

TOWN OF HUBBARDSTON, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2020

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Hubbardston, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hubbardston, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Hubbardston, Massachusetts' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 of Hubbardston, Massachusetts' basic financial statements. The Supplementary Schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Schedule is the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

December 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Hubbardston (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$14,289,381 (Net Position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$14,844,308 or a decrease of \$554,927 (4%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$2,489,885, a decrease of \$307,104 (11%) in comparison with the prior year.
- The General Fund's total fund balance decreased \$280,291 (15%) to \$1,895,281. The ending fund balance is 17% of revenues and transfers in and 17% of expenditures and transfers out.
- Total liabilities of the Town decreased by \$932,140 (16%) to \$4,998,474 during the fiscal year. This was mainly attributed to decreases in warrants payable of \$196,306, in bond anticipation notes payable of \$150,000, in bonds payable of \$105,000 and in the net pension liability of \$494,935.
- The Town had free cash certified by the Department of Revenue in the amount of \$312,052. The key factors that attributed to the free cash amount for fiscal year 2020 were unexpended/unencumbered appropriations of \$268,000 and prior year free cash not appropriated of \$87,900.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the 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 of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The Town does not have any operations that are classified as business-type activities.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows 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 financial 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 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 decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Hubbardston adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

Notes to the basic 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.

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2020	2019	Change
Assets:			
Current assets	\$ 4,147,076	\$ 4,664,367	\$ (517,291)
Capital assets	15,272,075	15,534,563	(262,488)
Total assets	19,419,151	20,198,930	(779,779)
Deferred Outflows of Resources:	383,726	701,937	(318,211)
Liabilities:			
Current liabilities (excluding debt)	162,719	338,201	(175,482)
Current debt	700,000	835,000	(135,000)
Noncurrent liabilities (excluding debt)	3,715,755	4,217,413	(501,658)
Noncurrent debt	420,000	540,000	(120,000)
Total liabilities	4,998,474	5,930,614	(932,140)
Deferred Inflows of Resources:	515,022	125,945	389,077
Net Position:			
Net Investment in Capital Assets	14,152,075	14,159,563	(7,488)
Restricted	1,688,913	1,738,978	(50,065)
Unrestricted	(1,551,607)	(1,054,233)	(497,374)
Total net position	\$ 14,289,381	\$ 14,844,308	\$ (554,927)

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2020	2019	Change
Program Revenues:			
Charges for services	\$ 477,846	\$ 712,330	\$ (234,484)
Operating grants and contributions	183,550	224,857	(41,307)
Capital grants and contributions	718,744	749,734	(30,990)
General Revenues:			
Property taxes	7,275,868	7,169,302	106,566
Motor vehicle and other excise taxes	664,284	679,407	(15,123)
Payments in lieu of taxes	379,754	348,536	31,218
Penalties and interest on taxes	49,021	48,067	954
Nonrestricted grants	619,696	565,904	53,792
Unrestricted investment income	13,400	35,989	(22,589)
Miscellaneous	7,535	294	7,241
Total revenues	10,389,698	10,534,420	(144,722)
Expenses:			
General government	894,986	828,697	66,289
Public safety	1,776,573	1,634,557	142,016
Public works	1,685,566	2,223,172	(537,606)
Education	5,608,187	5,320,430	287,757
Health and human services	166,582	125,861	40,721
Culture and recreation	37,450	62,692	(25,242)
Employee benefits and insurance	729,904	889,749	(159,845)
State assessments	10,011	12,747	(2,736)
Interest	35,366	39,095	(3,729)
Total expenses	10,944,625	11,137,000	(192,375)
Contributions to Permanent Funds	-	1,800	(1,800)
Change in net position	(554,927)	(600,780)	45,853
Net position - beginning of year	14,844,308	15,445,088	(600,780)
Net position - end of year	\$ 14,289,381	\$ 14,844,308	\$ (554,927)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,289,381 at the close of fiscal year 2020.

