School:						
Other expenses	3,201,356	3,201,356	3,201,356	-	3,201,356	-
	<u>3,201,356</u>	<u>3,201,356</u>	<u>3,201,356</u>	<u>-</u>	<u>3,201,356</u>	<u>-</u>
<i>Total Education</i>	<u>59,418,342</u>	<u>59,418,342</u>	<u>53,506,778</u>	<u>5,674,704</u>	<u>59,181,482</u>	<u>236,860</u>
<i>Public Works:</i>						
Admin/Engineering:						
Salary and wages	735,836	735,836	711,411	-	711,411	24,425
Specific departmental expenses	1,700	1,700	-	-	-	1,700
Other expenses	88,100	88,100	62,060	8,087	70,147	17,953
Article expenses	1,481,844	1,481,844	364,791	1,116,997	1,481,788	56
	<u>2,307,480</u>	<u>2,307,480</u>	<u>1,138,262</u>	<u>1,125,084</u>	<u>2,263,346</u>	<u>44,134</u>

(continued)

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Highway:						
Salary and wages	1,134,095	1,134,095	1,089,873	-	1,089,873	44,222
Specific departmental expenses	35,000	35,000	34,513	-	34,513	487
Other expenses	275,926	275,926	267,652	540	268,192	7,734
Article expenses	3,184,966	3,184,966	1,544,625	1,636,085	3,180,710	4,256
	<u>4,629,987</u>	<u>4,629,987</u>	<u>2,936,663</u>	<u>1,636,625</u>	<u>4,573,288</u>	<u>56,699</u>
Snow and Ice Control:						
Salary and wages	180,000	180,000	33,021	-	33,021	146,979
Specific departmental expenses	16,500	16,500	-	-	-	16,500
Other expenses	178,500	178,500	169,857	-	169,857	8,643
	<u>375,000</u>	<u>375,000</u>	<u>202,878</u>	<u>-</u>	<u>202,878</u>	<u>172,122</u>
Street Lighting:						
Other expenses	114,500	114,500	79,084	4,000	83,084	31,416
	<u>114,500</u>	<u>114,500</u>	<u>79,084</u>	<u>4,000</u>	<u>83,084</u>	<u>31,416</u>
Vehicle Gasoline:						
Other expenses	335,000	335,000	300,804	-	300,804	34,196
	<u>335,000</u>	<u>335,000</u>	<u>300,804</u>	<u>-</u>	<u>300,804</u>	<u>34,196</u>
Fleet Services:						
Salary and wages	258,880	258,880	206,447	-	206,447	52,433
Other expenses	205,000	205,000	200,811	495	201,306	3,694
Article expenses	566,000	566,000	-	566,000	566,000	-
	<u>1,029,880</u>	<u>1,029,880</u>	<u>407,258</u>	<u>566,495</u>	<u>973,753</u>	<u>56,127</u>
Waste Management Facility:						
Salary and wages	162,542	162,542	143,855	-	143,855	18,687
Other expenses	215,032	215,032	122,933	176	123,109	91,923
	<u>377,574</u>	<u>377,574</u>	<u>266,788</u>	<u>176</u>	<u>266,964</u>	<u>110,610</u>
Solid Waste Collection:						
Specific departmental expenses	3,546,000	3,582,500	3,573,388	-	3,573,388	9,112
	<u>3,546,000</u>	<u>3,582,500</u>	<u>3,573,388</u>	<u>-</u>	<u>3,573,388</u>	<u>9,112</u>
Wastewater Utilities:						
Salary and wages	640,623	640,623	583,512	-	583,512	57,111
Other expenses	989,796	989,796	891,292	14,019	905,311	84,485
Article expenses	762,819	762,819	192,144	570,569	762,713	106
	<u>2,393,238</u>	<u>2,393,238</u>	<u>1,666,948</u>	<u>584,588</u>	<u>2,251,536</u>	<u>141,702</u>
Water Utilities:						
Salary and wages	1,321,046	1,321,046	1,158,857	-	1,158,857	162,189
Specific departmental expenses	431,440	431,440	321,424	11,749	333,173	98,267
Other expenses	1,515,483	1,515,483	1,291,944	24,564	1,316,508	198,975
Article expenses	1,177,130	1,177,130	300,018	868,220	1,168,238	8,892
	<u>4,445,099</u>	<u>4,445,099</u>	<u>3,072,243</u>	<u>904,533</u>	<u>3,976,776</u>	<u>468,323</u>
Renewable Energy:						
Other expenses	35,482	35,482	8,231	5,519	13,750	21,732
	<u>35,482</u>	<u>35,482</u>	<u>8,231</u>	<u>5,519</u>	<u>13,750</u>	<u>21,732</u>
Parks:						
Salary and wages	931,986	931,986	791,387	-	791,387	140,599
Specific departmental expenses	18,100	18,100	16,246	-	16,246	1,854
Other expenses	278,109	278,109	222,104	656	222,760	55,349
Article expenses	633,664	633,664	330,911	302,753	633,664	-
	<u>1,861,859</u>	<u>1,861,859</u>	<u>1,360,648</u>	<u>303,409</u>	<u>1,664,057</u>	<u>197,802</u>
<i>Total Public Works</i>	<u>21,451,099</u>	<u>21,487,599</u>	<u>15,013,195</u>	<u>5,130,429</u>	<u>20,143,624</u>	<u>1,343,975</u>

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<i>Health and Human Services:</i>						
<i>Health Inspection:</i>						
Salary and wages	231,611	231,611	208,410	300	208,710	22,901
Specific departmental expenses	53,000	53,000	33,565	16,259	49,824	3,176
Other expenses	11,250	11,250	6,430	-	6,430	4,820
	<u>295,861</u>	<u>295,861</u>	<u>248,405</u>	<u>16,559</u>	<u>264,964</u>	<u>30,897</u>
<i>Clinics and Nurses:</i>						
Specific departmental expenses	45,980	75,980	72,866	-	72,866	3,114
	<u>45,980</u>	<u>75,980</u>	<u>72,866</u>	<u>-</u>	<u>72,866</u>	<u>3,114</u>
<i>Council on Aging:</i>						
Salary and wages	291,822	291,822	269,448	-	269,448	22,374
Other expenses	48,275	48,275	30,143	666	30,809	17,466
Article expenses	100,000	100,000	10,539	89,461	100,000	-
	<u>440,097</u>	<u>440,097</u>	<u>310,130</u>	<u>90,127</u>	<u>400,257</u>	<u>39,840</u>
<i>Veterans Services:</i>						
Salary and wages	134,085	135,535	135,489	-	135,489	46
Specific departmental expenses	454,200	454,200	443,734	-	443,734	10,466
Other expenses	5,700	5,700	3,520	-	3,520	2,180
	<u>593,985</u>	<u>595,435</u>	<u>582,743</u>	<u>-</u>	<u>582,743</u>	<u>12,692</u>
<i>Commission on Disabilities:</i>						
Other expenses	250	250	-	-	-	250
	<u>250</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
<i>Human Services:</i>						
Salary and wages	350,222	352,772	352,735	-	352,735	37
Specific departmental expenses	95,000	95,000	94,058	-	94,058	942
Other expenses	41,784	41,784	38,948	-	38,948	2,836
	<u>487,006</u>	<u>489,556</u>	<u>485,741</u>	<u>-</u>	<u>485,741</u>	<u>3,815</u>
<i>Total Health and Human Services</i>	<u>1,863,179</u>	<u>1,897,179</u>	<u>1,699,885</u>	<u>106,686</u>	<u>1,806,571</u>	<u>90,608</u>
<i>Culture and Recreation:</i>						
<i>Falmouth Public Library:</i>						
Salary and wages	1,541,397	1,571,397	1,523,943	-	1,523,943	47,454
Specific departmental expenses	301,114	301,114	277,624	-	277,624	23,490
Other expenses	254,700	254,700	227,498	-	227,498	27,202
Article expenses	60,623	60,623	125	59,583	59,708	915
	<u>2,157,834</u>	<u>2,187,834</u>	<u>2,029,190</u>	<u>59,583</u>	<u>2,088,773</u>	<u>99,061</u>
<i>Recreation:</i>						
Salary and wages	352,542	352,542	345,330	-	345,330	7,212
Specific departmental expenses	110,161	110,161	91,561	-	91,561	18,600
Other expenses	82,135	82,135	48,444	-	48,444	33,691
Article expenses	155,088	175,088	240	174,848	175,088	-
	<u>699,926</u>	<u>719,926</u>	<u>485,575</u>	<u>174,848</u>	<u>660,423</u>	<u>59,503</u>
<i>Beach Department:</i>						
Salary and wages	643,609	643,609	591,044	-	591,044	52,565
Capital expenses	37,965	37,965	37,404	-	37,404	561
Other expenses	50,441	50,441	45,125	1,141	46,266	4,175
Article expenses	47,643	47,643	18,826	28,543	47,369	274
	<u>779,658</u>	<u>779,658</u>	<u>692,399</u>	<u>29,684</u>	<u>722,083</u>	<u>57,575</u>
<i>Bikeways Committee:</i>						
Other expenses	1,980	1,980	700	13	713	1,267
	<u>1,980</u>	<u>1,980</u>	<u>700</u>	<u>13</u>	<u>713</u>	<u>1,267</u>
<i>Total Culture and Recreation</i>	<u>3,639,398</u>	<u>3,689,398</u>	<u>3,207,864</u>	<u>264,128</u>	<u>3,471,992</u>	<u>217,406</u>