Net position of \$14,152,075 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$1,688,913, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$1,551,607).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the net pension liabilities that are required under GASB to be recognized in the Town's financial statements. This liability is presented on the statement of net position.

The governmental activities net position decreased by \$554,927 (4%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2020 was attributed to a net increase in the debt liability of \$105,000 and in the change in the net pension liability of \$494,935; and decreases in the depreciation expense (normally spread out over the useful life of the asset) for the year of \$1,228,425 exceeding in the acquisition of \$965,937 in new capital assets, and as a result of this year's change in the deferred outflow/(inflow) of resources related to pensions of \$707,288.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,489,885, a decrease of \$307,104 (11%) in comparison with the prior year.

Breakdown of the governmental fund balances are as follows:

- Non-spendable fund balance – \$152,801 (6%).
- Restricted fund balance – \$1,263,337 (51%).
- Assigned fund balance – \$394,623 (16%).
- Unassigned fund balance – \$679,124 (27%).

At the end of the fiscal year, the *General Fund* reported a fund balance of \$1,614,990 decreasing \$280,291 (15%) from the prior year. Of the \$1,614,990, the unassigned amount is \$1,220,367 (76%) and the assigned amount is \$394,623 (24%). General fund revenues were \$191,090 (2%) less than the prior fiscal year and expenditures increased by \$676,773 (8%). Other activity in the General Fund consisted of net transfers from other funds of \$115,300.

The main components of the decrease in general fund revenues was related to a decrease in licenses, permits and fees of \$151,313 (62%) from the prior year.

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in Public safety expenditures of \$137,787 (1%).
- Decrease in Public works expenditures of \$139,503 (18%).
- Increase in Education expenditures of \$372,029 (7%).

At the end of the fiscal year, the *Nonmajor Governmental Funds* reported a fund balance of \$874,895, decreasing \$26,813 (3%) from the prior year. The decrease is attributed to costs exceeding revenues by \$61,513, net transfers to the general fund of \$115,300 and the proceeds from notes and bonds of \$150,000. The fund balance is reported as nonspendable of \$152,801, restricted of \$1,263,337 and unassigned of (\$541,233). The revenues decreased by \$330,704 and the expenditures also decreased by \$856,516.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2020 was \$9,934,812. This was an increase of \$625,814 (7%) over the previous year's budget.

There was an increase of \$168,999 between the original budget and the final amended budget. This change is attributed to votes at the special town meetings in August 2019 and October 2019 for various budget operating line items.

General fund expenditures were less than budgeted by \$401,593. Of the \$401,593 in under budget expenditures \$267,970 has been carried over to fiscal year 2021.

There were negative variances in property taxes of \$126,360, in intergovernmental receipts of \$24,627, in charges for services of \$4,648, in licenses, permits and fees of \$52,910, and in investment income of \$9,922 as expectations (budget) were higher than the receipts.

A negative variance exists in State assessments of \$640 as the Town had lower assessments in the Registry of Motor Vehicle non-renewal surcharge than was withheld by the State.

Overall, the variance with the final budget was a positive \$114,385 consisting of a revenue deficit of \$153,585 and an appropriation surplus of \$267,970.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities amounts to \$15,272,075.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Police vehicle purchase for \$45,358.
- Highway vehicle and equipment purchases for \$119,395.
- Road infrastructure improvements of \$679,441.
- School improvements of \$38,080.
- Senior Center improvements of \$25,673.
- Library roof replacement for \$57,990.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2020, totaled \$620,000, of which \$45,000 is for various departmental vehicles, \$495,000 for road infrastructure improvements and \$80,000 for library improvements.

The Town has bond anticipation notes outstanding consisting of \$500,000 in the governmental activities as of June 30, 2020 for various departmental vehicles.

Please refer to notes 3D, 3F and 3G for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Hubbardston operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2020 do not reflect the fiscal year 2021 Town Meeting action with the exception of the free cash amount used to fund the 2021 budget. The Annual Town Meeting on June 23, 2020 authorized a fiscal year 2021 operating and capital budget as follows:

From the tax levy		\$	9,223,310
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash			261,000
Non-major Governmental Funds:			
Community preservation fund	\$	80,000	
PEG Cable Access Grant		20,000	100,000
		\$	9,584,310

Requests for Information

This financial report is designed to provide a general overview of the Town of Hubbardston'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 Town Accountant, Town Hall, 7 Main Street, Unit 11, Hubbardston, Massachusetts 01452.

BASIC FINANCIAL STATEMENTS

TOWN OF HUBBARDSTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government
	Governmental
	Activities
<hr/>	
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 1,705,871
Investments	1,220,885
Receivables, net of allowance for uncollectibles:	
Property Taxes	240,631
Tax Liens and Possessions	468,150
Excise Taxes	64,147
Departmental	130,864
Due from Other Governments	316,528
Total current assets	<hr/> 4,147,076 <hr/>
NONCURRENT:	
Capital Assets, net of accumulated Depreciation:	
Nondepreciable	2,264,131
Depreciable	13,007,944
Total noncurrent assets	<hr/> 15,272,075 <hr/>
Total Assets	<hr/> 19,419,151 <hr/>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	<hr/> 383,726 <hr/>
 LIABILITIES	
CURRENT:	
Warrants Payable	53,525
Accrued Payroll	70,088
Accrued Interest	8,138
Other	22,468
Landfill Closure	8,500
Bond Anticipation Notes Payable	500,000
Bonds Payable	200,000
Total current liabilities	<hr/> 862,719 <hr/>
NONCURRENT:	
Compensated Absences	37,382
Landfill Closure	8,500
Net Pension Liability	3,669,873
Bonds Payable	420,000
Total noncurrent liabilities	<hr/> 4,135,755 <hr/>
Total Liabilities	<hr/> 4,998,474 <hr/>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	<hr/> 515,022 <hr/>
 NET POSITION	
Net Investment in Capital Assets	14,152,075
Restricted for:	
Capital Projects	
Federal & State Grants	317,922
Permanent Funds:	
Nonexpendable	152,801
Expendable	215,201
Community Preservation	433,160
Other Purposes	569,829
Unrestricted	(1,551,607)
Total Net Position	<hr/> \$ 14,289,381 <hr/>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUBBARDSTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Revenues				Net (Expenses) Revenues and and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 894,986	\$ 31,111	\$ 101,446	\$ -	\$ (762,429)
Public Safety	1,776,573	376,740	4,885	-	(1,394,948)
Public Works	1,685,566	4,975	-	718,744	(961,847)
Education	5,608,187	-	116	-	(5,608,071)
Health and Human Services	166,582	55,440	55,956	-	(55,186)
Culture and Recreation	37,450	9,580	18,296	-	(9,574)
Employee Benefits and Insurance	729,904	-	2,851	-	(727,053)
State Assessments	10,011	-	-	-	(10,011)
Interest	35,366	-	-	-	(35,366)
Total Governmental Activities	10,944,625	477,846	183,550	718,744	(9,564,485)
Total Primary Government	\$ 10,944,625	\$ 477,846	\$ 183,550	\$ 718,744	(9,564,485)
General Revenues:					
Property taxes					7,275,868
Motor vehicle excise and other taxes					664,284
Payments in lieu of taxes					379,754
Penalties & Interest on taxes					49,021
Grants & Contributions not restricted to specific programs					619,696
Unrestricted Investment Income					13,400
Miscellaneous					7,535
Total General Revenues					9,009,558
Change in Net Position					(554,927)
Net Position:					
Beginning of year					14,844,308
End of year					\$ 14,289,381