(continued)

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<i>State and County Assessments:</i>						
County assessments	396,532	396,532	472,998	-	472,998	(76,466)
Cape Cod Commission	507,117	507,117	507,117	-	507,117	-
State assessments and charges	419,263	419,263	400,009	-	400,009	19,254
Transportation authorities assessments	188,059	188,059	188,059	-	188,059	-
Annual charges against receipts	11,754	11,754	4,109	-	4,109	7,645
Tuition assessments	2,694,142	2,694,142	2,516,172	-	2,516,172	177,970
Total State and County Assessments	4,216,867	4,216,867	4,088,464	-	4,088,464	128,403
<i>Pension and Fringe Benefits:</i>						
Retirement:						
Non-contributory pension	15,000	16,500	16,424	-	16,424	76
Contributory pension	8,436,144	8,436,144	8,431,144	-	8,431,144	5,000
Article expenses	12,869	12,869	1,616	-	1,616	11,253
	8,464,013	8,465,513	8,449,184	-	8,449,184	16,329
Unemployment:						
Other expenses	150,578	250,578	81,424	169,154	250,578	-
	150,578	250,578	81,424	169,154	250,578	-
Health Insurance:						
Other expenses	15,585,305	14,918,805	13,769,395	-	13,769,395	1,149,410
	15,585,305	14,918,805	13,769,395	-	13,769,395	1,149,410
Life Insurance:						
Other expenses	9,232	9,232	4,762	-	4,762	4,470
	9,232	9,232	4,762	-	4,762	4,470
Medicare Insurance:						
Specific departmental expenses	880,000	925,000	920,866	-	920,866	4,134
	880,000	925,000	920,866	-	920,866	4,134
Other Employee Benefits:						
Specific departmental expenses	218,200	218,200	178,236	694	178,930	39,270
	218,200	218,200	178,236	694	178,930	39,270
Total Pension and Fringe Benefits	25,307,328	24,787,328	23,403,867	169,848	23,573,715	1,213,613
<i>Debt Service:</i>						
Long Term Excluded Debt:						
Principal payments	8,547,100	8,547,100	8,365,982	-	8,365,982	181,118
Interest payments	2,435,687	2,435,687	2,429,779	-	2,429,779	5,908
	10,982,787	10,982,787	10,795,761	-	10,795,761	187,026
Long Term Non-Excluded Debt:						
Principal payments	3,536,978	3,536,978	3,536,977	-	3,536,977	1
Interest payments	1,503,381	1,503,381	1,501,888	-	1,501,888	1,493
	5,040,359	5,040,359	5,038,865	-	5,038,865	1,494
Total Debt Service	16,023,146	16,023,146	15,834,626	-	15,834,626	188,520
Total Expenditures	165,404,826	165,404,826	142,607,596	17,852,834	160,460,430	4,944,396

TOWN OF FALMOUTH, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Other Financing Sources (Uses)						
Transfers in	4,861,309	4,861,309	4,861,309		4,861,309	-
Transfers out	(9,767,841)	(10,267,841)	(10,267,841)		(10,267,841)	-
Total Other Financing Sources (Uses)	<u>(4,906,532)</u>	<u>(5,406,532)</u>	<u>(5,406,532)</u>		<u>\$ (5,406,532)</u>	<u>-</u>
<i>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Uses Of Prior Year Budgetary Fund Balance</i>	<u>(31,645,350)</u>	<u>(32,145,350)</u>	<u>\$ (5,604,798)</u>			<u>\$ 8,687,718</u>
Other Budgetary Items						
Use of unassigned fund balance (free cash)	\$ 13,221,050	\$ 13,721,050				
Use of overlay surplus	250,000	\$ 250,000				
Prior year encumbrances	17,906,423	17,906,423				
Other items	<u>267,877</u>	<u>267,877</u>				
Total Other Budgetary Items	<u>31,645,350</u>	<u>32,145,350</u>				
Net budget and actual	<u>\$ -</u>	<u>\$ -</u>				

(Concluded)

The notes to the financial statements are an integral part of this statement.

The notes to the required supplementary information are and integral part of this statement.

TOWN OF FALMOUTH, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

I. Pension Plan

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

Changes in Assumptions – The system adopted a decrease in the assumed investment rate of return, or discount rate, from 7.50% to 7.25%.

II. Other Postemployment Benefit Plan

The Town administers a single employer defined benefit healthcare plan that provides health, dental and life insurance benefits (other postemployment benefits) to retirees and their dependents/beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B. The Town is not required to fully fund the actuarially determined contribution. Methods and assumptions used to determine contribution rates are as follows:

Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation
Municipal bond rate	2.21% as of June 30, 2020
Discount rate	2.21% as of June 30, 2020
Inflation	3.25%
Health care trend rate	7.0% decreasing to 4.5% at a rate of 0.25% per year
Salary increases	Group 1 and 2: 6.0% decreasing to 4.00% over 11 years Group 4: 7.0% decreasing to 4.5% over 11 years Teachers: 7.5% decreasing to 4.0% over 20 years
Pre-retirement mortality	Non-teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 Teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016
Post-retirement mortality	Non-teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017 Teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016
Disabled mortality	Non-teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017 Teachers: RP-2014 White Collar Healthy Annuitant Mortality Table set forward four years projected generationally with Scale BB2D from 2014
Actuarial cost method	Individual entry age normal - level percentage of payroll

Changes in Assumptions –The only key change in assumptions from the prior year was the decrease of this discount rate from 3.50% to 2.21%.

III. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by the taxpayers at the Town’s annual meeting in May. Expenditures may legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town meeting however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance. The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

The Town Meeting increased the original budget by \$500,000 for stabilization transfers.

Budgetary-to-GAAP Reconciliation – The Town’s General Fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue.

A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2020, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenue on a budgetary basis			\$ 142,409,330
MTRS on-behalf pension payments	\$ 12,893,508	\$ -	12,893,508
Revenue recognition differences	1,055,127	-	1,055,127
Stabilization investment income	-	415,353	415,353
Workers' compensation investment income	-	10,606	10,606
MCWT debt subsidy recognition	455,428	-	455,428
Water revenues	-	(6,465,921)	(6,465,921)
Revenue on a GAAP basis	<u>\$ 14,404,063</u>	<u>\$ (6,039,962)</u>	<u>\$ 150,773,431</u>
Expenditures on a budgetary basis			\$ 142,607,596
MTRS on-behalf pension payments	\$ 12,893,508	\$ -	12,893,508
OPEB funding contributions	-	500,000	500,000
Expenditure recognition differences	19,321	240,807	260,128
Transactions with agency funds	-	8,625	8,625
MCWT debt subsidy recognition	455,428	-	455,428
Refunding transactions	(465,215)	-	(465,215)
Water expenditures	-	(7,557,719)	(7,557,719)
Expenditures on a GAAP basis	<u>\$ 12,903,042</u>	<u>\$ (6,808,287)</u>	<u>\$ 148,702,351</u>

	Basis of Accounting Differences	Fund Perspective Differences	Total
Other financing sources (uses) on a budgetary basis			\$ (5,406,532)
Stabilization fund transfers	\$ -	\$ 3,391,657	3,391,657
Debt premium fund transfers	-	(80,347)	(80,347)
Workers' compensation fund transfers	-	140,000	140,000
OPEB funding contributions	-	500,000	500,000
Transactions with agency funds	-	8,625	8,625
Refunding transactions	(465,215)	-	(465,215)
Water surplus (deficit) activity transfer	-	(921,077)	(921,077)
Other financing sources (uses) on a GAAP basis	<u>\$ (465,215)</u>	<u>\$ 3,038,858</u>	<u>\$ (2,832,889)</u>

Excess of Expenditures Over Appropriations – During fiscal year 2020, expenditures exceeded appropriations for state and county charges by \$76,466 which were funded with available funds.

Combining Statements

Nonmajor Governmental Fund

Special Revenue Funds –

Special revenue funds are used to account for certain revenue generating activities that are legally and/or programmatically restricted to expenditures for a specific purpose. From the Town's financial ledgers, these activities can be distinctly categorized into the following groupings:

Town Federal Grants – This fund accounts for non-school grant programs received either directly from federal or indirectly through pass-through entities.