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HUBBARDSTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 1,090,253	\$ 615,618	\$ 1,705,871
Investments	481,634	739,251	1,220,885
Receivables, net of allowance for uncollectibles:			
Property Taxes	240,064	567	240,631
Tax Liens and Possessions	466,213	1,937	468,150
Excise Taxes	64,147	-	64,147
Departmental	49,188	81,676	130,864
Due from Other Governments	68,639	247,889	316,528
Total Assets	\$ 2,460,138	\$ 1,686,938	\$ 4,147,076
Liabilities:			
Warrants Payable	\$ 28,855	\$ 24,670	\$ 53,525
Accrued Payroll	55,490	14,598	70,088
Other	22,468	-	22,468
Bond Anticipation Notes Payable	-	500,000	500,000
Total Liabilities	106,813	539,268	646,081
Deferred Inflows of Resources:			
Unavailable Revenue	738,335	272,775	1,011,110
Fund Balance:			
Nonspendable	-	152,801	152,801
Restricted	-	1,263,337	1,263,337
Assigned	394,623	-	394,623
Unassigned	1,220,367	(541,243)	679,124
Total Fund Balance	1,614,990	874,895	2,489,885
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,460,138	\$ 1,686,938	\$ 4,147,076

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUBBARDSTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 7,165,698	\$ 66,143	\$ 7,231,841
Intergovernmental	609,988	781,665	1,391,653
Excise and Other Taxes	657,071	-	657,071
Payment in Lieu of Taxes	379,754	-	379,754
Charges for Services	140,488	248,419	388,907
Licenses, Permits, Fees	88,751	-	88,751
Interest on Taxes	49,021	-	49,021
Investment Income	13,400	11,391	24,791
Gifts and Donations	-	28,582	28,582
Other	33,457	4,709	38,166
Total Revenues	9,137,628	1,140,909	10,278,537
Expenditures:			
Current:			
General Government	720,268	158,558	878,826
Public Safety	1,402,414	238,853	1,641,267
Public Works	929,710	681,382	1,611,092
Education	5,528,980	-	5,528,980
Health and Human Services	76,883	81,867	158,750
Culture and Recreation	75,252	19,412	94,664
Employee Benefits and Insurance	517,551	-	517,551
State Assessments	10,011	-	10,011
Debt Service:			
Principal	235,000	20,000	255,000
Interest	37,150	2,350	39,500
Total Expenditures	9,533,219	1,202,422	10,735,641
Excess of Revenues Over (Under) Expenditures	(395,591)	(61,513)	(457,104)
Excess of Revenues Over			
Operating Transfers In	117,055	1,755	118,810
Operating Transfers Out	(1,755)	(117,055)	(118,810)
Proceeds from Notes and Bonds	-	150,000	150,000
Total Other Financing Sources (Uses)	115,300	34,700	150,000
Net Change in Fund Balances	(280,291)	(26,813)	(307,104)
Fund Balances, Beginning of Year	1,895,281	901,708	2,796,989
Fund Balances, End of Year	\$ 1,614,990	\$ 874,895	\$ 2,489,885

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2020

Total Governmental Fund Balances	\$	2,489,885
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		15,272,075
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		1,011,110
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.		(131,296)
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds and Leases Payable	\$	(620,000)
Landfill Closure		(17,000)
Net Pension Liability		(3,669,873)
Compensated Absences		(37,382)
		(4,344,255)
Net Position of Governmental Activities	\$	14,289,381

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds **\$ (307,104)**

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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 965,937	
Depreciation	<u>(1,228,425)</u>	(262,488)

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. 111,161

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayment of Debt and Lease Principal	255,000	
Proceeds from Issuance of Bonds and Notes	<u>(150,000)</u>	105,000

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 governmental funds:

Net Change in Compensated Absences	(1,777)	
Net Change in Accrued Interest on Long-Term Debt	4,134	
Net Change in Net Pension Liability	494,935	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(707,288)	
Net Change in Landfill Closure	<u>8,500</u>	(201,496)