School Federal Grants – This fund accounts for educational-based grant programs received either directly from federal agencies or indirectly through pass-through entities.

Town State Grants – This fund accounts for non-school grant programs received directly from State agencies.

School State Grants – This fund accounts for educational-based grant programs received directly from State agencies.

School Lunch Fund – This segregated revolving fund accounts for the activities of the child nutrition programs; amounts collected from services include federal and state meal reimbursements and meal charges.

Town Revolving Funds – This fund accounts for the non-school related activity within revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and other applicable statutes.

School Revolving Funds – This fund accounts for educational-based activities within revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and Chapter 71.

Donations – This fund accounts for donated monies which relate to all Town activities.

Other Municipal Funds – This fund accounts for miscellaneous other monies that are not specifically categorized in any of the previous accounts.

Permanent Funds –

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

Cemetery Trust Funds – This fund accounts for contributions earmarked for the perpetual care and maintenance of cemetery facilities and property.

Affordable Housing Trust – Created under the provisions of Massachusetts General Laws Chapter 44, Section 55C, this Trust provides for the creation and preservation of affordable housing.

Conservation Trust – This fund accounts for contributions earmarked for the preservation of conservation in the Town.

Other Trust Funds – This fund accounts for all contributions including: gifts, donations, and bequests for which only earnings on the original trust corpus may be expended to benefit government approved programs, other than those associated with cemetery and library activities.

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2020

	Special Revenue Funds			
	Town Federal Grants	School Federal Grants	Town State Grants	School State Grants
Assets:				
Cash and short-term investments	\$ 9,589	\$ 178,696	\$ 1,030,697	\$ 319,274
Investments	-	-	-	-
Receivables, net of allowance for uncollectibles				
Intergovernmental	11,129	-	5,789	-
Total Assets	<u>20,718</u>	<u>178,696</u>	<u>1,036,486</u>	<u>319,274</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 20,718</u>	<u>\$ 178,696</u>	<u>\$ 1,036,486</u>	<u>\$ 319,274</u>
Liabilities:				
Warrants and accounts payable	\$ 793	\$ 35,403	\$ 3,800	\$ 14,706
Total Liabilities	<u>793</u>	<u>35,403</u>	<u>3,800</u>	<u>14,706</u>
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	19,925	143,293	1,032,686	304,568
Total Fund Balances	<u>19,925</u>	<u>143,293</u>	<u>1,032,686</u>	<u>304,568</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,718</u>	<u>\$ 178,696</u>	<u>\$ 1,036,486</u>	<u>\$ 319,274</u>

<u>School Lunch Fund</u>	<u>Town Revolving Funds</u>	<u>School Revolving Funds</u>	<u>Donation Funds</u>	<u>Other Municipal Funds</u>	<u>Sub-total Special Revenue Funds</u>
\$ 512,107	\$ 303,709	\$ 2,996,621	\$ 842,565	\$ 329,974	\$ 6,523,232
-	-	-	-	-	-
24,071	-	-	-	-	40,989
<u>536,178</u>	<u>303,709</u>	<u>2,996,621</u>	<u>842,565</u>	<u>329,974</u>	<u>6,564,221</u>
-	-	-	-	-	-
<u>\$ 536,178</u>	<u>\$ 303,709</u>	<u>\$ 2,996,621</u>	<u>\$ 842,565</u>	<u>\$ 329,974</u>	<u>\$ 6,564,221</u>
\$ 15,291	\$ 689	\$ 60,063	\$ -	\$ -	\$ 130,745
15,291	689	60,063	-	-	130,745
-	-	-	-	-	-
-	25,000	-	-	-	25,000
520,887	278,020	2,936,558	842,565	329,974	6,408,476
520,887	303,020	2,936,558	842,565	329,974	6,433,476
<u>\$ 536,178</u>	<u>\$ 303,709</u>	<u>\$ 2,996,621</u>	<u>\$ 842,565</u>	<u>\$ 329,974</u>	<u>\$ 6,564,221</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2020

	Permanent Funds			
	Cemetery Funds	Affordable Housing Trust	Conservation Trust	Other Trust Funds
Assets:				
Cash and short-term investments	\$ -	\$ 5,643	\$ -	\$ -
Investments	152,973	1,843,950	296,762	84,900
Receivables, net of allowance for uncollectibles				
Intergovernmental	-	-	-	-
Total Assets	<u>152,973</u>	<u>1,849,593</u>	<u>296,762</u>	<u>84,900</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 152,973</u>	<u>\$ 1,849,593</u>	<u>\$ 296,762</u>	<u>\$ 84,900</u>
Liabilities:				
Warrants and accounts payable	\$ 3,814	\$ 1,829	\$ -	\$ -
Total Liabilities	<u>3,814</u>	<u>1,829</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	149,159	1,847,764	296,762	84,900
Total Fund Balances	<u>149,159</u>	<u>1,847,764</u>	<u>296,762</u>	<u>84,900</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 152,973</u>	<u>\$ 1,849,593</u>	<u>\$ 296,762</u>	<u>\$ 84,900</u>

	Total
Sub-total Permanent Funds	Nonmajor Governmental Funds
\$ 5,643	\$ 6,528,875
2,378,585	2,378,585
-	40,989
<u>2,384,228</u>	<u>8,948,449</u>
-	-
<u>\$ 2,384,228</u>	<u>\$ 8,948,449</u>
\$ 5,643	\$ 136,388
<u>5,643</u>	<u>136,388</u>
-	-
-	25,000
<u>2,378,585</u>	<u>8,787,061</u>
<u>2,378,585</u>	<u>8,812,061</u>
<u>\$ 2,384,228</u>	<u>\$ 8,948,449</u>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			
	Town Federal Grants	School Federal Grants	Town State Grants	School State Grants
Revenues:				
Intergovernmental	\$ 1,240,104	\$ 1,529,257	\$ 3,462,287	\$ 552,625
Departmental and other	-	-	-	-
Investment income	-	-	-	-
Contributions and donations	18,647	-	-	-
Total Revenues	<u>1,258,751</u>	<u>1,529,257</u>	<u>3,462,287</u>	<u>552,625</u>
Expenditures:				
General government	43,202	-	65,751	-
Public safety	110,167	-	156,484	-
Education	-	1,582,357	-	302,805
Public works	-	-	85,883	-
Health and human services	-	-	131,938	-
Culture and recreation	1,150,044	-	1,193,902	-
Total Expenditures	<u>1,303,413</u>	<u>1,582,357</u>	<u>1,633,958</u>	<u>302,805</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,662)	(53,100)	1,828,329	249,820
Other Financing Sources (Uses):				
Premiums from bond issuance	-	-	-	-
Payments to refunding escrow agent	-	-	(1,341,378)	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,341,378)</u>	<u>-</u>
Net Change in Fund Balance	(44,662)	(53,100)	486,951	249,820
Fund Balances - Beginning of Year	<u>64,587</u>	<u>196,393</u>	<u>545,735</u>	<u>54,748</u>
Fund Balances - End of Year	<u>\$ 19,925</u>	<u>\$ 143,293</u>	<u>\$ 1,032,686</u>	<u>\$ 304,568</u>

School Lunch Fund	Town Revolving Funds	School Revolving Funds	Donation Funds	Other Municipal Funds	Sub-total Special Revenue Funds
\$ 373,973	\$ -	\$ 1,700,589	\$ -	\$ -	\$ 8,858,835
268,555	109,817	438,414	-	39,250	856,036
-	-	-	-	-	-
-	106	42,464	386,581	-	447,798
<u>642,528</u>	<u>109,923</u>	<u>2,181,467</u>	<u>386,581</u>	<u>39,250</u>	<u>10,162,669</u>
-	126,149	-	392	-	235,494
-	14,286	-	10,212	-	291,149
251,022	-	1,860,537	13,071	-	4,009,792
-	891	-	-	-	86,774
-	4,413	-	739	-	137,090
-	28,958	-	11,367	-	2,384,271
<u>251,022</u>	<u>174,697</u>	<u>1,860,537</u>	<u>35,781</u>	<u>-</u>	<u>7,144,570</u>
391,506	(64,774)	320,930	350,800	39,250	3,018,099
-	140,911	-	-	-	140,911
-	-	-	-	-	(1,341,378)
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>140,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,200,467)</u>
391,506	76,137	320,930	350,800	39,250	1,817,632
<u>129,381</u>	<u>226,883</u>	<u>2,615,628</u>	<u>491,765</u>	<u>290,724</u>	<u>4,615,844</u>
<u>\$ 520,887</u>	<u>\$ 303,020</u>	<u>\$ 2,936,558</u>	<u>\$ 842,565</u>	<u>\$ 329,974</u>	<u>\$ 6,433,476</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020

	Permanent Funds			
	Cemetery Funds	Affordable Housing Trust	Conservation Trust	Other Trust Funds
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Departmental and other	-	-	-	-
Investment income	3,524	74,588	6,912	1,948
Contributions and donations	-	3,570	-	4,515
Total Revenues	<u>3,524</u>	<u>78,158</u>	<u>6,912</u>	<u>6,463</u>
Expenditures:				
General government	-	-	-	965
Public safety	-	-	-	-
Education	-	-	-	-
Public works	-	-	-	-
Health and human services	3,813	1,707,468	-	-
Culture and recreation	-	-	-	-
Total Expenditures	<u>3,813</u>	<u>1,707,468</u>	<u>-</u>	<u>965</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(289)	(1,629,310)	6,912	5,498
Other Financing Sources (Uses):				
Premiums from bond issuance	-	-	-	-
Payments to refunding escrow agent	-	-	-	-
Transfers in	-	425,000	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>425,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(289)	(1,204,310)	6,912	5,498
Fund Balances - Beginning of Year	<u>149,448</u>	<u>3,052,074</u>	<u>289,850</u>	<u>79,402</u>
Fund Balances - End of Year	<u>\$ 149,159</u>	<u>\$ 1,847,764</u>	<u>\$ 296,762</u>	<u>\$ 84,900</u>

	Total	
Sub-total Permanent Funds	Nonmajor Governmental Funds	
\$ -	\$ 8,858,835	
-	856,036	
86,972	86,972	
8,085	455,883	
<u>95,057</u>	<u>10,257,726</u>	
965	236,459	
-	291,149	
-	4,009,792	
-	86,774	
1,711,281	1,848,371	
<u>-</u>	<u>2,384,271</u>	
<u>1,712,246</u>	<u>8,856,816</u>	
(1,617,189)	1,400,910	
-	140,911	
-	(1,341,378)	
425,000	425,000	
<u>-</u>	<u>-</u>	
<u>425,000</u>	<u>(775,467)</u>	
(1,192,189)	625,443	
<u>3,570,774</u>	<u>8,186,618</u>	
<u>\$ 2,378,585</u>	<u>\$ 8,812,061</u>	

(Concluded)

Fiduciary Funds

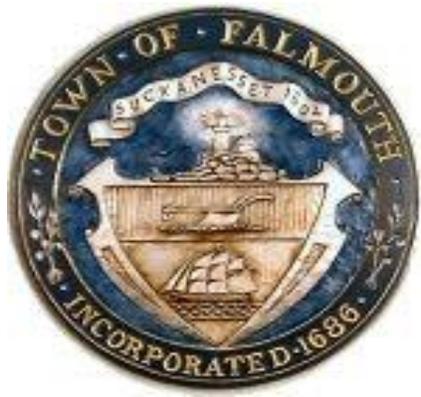
Agency Funds –

Agency funds are used to account for assets maintained in a custodial capacity. Such activities primarily consist of performance bonds and school deposits held, as well as, monies due to Town personnel for certain services rendered that were collected from external parties on their behalf.

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Assets:				
Cash and cash equivalents	\$ 1,967,561	\$ 29,888,149	\$ (30,273,167)	\$ 1,582,543
Receivables	94,208	93,891	(94,208)	93,891
Total Assets	<u>\$ 2,061,769</u>	<u>\$ 29,982,040</u>	<u>\$ (30,367,375)</u>	<u>\$ 1,676,434</u>
Liabilities:				
Warrants payable	\$ 402,317	\$ -	\$ (402,317)	\$ -
Payroll liabilities	900,091	28,289,723	(28,321,041)	868,773
Performance bonds	634,934	88,746	(90,566)	633,114
Other	124,427	1,509,779	(1,459,659)	174,547
Total Liabilities	<u>\$ 2,061,769</u>	<u>\$ 29,888,248</u>	<u>\$ (30,273,583)</u>	<u>\$ 1,676,434</u>

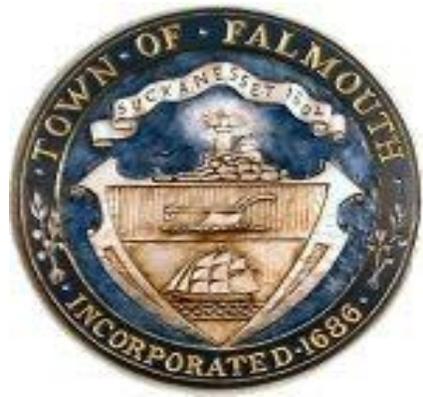


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STATISTICAL SECTION



In a display of gratitude for their employees' dedicated service, last winter, the Select Board held a get together in the Select Board Chambers to thank the Town's loyal employees. Above is the cake created in honor of the celebration.



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Statistical Section

This part of the comprehensive annual financial report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt, and the Town's ability to issue additional debt in the future.

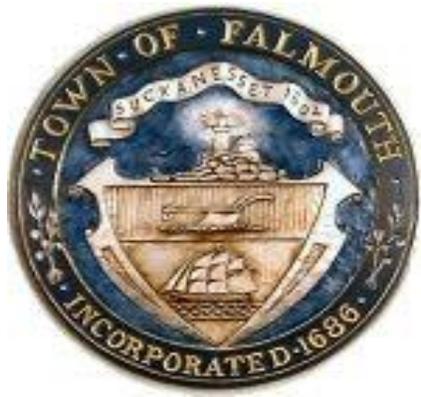
Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year.



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NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	<u>2011</u>	<u>2012</u>	<u>2013 (1)</u>	<u>2014</u>	<u>2015 (2)</u>	<u>2016</u>	<u>2017</u>	<u>2018 (3)</u>	<u>2019</u>	<u>2020 (3)</u>
Governmental activities:										
Net investment in capital assets.....	\$ 145,047,349	\$ 144,280,809	\$ 155,546,100	\$ 163,497,623	\$ 165,150,084	\$ 176,245,491	\$ 177,614,636	\$ 186,811,470	\$ 195,917,472	\$ 212,130,408
Restricted.....	15,428,061	15,568,624	33,525,647	32,728,890	32,735,154	31,226,719	29,509,733	44,740,958	43,898,903	40,993,285
Unrestricted.....	<u>(3,596,902)</u>	<u>(3,792,371)</u>	<u>155,627</u>	<u>1,019,477</u>	<u>(51,201,695)</u>	<u>(52,217,343)</u>	<u>(52,593,987)</u>	<u>(134,251,060)</u>	<u>(143,995,689)</u>	<u>(169,317,155)</u>
Total governmental activities net position.....	\$ 156,878,508	\$ 156,057,062	\$ 189,227,374	\$ 197,245,990	\$ 146,683,543	\$ 155,254,867	\$ 154,530,382	\$ 97,301,368	\$ 95,820,686	\$ 83,806,538
Business-type activities:										
Net investment in capital assets.....	\$ 81,692,038	\$ 80,862,158	\$ 52,901,489	\$ 52,060,305	\$ 53,809,467	\$ 57,809,742	\$ 56,579,087	\$ 57,486,346	\$ 63,052,501	\$ 63,240,739
Restricted.....	-	-	-	-	-	-	-	-	-	-
Unrestricted.....	<u>4,495,654</u>	<u>3,986,890</u>	<u>1,684,057</u>	<u>1,478,901</u>	<u>(637,681)</u>	<u>(2,307,741)</u>	<u>(294,471)</u>	<u>(1,918,595)</u>	<u>(2,529,313)</u>	<u>(1,424,260)</u>
Total business-type activities net position.....	\$ 86,187,692	\$ 84,849,048	\$ 54,585,546	\$ 53,539,206	\$ 53,171,786	\$ 55,502,001	\$ 56,284,616	\$ 55,567,751	\$ 60,523,188	\$ 61,816,479
Primary government:										
Net investment in capital assets.....	\$ 226,739,387	\$ 225,142,967	\$ 208,447,589	\$ 215,557,928	\$ 218,959,551	\$ 234,055,233	\$ 234,193,723	\$ 244,297,816	\$ 258,969,973	\$ 275,371,147
Restricted.....	15,428,061	15,568,624	33,525,647	32,728,890	32,735,154	31,226,719	29,509,733	44,740,958	43,898,903	40,993,285
Unrestricted.....	<u>898,752</u>	<u>194,519</u>	<u>1,839,684</u>	<u>2,498,378</u>	<u>(51,839,376)</u>	<u>(54,525,084)</u>	<u>(52,888,458)</u>	<u>(136,169,655)</u>	<u>(146,525,002)</u>	<u>(170,741,415)</u>
Total primary government net position.....	\$ 243,066,200	\$ 240,906,110	\$ 243,812,920	\$ 250,785,196	\$ 199,855,329	\$ 210,756,868	\$ 210,814,998	\$ 152,869,119	\$ 156,343,874	\$ 145,623,017

(1) The Town reclassified its Sewer, Golf Course and Harbormaster and Waterways activities from the business-type activities to the governmental activities. This resulted in a prior period restatement increasing governmental activities beginning net position and reducing business-type activities beginning net position by \$29,345,366, as of July 1, 2012.

(2) Unrestricted governmental and business-type activities were restated for the net pension liability.

(3) Unrestricted governmental and business-type activities were restated for the net OPEB liability.

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2011	2012	2013 (1)	2014	2015	2016	2017	2018	2019	2020
Expenses -										
Governmental activities:										
General government.....	\$ 8,383,929	\$ 11,418,924	\$ 11,390,720	\$ 10,641,274	\$ 10,301,494	\$ 11,462,941	\$ 19,773,863	\$ 11,820,927	\$ 15,246,101	\$ 12,920,940
Public safety.....	20,010,930	20,792,285	20,523,925	22,737,460	20,732,257	22,825,200	22,810,827	23,870,579	28,338,433	29,281,207
Education.....	69,831,819	72,055,697	72,805,060	74,538,906	70,537,645	74,932,839	78,308,426	78,668,134	81,536,717	90,350,751
Public works.....	10,897,155	10,626,495	13,649,198	13,796,034	15,631,092	14,355,349	14,660,542	15,199,826	16,580,231	17,324,213
Health and human services.....	1,913,830	1,937,502	2,046,004	2,140,234	3,217,921	3,348,856	3,286,793	2,911,949	2,807,955	4,825,910
Culture and recreation.....	5,596,460	5,336,969	5,219,806	4,619,398	5,017,085	5,060,356	5,139,478	5,540,743	6,089,325	6,085,455
Interest expense.....	3,689,160	3,981,806	4,593,289	4,193,741	3,993,134	3,612,355	3,444,397	3,143,954	2,816,838	3,002,258
Community development.....	1,426,546	1,860,257	510,508	400,016	506,772	1,500,974	1,739,406	303,282	551,127	1,546,127
Total government activities expenses.....	121,749,829	128,009,935	130,738,510	133,067,063	129,937,400	137,098,870	149,163,732	141,459,394	153,966,727	165,336,861
Business-type activities:										
Water.....	7,332,631	8,659,108	4,205,084	4,501,590	5,423,941	5,262,307	6,112,808	6,523,023	7,525,174	8,214,702
Golf course.....	912,556	901,787	-	-	-	-	-	-	-	-
Harbormaster and waterways.....	649,304	823,778	-	-	-	-	-	-	-	-
Total business-type activities expenses.....	8,894,491	10,384,673	4,205,084	4,501,590	5,423,941	5,262,307	6,112,808	6,523,023	7,525,174	8,214,702
Total primary government expenses.....	\$ 130,644,320	\$ 138,394,608	\$ 134,943,594	\$ 137,568,653	\$ 135,361,341	\$ 142,361,177	\$ 155,276,540	\$ 147,982,417	\$ 161,491,901	\$ 173,551,563
Program Revenues -										
Governmental activities:										
Charges for services:										
General government.....	\$ 1,637,090	\$ 1,575,032	\$ 1,379,373	\$ 1,964,321	\$ 2,438,643	\$ 1,758,955	\$ 1,323,350	\$ 1,718,710	\$ 2,129,645	\$ 1,994,735
Public safety.....	2,539,101	2,504,566	3,683,305	4,341,677	4,303,971	4,423,791	4,899,474	5,607,636	5,477,552	5,884,722
Education.....	2,375,648	1,876,307	1,607,491	1,634,502	1,486,248	1,551,504	1,533,283	1,274,973	1,721,817	771,944
Public works.....	1,224,544	1,181,632	1,757,322	1,779,913	1,753,055	1,319,977	1,559,807	1,778,774	1,972,319	2,368,431
Health and human services.....	126,745	106,930	109,490	120,266	112,970	108,510	126,900	141,775	177,909	162,740
Culture and recreation.....	194,573	1,036,320	1,404,386	1,583,277	1,531,051	1,574,057	1,728,584	1,583,136	1,765,707	1,688,780
Operating grants and contributions.....	21,735,252	24,102,519	23,988,487	24,511,821	18,310,318	21,664,218	23,132,970	23,271,332	24,195,111	26,252,473
Capital grants and contributions.....	3,304,485	2,632,114	3,047,080	3,783,806	2,383,721	4,581,385	3,071,927	25,072,885	2,860,500	6,401,056
Total government activities program revenues.....	33,137,438	35,015,420	36,976,934	39,719,583	32,319,977	36,982,397	37,376,295	60,449,221	40,300,560	45,524,881
Business-type activities:										
Charges for services.....	8,827,041	8,368,659	6,190,729	6,040,044	6,469,282	6,678,829	7,720,631	7,086,150	6,857,045	6,651,037
Operating grants and contributions.....	-	211,780	-	-	-	-	-	-	-	-
Capital grants and contributions.....	326,668	-	-	-	-	3,153,120	383,112	39,385	35,086	33,542
Total business-type activities program revenues.....	9,153,709	8,580,439	6,190,729	6,040,044	6,469,282	9,831,949	8,103,743	7,125,535	6,892,131	6,684,579
Total primary government program revenues.....	\$ 42,291,147	\$ 43,595,859	\$ 43,167,663	\$ 45,759,627	\$ 38,789,259	\$ 46,814,346	\$ 45,480,038	\$ 67,574,756	\$ 47,192,691	\$ 52,209,460
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (88,612,391)	\$ (92,994,515)	\$ (93,761,576)	\$ (93,347,480)	\$ (97,617,423)	\$ (100,116,473)	\$ (111,787,437)	\$ (81,010,173)	\$ (113,666,167)	\$ (119,811,980)
Business-type activities.....	259,218	(1,804,234)	1,985,645	1,538,454	1,045,341	4,569,642	1,990,935	602,512	(633,043)	(1,530,123)
Total primary government net (expense)/program revenue.....	\$ (88,353,173)	\$ (94,798,749)	\$ (91,775,931)	\$ (91,809,026)	\$ (96,572,082)	\$ (95,546,831)	\$ (109,796,502)	\$ (80,407,661)	\$ (114,299,210)	\$ (121,342,103)

(1) In fiscal year 2013, the Town reclassified its Sewer, Golf Course and Harbormaster and Waterways activities from the business-type activities to the governmental activities.

(continued)

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2011	2012	2013 (1)	2014	2015	2016	2017	2018	2019	2020
General Revenues and other Changes in Net Position -										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 81,769,114	\$ 84,656,305	\$ 87,858,991	\$ 90,092,828	\$ 92,751,993	\$ 96,257,765	\$ 99,217,665	\$ 102,520,551	\$ 105,905,904	\$ 109,628,166
Motor vehicle and other excise taxes.....	5,069,096	5,686,495	6,025,371	6,171,230	6,533,319	7,077,239	7,296,890	7,497,678	7,217,497	7,760,411
Penalties and interest on taxes.....	622,102	495,965	669,442	630,497	869,751	938,734	731,749	621,244	636,734	765,150
Grants and contributions not restricted to specific programs.....	1,095,216	1,089,040	1,172,720	1,196,109	1,233,630	1,302,904	2,072,280	2,123,564	2,172,038	1,651,911
Unrestricted investment income.....	656,279	710,854	452,940	690,638	303,354	837,876	523,711	71,512	1,808,183	1,227,157
Transfers.....	1,411,165	(465,590)	2,903,781	2,584,794	(969,071)	2,273,279	1,220,657	(356,817)	(5,554,871)	(2,921,077)
Total governmental activities.....	90,622,972	92,173,069	99,083,245	101,366,096	100,722,976	108,687,797	111,062,952	112,477,732	112,185,485	118,111,718
Business-type activities:										
Unrestricted investment income.....	-	-	-	-	9,168	33,852	12,337	(6,033)	33,609	14,748
Transfers.....	(1,411,165)	465,590	(2,903,781)	(2,584,794)	969,071	(2,273,279)	(1,220,657)	356,817	5,554,871	2,921,077
Total business-type activities.....	(1,411,165)	465,590	(2,903,781)	(2,584,794)	978,239	(2,239,427)	(1,208,320)	350,784	5,588,480	2,935,825
Total primary government general revenues and other changes in net position.....	\$ 89,211,807	\$ 92,638,659	\$ 96,179,464	\$ 98,781,302	\$ 101,701,215	\$ 106,448,370	\$ 109,854,632	\$ 112,828,516	\$ 117,773,965	\$ 121,047,543
Changes in Net Position										
Governmental activities.....	\$ 2,010,581	\$ (821,446)	\$ 5,321,669	\$ 8,018,616	\$ 3,105,553	\$ 8,571,324	\$ (724,485)	\$ 31,467,559	\$ (1,480,682)	\$ (1,700,262)
Business-type activities.....	(1,151,947)	(1,338,644)	(918,136)	(1,046,340)	2,023,580	2,330,215	782,615	953,296	4,955,437	1,405,702
Total primary government changes in net position.....	\$ 858,634	\$ (2,160,090)	\$ 4,403,533	\$ 6,972,276	\$ 5,129,133	\$ 10,901,539	\$ 58,130	\$ 32,420,855	\$ 3,474,755	\$ (294,560)

(concluded)

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nonspendable.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	1,256,120	1,239,725	1,185,116	984,742	1,125,122	1,208,751	1,115,435	872,359	900,235	729,687
Committed.....	917,863	2,142,426	3,534,511	5,040,876	7,768,355	9,077,570	8,045,314	10,936,681	12,152,907	12,336,381
Assigned.....	483,699	444,267	990,687	2,288,500	1,074,035	761,367	1,459,796	1,129,906	1,307,788	1,222,125
Unassigned.....	5,984,413	7,909,172	12,124,497	16,497,937	20,397,223	25,304,234	30,774,762	32,789,666	30,216,724	29,527,652
Total general fund.....	<u>\$ 8,642,095</u>	<u>\$ 11,735,590</u>	<u>\$ 17,834,811</u>	<u>\$ 24,812,055</u>	<u>\$ 30,364,735</u>	<u>\$ 36,351,922</u>	<u>\$ 41,395,307</u>	<u>\$ 45,728,612</u>	<u>\$ 44,577,654</u>	<u>\$ 43,815,845</u>
All Other Governmental Funds:										
Nonspendable.....	\$ 175,000	\$ 175,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Restricted.....	13,996,941	15,994,844	17,909,959	19,744,510	20,671,283	20,892,447	30,710,789	30,392,226	25,701,966	31,343,343
Unassigned.....	(1,727,559)	-	(237,619)	(1,168,247)	(1,580,820)	(6,423,618)	-	-	(6,985,440)	-
Total all other governmental funds.....	<u>\$ 12,444,382</u>	<u>\$ 16,169,844</u>	<u>\$ 17,697,340</u>	<u>\$ 18,601,263</u>	<u>\$ 19,115,463</u>	<u>\$ 14,493,829</u>	<u>\$ 30,735,789</u>	<u>\$ 30,417,226</u>	<u>\$ 18,741,526</u>	<u>\$ 31,368,343</u>

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2011	2012	2013 (1)	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Real estate and personal property taxes,										
net of tax refunds.....	\$ 81,481,045	\$ 83,902,790	\$ 87,516,351	\$ 90,338,338	\$ 93,207,932	\$ 96,483,363	\$ 99,341,261	\$ 102,678,006	\$ 105,641,420	\$ 109,060,137
Intergovernmental.....	27,832,805	28,264,776	29,442,086	30,501,985	22,552,993	28,309,281	29,494,958	29,340,010	28,939,936	34,963,020
Motor vehicle and boat excise.....	5,090,088	5,432,960	5,693,657	6,226,730	6,537,926	7,111,477	7,182,338	7,567,368	7,578,503	7,748,576
Licenses and permits.....	1,400,728	1,346,154	1,326,924	1,584,592	1,533,147	1,586,794	1,599,548	1,902,911	1,838,477	2,116,063
Departmental and other.....	6,528,294	6,953,249	7,092,173	5,027,671	5,370,356	4,476,309	4,103,869	4,307,193	5,887,826	4,287,485
User charges.....	-	-	1,252,472	4,432,147	4,454,984	4,368,924	4,981,417	5,468,989	5,692,621	6,277,380
Special assessments.....	-	-	537,047	614,815	676,290	595,922	574,957	2,673,785	1,267,535	1,231,949
Penalties and interest on taxes.....	622,102	495,965	669,442	630,497	869,751	938,734	731,749	621,244	636,734	765,150
Fines and forfeitures.....	157,549	180,815	167,681	200,551	182,135	149,664	173,772	216,884	194,492	181,661
Investment income.....	656,279	710,854	452,940	690,638	303,354	837,876	523,711	71,512	1,808,183	1,227,157
Contributions.....	95,891	389,347	51,477	170,668	188,013	124,845	130,466	93,293	154,442	455,883
Total Revenue.....	123,864,781	127,676,910	134,202,250	140,418,632	135,876,881	144,983,189	148,838,046	154,941,195	159,640,169	168,314,461
Expenditures:										
General government.....	4,536,346	7,124,797	7,323,139	6,440,941	7,157,171	7,903,574	8,568,812	8,413,665	10,067,363	7,680,786
Public safety.....	11,787,298	12,245,128	12,351,239	14,008,485	13,819,385	14,328,228	13,275,575	15,032,777	15,808,560	16,510,163
Education.....	48,587,890	48,799,262	49,585,452	50,369,634	50,703,445	52,834,990	52,907,941	53,841,918	55,450,860	55,407,467
Public works.....	7,627,289	7,225,393	8,824,072	9,477,696	11,735,478	10,112,969	9,755,016	10,171,488	9,810,067	10,317,173
Health and human services.....	1,380,348	1,375,662	1,540,919	1,594,344	2,018,716	2,018,065	1,888,921	1,570,920	1,662,623	3,548,256
Culture and recreation.....	2,989,253	3,179,105	2,885,551	2,172,736	2,884,538	2,673,272	2,581,246	3,130,854	2,987,595	2,990,124
Pension and fringe benefits.....	26,873,665	28,626,931	28,561,412	30,123,813	22,724,129	25,802,885	29,928,369	31,480,427	32,375,846	36,189,561
Community development.....	1,426,544	1,860,257	510,508	400,016	506,772	1,500,974	1,739,406	303,282	551,127	1,546,127
State and county charges.....	1,988,068	2,254,336	2,498,313	2,665,805	2,769,084	2,668,658	2,852,594	3,094,656	3,632,780	4,088,464
Capital outlay and other.....	11,116,998	1,461,500	3,188,075	4,811,266	6,720,713	29,025,155	22,711,719	9,800,626	16,107,831	17,581,706
Debt service:										
Principal.....	6,822,288	6,765,256	8,809,879	8,801,551	8,324,354	8,710,279	8,906,961	10,184,535	15,568,683	9,606,092
Interest.....	3,685,383	3,983,736	4,570,789	4,255,972	3,975,218	3,737,405	3,684,898	3,544,488	2,888,621	2,796,775
Total Expenditures.....	128,821,370	124,901,363	130,649,348	135,122,259	133,339,003	161,316,454	158,801,458	150,569,636	166,911,956	168,262,694
Excess of revenues over (under) expenditures.....	(4,956,589)	2,775,547	3,552,902	5,296,373	2,537,878	(16,333,265)	(9,963,412)	4,371,559	(7,271,787)	51,767
Other Financing Sources (Uses):										
Issuances from bonds and notes.....	19,792,000	4,509,000	-	-	3,975,000	15,425,539	29,684,482	-	-	14,410,000
Issuances from refunding bonds.....	-	5,430,800	-	-	21,441,445	-	3,025,000	-	-	8,770,410
Premiums from debt issuances.....	-	632,381	-	-	1,263,542	-	594,773	-	-	3,463,041
Payments to refunded bond escrow agent.....	-	(6,063,181)	-	-	(22,181,914)	-	(3,276,155)	-	-	(11,909,133)
Transfers in.....	5,003,013	2,759,432	7,363,968	8,632,799	6,062,887	9,815,137	7,620,345	3,955,743	5,002,042	6,192,853
Transfers out.....	(3,591,848)	(3,225,022)	(4,460,187)	(6,048,005)	(7,031,958)	(7,541,858)	(6,399,688)	(4,312,560)	(10,556,913)	(9,113,930)
Total other financing sources (uses).....	21,203,165	4,043,410	2,903,781	2,584,794	3,529,002	17,698,818	31,248,757	(356,817)	(5,554,871)	11,813,241
Net change in fund balance.....	\$ 16,246,576	\$ 6,818,957	\$ 6,456,683	\$ 7,881,167	\$ 6,066,880	\$ 1,365,553	\$ 21,285,345	\$ 4,014,742	\$ (12,826,658)	\$ 11,865,008
Debt service as a percentage of noncapital expenditures.....	8.93%	8.71%	10.50%	10.02%	9.71%	9.41%	9.25%	9.75%	12.24%	8.23%

(1) In fiscal year 2013, the Town reclassified its Sewer, Golf Course and Harbormaster and Waterways activities from the business-type activities to the governmental activities.

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY BY CLASSIFICATION AND TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value							State Equalized Value	Ratio of Assessed to Equalized Value	Tax Rates	
	Residential Value	Open Space Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Total Town Value			Residential Tax Rate	Commercial Tax Rate
2011	\$ 10,196,026,282	\$ 3,504,000	\$ 590,585,951	\$ 72,056,800	\$ 183,094,344	\$ 845,737,095	\$ 11,045,267,377	\$ 12,168,109,600	90.77%	7.20	7.20
2012	9,758,565,141	3,314,900	568,619,409	70,768,200	178,594,045	817,981,654	10,579,861,695	12,168,109,600	86.95%	7.78	7.78
2013	9,783,235,733	3,289,200	574,980,651	72,537,600	180,898,159	828,416,410	10,614,941,343	11,476,687,700	92.49%	8.04	8.04
2014	9,926,397,342	3,248,800	578,777,042	73,842,400	178,513,638	831,133,080	10,760,779,222	11,476,687,700	93.76%	8.15	8.15
2015	10,163,699,470	3,425,200	605,660,141	79,392,800	193,320,043	878,372,984	11,045,497,654	11,548,755,700	95.64%	8.19	8.19
2016	10,268,959,256	3,232,100	604,755,692	77,683,600	239,818,381	922,257,673	11,194,449,029	11,548,755,700	96.93%	8.37	8.37
2017	10,384,849,550	3,251,100	607,421,068	80,184,800	244,381,580	931,987,448	11,320,088,098	11,892,819,800	95.18%	8.53	8.53
2018	10,660,098,706	3,331,200	631,222,433	87,507,900	236,231,350	954,961,683	11,618,391,589	11,892,819,800	97.69%	8.60	8.60
2019	11,070,546,608	3,416,600	646,700,900	92,135,700	237,702,590	976,539,190	12,050,502,398	12,342,275,400	97.64%	8.56	8.56
2020	11,418,879,547	3,776,900	662,261,694	94,223,900	243,506,810	999,992,404	12,422,648,851	12,342,275,400	100.65%	8.59	8.59

Source: Official Statements, State Division of Local Services

Note: All property in the Commonwealth of Massachusetts is assessed at 100% of full and fair cash value. The State estimates this "equalized valuation" for all municipalities every two years. Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2% of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2%, subject to an exception for property added to the tax rolls and for certain valuation increases. This secondary limit may be exceeded in any fiscal year by majority approval of the voters, however, it cannot exceed the primary limitation.

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Tax Levy			Collections				Percent of Total Tax Collections to Net Tax Levy
	Total Tax Levy	Less Abatements & Exemptions	Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	
2011	\$ 79,525,925	\$ 665,148	\$ 78,860,777	\$ 76,764,485	97.34%	\$ 2,096,292	\$ 78,860,777	100.00%
2012	82,311,324	709,295	81,602,029	81,602,029	100.00%	-	81,602,029	100.00%
2013	85,344,128	695,223	84,648,905	81,815,349	96.65%	2,833,556	84,648,905	100.00%
2014	87,700,357	747,450	86,952,907	84,244,565	96.89%	2,708,342	86,952,907	100.00%
2015	90,462,626	788,916	89,673,710	87,309,039	97.36%	2,364,671	89,673,710	100.00%
2016	93,697,538	636,256	93,061,282	91,510,034	98.33%	1,365,147	92,875,181	99.80%
2017	96,560,351	689,371	95,870,980	94,710,332	98.79%	1,160,648	95,870,980	100.00%
2018	99,918,168	510,763	99,407,405	98,420,117	99.01%	682,064	99,102,181	99.69%
2019	103,152,301	553,721	102,598,580	101,440,963	98.87%	680,646	102,121,609	99.54%
2020	106,710,554	423,826	106,286,728	103,687,929	97.55%	-	103,687,929	97.55%

Source: Accounting Records and Official Statements

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Outstanding Debt	Personal Income	Percentage of Personal Income	U.S Census Population	Debt Per Capita
	General Obligation Bonds (1)	Direct Placements	General Obligation Bonds (1)	Direct Placements					
2011	\$ 91,277,900	\$ 7,652,589	\$ 24,234,100	\$ 16,228,599	\$ 139,393,188	\$ 1,208,709,354	11.5%	31,531	\$ 4,421
2012	89,092,700	7,312,333	22,883,300	15,286,516	134,574,849	1,208,709,354	11.1%	31,531	4,268
2013	95,030,500	21,192,704	8,569,500	91,874 (2)	124,884,578	1,208,709,354	10.3%	31,531	3,961
2014	87,566,600	19,855,053	7,698,400	87,291	115,207,344	1,208,709,354	9.5%	31,531	3,654
2015	86,321,987	18,484,699	11,072,438	82,615	115,961,739	1,208,709,354	9.6%	31,531	3,678
2016	78,817,277	32,504,754	9,995,351	16,204,052	137,521,434	1,208,709,354	11.4%	31,531	4,361
2017	80,883,428	51,430,925	9,008,881	30,867,537	172,190,771	1,208,709,354	14.2%	31,531	5,461
2018	73,113,796	48,771,390	7,978,777	36,857,368	166,721,331	1,208,709,354	13.8%	31,531	5,288
2019	65,218,589	40,899,707	6,949,828	35,538,113	148,606,237	1,208,709,354	12.3%	31,531	4,713
2020	72,955,558	38,358,615	9,070,254	33,895,668	154,280,095	1,208,709,354	12.8%	31,531	4,893

Source: U. S. Census, State Division of Local Services

(1) Presented net of original issuance discounts and premiums.

(2) The Town reclassified its Sewer, Golf Course and Harbormaster and Waterways activities from the business-type activities to the governmental activities in fiscal year 2013.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available (2)	Total	Assessed Value	Percentage of Assessed Value	U.S Census Population	Debt Per Capita
2011	\$ 115,512,000	\$ (16,860,446)	\$ 98,651,554	\$ 11,045,267,377	0.89%	31,531	\$ 3,129
2012	111,976,000	(15,607,264)	96,368,736	10,579,861,695	0.91%	31,531	3,056
2013	103,600,000	(13,228,618)	90,371,382	10,614,941,343	0.85%	31,531	2,866
2014	95,265,000	(11,906,335)	83,358,665	10,760,779,222	0.77%	31,531	2,644
2015	97,394,425	(11,449,923)	85,944,502	11,045,497,654	0.78%	31,531	2,726
2016	88,812,628	(10,260,358)	78,552,270	11,194,449,029	0.70%	31,531	2,491
2017	89,892,309	(8,651,416)	81,240,893	11,320,088,098	0.72%	31,531	2,577
2018	81,092,573	(30,884,116)	50,208,457	11,618,391,589	0.43%	31,531	1,592
2019	72,168,417	(29,666,164)	42,502,253	12,050,502,398	0.35%	31,531	1,348
2020	82,025,812	(26,593,574)	55,432,238	12,422,648,851	0.45%	31,531	1,758

Source: U. S. Census, State Division of Local Services

- (1) General obligation bonds consist of debt of both governmental and business-type activities, net of original issuance discounts and premiums.
- (2) These are restricted resources from the Massachusetts School Building Authority for debt principal on school construction, future principal subsidies on long-term debt issued with the Massachusetts Clean Water Trust and amounts restricted by Massachusetts General Law for debt service.

COMPUTATION OF LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

	2011	2012	2013 (1)	2014	2015	2016	2017	2018	2019	2020
Equalized Valuation.....	\$ 12,168,109,600	\$ 12,168,109,600	\$ 11,476,687,700	\$ 11,476,687,700	\$ 11,548,755,700	\$ 11,548,755,700	\$ 11,892,819,800	\$ 11,892,819,800	\$ 12,342,275,400	\$ 12,342,275,400
Debt Limit.....	608,405,480	608,405,480	573,834,385	573,834,385	577,437,785	577,437,785	594,640,990	594,640,990	617,113,770	617,113,770
Outstanding long-term debt.....	139,393,188	134,574,849	124,884,578	115,207,344	115,961,739	137,521,434	172,190,771	166,721,331	148,606,237	154,280,095
Authorized and unissued debt.....	10,927,884	7,147,750	13,522,250	102,542,384	40,970,404	17,670,404	22,011,504	25,411,504	12,821,734	9,721,734
Debt not applicable to debt limit.....	(35,213,993)	(32,023,039)	(30,033,662)	(28,062,718)	(30,437,916)	(59,813,748)	(91,385,312)	(86,476,081)	(89,401,483)	(90,581,865)
Legal debt margin.....	\$ 493,298,401	\$ 498,705,920	\$ 465,461,219	\$ 384,147,375	\$ 450,943,558	\$ 482,059,695	\$ 491,824,027	\$ 488,984,236	\$ 545,087,282	\$ 543,693,806
Total debt applicable to the limit as a percentage of debt limit.....	18.92%	18.03%	18.89%	33.06%	21.91%	16.52%	17.29%	17.77%	11.67%	11.90%

Source: State Division of Local Services, Accounting Records

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2020

	<u>Debt Outstanding</u>		<u>Estimated Percentage Applicable</u>		<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:					
Barnstable County.....	\$ 23,061,312	(a)	21.90%	(b)	\$ 5,050,427
Subtotal, overlapping debt.....					5,050,427
Town direct debt.....					<u>111,314,173</u>
Total direct and overlapping debt.....					<u>\$ 116,364,600</u>

(a) Debt outstanding as of June 30, 2019.

(b) Based on the 2010 equalized valuations of Town's in the County.

Source: Official Statements, Accounting Records

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2011	31,531	\$ 1,208,709,354	\$ 38,334	50.8	3,425	8.10%
2012	31,531	1,208,709,354	38,334	50.8	3,558	7.00%
2013	31,531	1,208,709,354	38,334	50.8	3,554	6.60%
2014	31,531	1,208,709,354	38,334	50.8	3,554	7.00%
2015	31,531	1,208,709,354	38,334	50.8	3,547	5.40%
2016	31,531	1,208,709,354	38,334	50.8	3,515	4.20%
2017	31,531	1,208,709,354	38,334	50.8	3,414	3.70%
2018	31,531	1,208,709,354	38,334	50.8	3,423	3.20%
2019	31,531	1,208,709,354	38,334	50.8	3,351	N/A
2020	31,531	1,208,709,354	38,334	50.8	3,050	N/A

Source: U. S. Census, Division of Local Services, Massachusetts
Department of Elementary and Secondary Education

PRINCIPAL EMPLOYERS (EXCLUDING TOWN)

CURRENT YEAR AND NINE YEARS AGO

Employer	Nature of Business	2020			2011		
		Approximate Number of Employees	Rank	Percentage of Total Town Employment	Approximate Number of Employees	Rank	Percentage of Total Town Employment
Woods Hole Oceanographic Institute	Oceanographic Research	3,000	1	20.48%	1,396	2	9.87%
Joint Base Cape Cod (1)	Military Base	1,833	2	12.51%	1,849	1	13.07%
Woods Hole, Martha's Vineyard and Nantucket Steamship Authority	Ferry Service	750	3	5.12%	501	4	3.54%
Falmouth Hospital	General Hospital	750	3	5.12%	800	3	5.65%
Sea Crest Hotel & Motor Inn.	Convention Motel	350	5	2.39%	300	5	2.12%
Marine Biological Laboratory	Biological Research	350	5	2.39%	278	6	1.96%
Wal-Mart	Retail	350	5	2.39%	220	7	1.55%
Windfall Market	Restaurant/Inn	350	5	2.39%			0.00%
JML Care Center Rehabilitation	Rehabilitation	350	5	2.39%			0.00%
United States Geological Survey	Oceanographic Research	175	10	1.19%	100	10	0.71%
National Marine Fisheries	Marine Research				220	7	1.55%
Coonamessett Inn	Restaurant/Inn				200	9	1.41%
	Totals	<u>8,258</u>		<u>56.36%</u>	<u>5,864</u>		<u>41.44%</u>

(1) The joint base is partially located in Falmouth and each of the towns of Mashpee, Bourne and Sandwich. Represents full-time positions only. The number of reserve personnel reporting on weekends ranges from 0 to 3,000. Approximately 80% of the full-time employees live on base and the balance are residents of Falmouth or the surrounding towns.

Source: Town records and Official Statements

FULL-TIME EQUIVALENT TOWN EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government.....	41	40	39	40	39	39	39	36	38	38
Public safety.....	153	150	153	151	151	151	162	152	152	166
Education.....	568	563	563	563	563	563	563	564	564	564
Public works.....	70	66	68	70	70	70	71	71	74	74
Health and human services.....	20	19	19	20	20	20	19	21	23	24
Culture and recreation.....	60	60	61	60	60	60	60	62	63	66
Sub-total governmental activities	912	898	903	904	903	903	914	906	914	932
Water.....	20	18	18	18	18	18	19	20	22	22
Sub-total business-type activities	20	18	18	18	18	18	19	20	22	22
Total Town employees.....	932	916	921	922	921	921	933	926	936	954

Source: Town personnel records

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Town Clerk										
Registered voters.....	26,037	24,619	24,158	24,396	23,694	24,234	24,569	24,572	24,947	26,344
Public Safety:										
Police										
Criminal offenses										
Arrests.....	609	584	453	496	618	553	560	471	380	271
Reported crimes.....	4,975	4,797	3,970	3,804	3,741	3,876	4,350	3,835	3,042	2,489
Motor vehicle responses.....	31	35	27	28	18	26	29	30	19	17
Incident reports.....	3,564	3,288	3,115	2,911	3,160	3,318	3,167	2,954	2,672	2,489
Citations issued.....	2,036	2,216	1,459	1,667	1,462	1,494	1,428	1,433	1,280	1,300
Fire										
Incidents										
Fires.....	1,438	1,418	1,341	1,397	1,451	1,397	1,361	1,737	1,836	1,840
Non-fire incidents.....	4,268	4,627	4,607	4,939	5,078	5,569	6,138	6,348	6,041	6,043
Total fire calls.....	<u>5,706</u>	<u>6,045</u>	<u>5,948</u>	<u>6,336</u>	<u>6,529</u>	<u>6,966</u>	<u>7,499</u>	<u>8,085</u>	<u>7,877</u>	<u>7,883</u>
Inspectional Services										
Number of building permits.....	6,450	6,291	6,443	6,546	7,657	N/A	7,122	7,679	7,683	7,239
Education:										
Number of students.....	3,425	3,558	3,554	3,554	3,547	3,515	3,414	3,423	3,351	3,050
Public Works:										
Landfill										
Solid waste tonnage.....	11,509	10,987	11,398	10,988	10,478	9,935	10,898	11,127	11,965	12,560
Health and Human Services:										
Board of Health										
Inspections										
Food establishments.....	428	445	441	446	438	N/A	N/A	N/A	733	346
Other.....	613	614	611	586	543	N/A	N/A	N/A	1,253	1,233
Total inspections.....	<u>1,041</u>	<u>1,059</u>	<u>1,052</u>	<u>1,032</u>	<u>981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,986</u>	<u>1,579</u>

N/A - Information not available

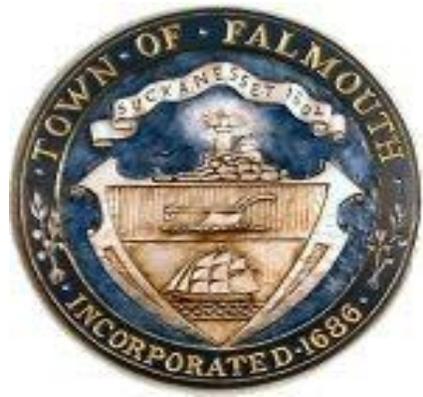
Source: Various Town Departments, State websites and annual Town Report.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Number of buildings.....	42	42	42	42	42	42	42	42	43	43
Public Safety:										
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	5	5	5	5	5	5	5	5	5	5
Education:										
Number of elementary schools.....	4	4	4	4	4	4	4	4	4	4
Number of middle schools.....	2	2	2	2	2	2	2	2	2	2
Number of high schools.....	2	2	2	2	2	2	2	2	2	2
Public Works:										
Road miles.....	425	425	425	425	425	425	430	430	430	430
Water main miles.....	383	383	383	383	383	383	383	383	383	383
Sewer main miles.....	21	21	21	21	21	21	37	37	37	37
Culture and Recreation:										
Number of public parks.....	24	24	24	24	24	24	24	24	24	24
Number of libraries.....	5	5	5	5	5	5	5	5	5	5
Number of beaches.....	12	12	12	12	12	12	12	12	12	12

Source: Various Town Departments and State websites.



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DEDICATION

Thomas (Tommy) Francis Leonard

09/15/1933 – 01/16/2019

This year's Comprehensive Annual Financial Report is dedicated to the memory of Tommy Leonard. The founder of the New Balance Falmouth Road Race and Falmouth Walk, Tommy will always be remembered for his generous soul and enormous heart. It seemed like whenever there was a person in need or a civic cause to champion, Tommy seemed to always lead the charge.



His love for running led him to run the Boston Marathon 24 times. He even worked as a bartender in the area, and world-famous runners got to know him well. In 1972 while watching American runner Frank Shorter win the marathon event at the Olympics, Tommy hatched a plan to hold a road race in Falmouth. The first event, in typical Tommy Leonard style, was used to raise money for the Falmouth High School girls'

track team. It was won by the world-famous marathoner, Bill Rodgers. It was so popular, it attracted many of the world's famous runners, with Frank Shorter, Tommy's inspiration for the race winning the second annual event.



The race has become a staple and highlight of the Falmouth summer season. It was held 47 straight years until it was cancelled this year due to the Covid19 pandemic. Tommy would have been heart broken.

Recently, a dedication ceremony was held on Main Street in Falmouth where a plaque has been placed in Tommy's memory.