Change in Net Position of Governmental Activities **\$ (554,927)**

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HUBBARDSTON, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts				Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget	Actual Budgetary Amounts		
Revenues:						
Property Taxes	\$ -	7,214,758	7,214,758	7,088,398	\$ -	\$ (126,360)
Intergovernmental	-	634,615	634,615	609,988	-	(24,627)
Excise and Other Taxes	-	639,743	639,743	657,071	-	17,328
Payment in Lieu of Taxes	-	343,703	343,703	379,754	-	36,051
Charges for Services - Ambulance	-	145,136	145,136	140,488	-	(4,648)
Licenses, Permits, Fees	-	141,661	141,661	88,751	-	(52,910)
Other	-	27,000	27,000	33,457	-	6,457
Interest on Taxes	-	43,975	43,975	49,021	-	5,046
Investment Income	-	20,025	20,025	10,103	-	(9,922)
Total Revenues	-	9,210,616	9,210,616	9,057,031	-	(153,585)
Expenditures:						
Current:						
General Government	105,922	704,677	853,368	720,268	69,388	63,712
Public Safety	60,005	1,427,714	1,496,797	1,402,414	56,127	38,256
Public Works	2,044	955,128	999,531	929,710	7,778	62,043
Education	-	5,460,826	5,542,619	5,528,980	-	13,639
Health and Human Services	-	85,095	85,095	76,883	-	8,212
Culture and Recreation	2,726	96,918	99,644	75,252	130	24,262
Employee Benefits and Insurance	-	576,316	569,316	517,551	200	51,565
State Assessments	-	9,371	9,371	10,011	-	(640)
Debt Service:						
Principal	-	240,000	240,000	235,000	-	5,000
Interest	-	39,071	39,071	37,150	-	1,921
Total Expenditures	170,697	9,595,116	9,934,812	9,533,219	133,623	267,970
Excess of Revenues Over (Under) Expenditures	(170,697)	(384,500)	(724,196)	(476,188)	(133,623)	114,385
Other Financing Sources (Uses):						
Operating Transfers In	-	58,910	164,332	233,931	-	69,599
Operating Transfers out	-	(1,755)	(13,178)	(13,178)	-	-
Total Other Financing Sources (Uses)	-	57,155	151,154	220,753	-	69,599
Net Change in Budgetary Fund Balance	(170,697)	(327,345)	(573,042)	(255,435)	(133,623)	\$ 183,984
Other Budgetary Items:						
Free Cash and Other Reserves	-	327,345	402,345			
Prior Year Encumbrances	170,697	-	170,697			
Total Other Budgetary Items	170,697	327,345	573,042			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2020

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 9,057,031	\$ 9,533,219
<u>Adjustments:</u>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	3,297	-
Net Increase in Revenue from Recording 60-Day Receipts	68,000	-
Net Increase in Revenue from Recording Refund Taxes Payable	9,300	-
	<hr/>	<hr/>
Reported on a GAAP Basis	<u>\$ 9,137,628</u>	<u>\$ 9,533,219</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUBBARDSTON, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 935,409
Investments	164,192	-
Total Assets	164,192	935,409
LIABILITIES		
Due to Others	-	19,212
Escrows and Deposits	-	916,197
Total Liabilities	-	935,409
NET POSITION		
Held in Trust for Other Purposes	\$ 164,192	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HUBBARDSTON, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Private Purpose Trust Funds
Additions:	
Investment Income	\$ 1,147
Total Additions	<u>1,147</u>
Deductions:	
Educational Scholarships	<u>4,000</u>
Total Deductions	<u>4,000</u>
Change in Net Position	<u>(2,853)</u>
Net Position at Beginning of Year	<u>167,045</u>
Net Position at End of Year	<u>\$ 164,192</u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Hubbardston, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town is a political subdivision of the Commonwealth of Massachusetts located in Worcester County. The Town was incorporated in 1767 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five-member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2020, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Quabbin Regional School District and the Montachusett Regional Vocational Technical School District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board and/or committee members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations follow:

Quabbin Regional School District – The regional school district, created in 1967, made up of the Towns of Barre, Hardwick, Hubbardston, New Braintree and Oakham to serve the educational needs of students in grades K through 12. The regional school district is a separate entity under the Commonwealth of Massachusetts. The District is governed by a board composed of representatives of member Towns. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Montachusett Regional Vocational Technical School District - A regional school district, created in 1971, made up of the Towns of Ashburnham, Ashby, Athol, Barre, Fitchburg, Gardner, Harvard, Holden, Hubbardston, Lunenburg, Petersham, Phillipston, Princeton, Royalston, Sterling, Templeton, Westminster and Winchendon to serve the educational needs of students in grades 9 through 12. The regional school district is a separate entity under the Commonwealth of Massachusetts. The District is governed by a twenty-two (22)-member board composed of representatives of member Towns. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., 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. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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

Fund financial statements

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

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

Government-wide financial statements

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental fund:

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

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds'* column on the governmental funds' financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Trust Funds).

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

Additionally, the Town reports the following fund types:

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

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2019 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2020 on June 27, 2019, that were due on August 1, 2019 and November 4, 2019 and actual bills on December 28, 2019 that were due on February 1, 2020 and May 1, 2020, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2020 is \$7,273,006.

The total amount raised by taxation was \$7,269,379.

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Departmental

Departmental receivables consist of ambulance fees in the general fund. In the nonmajor governmental funds the departmental receivables are for police details and Title V septic loan repayments.

The allowance for uncollectibles relating to ambulance fees are based upon historical trends. The other departmental receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Other

Other receivable consists of due from a former employee due to misappropriation of assets related to the collection of real estate, personal property and excise taxes. An independent review was performed and determined an estimated loss of revenue. The estimated restitution is identified as the other receivable.

The allowance for uncollectible accounts is estimated based on specific account analysis.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

Capital assets, excluding infrastructure assets, are defined by the Town as assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of three years. Infrastructure assets are capitalized when original cost exceeds \$25,000.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	15-50
Machinery, equipment and other	3-20
Infrastructure	40

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

In addition to liabilities, the *Statement of Net 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 and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; departmental receipts and intergovernmental grants. These amounts are deferred and are recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"*Community Preservation*" represents amounts that are restricted for the preservation of open space, historical resources and community housing.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts 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 is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Town has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration limits specified in the Town's termination policy.

M. Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (the System) is provided. Additions to and deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the system. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

N. Post-Retirement Benefits

The Town has not elected the provisions of M.G.L. Chapter 32 that pertains to providing other post-employment benefits besides pension benefits to retirees. Therefore, the Town does not provide group health insurance for retired employees or their survivors and thus does not provide any cost of the health insurance plan for retirees.

O. 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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

P. Total Column

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

At the Annual Town Meeting, the Board of Selectmen and Finance Committee present an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the Town Meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions.

In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a department appropriation.

"Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted. Departments are limited to the line items voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

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

Encumbrances of unexpended budgetary balances at year-end (continuing appropriations) do not constitute liabilities and, therefore, are presented in the governmental funds as a reservation of fund balance. Budgeted amounts for the General Fund are as originally adopted or as amended by Town vote, including continuing appropriations at the beginning of the year and excluding continuing appropriations at the year-end.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2020, the Town incurred a final budget deficit of \$573,042 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 402,345
Prior year's encumbrances	170,697
	<hr/>
	\$ 573,042
	<hr/>

B. Deficit Fund Balances

The following funds have deficits at June 30, 2020 as measured by the balance of unreserved fund balance.

- The *Fire Department vehicle* capital project fund has a deficit of \$450,000. The Town has an outstanding bond anticipation note for \$450,000. The deficit will be eliminated upon the issuance of permanent debt.
- The *Highway vehicle* capital project fund has a deficit of \$50,000. The Town has an outstanding bond anticipation note for \$50,000. The deficit will be eliminated upon the issuance of permanent debt.
- The *Emergency management grants* special revenue fund has a deficit of \$41,243. The deficit will be eliminated upon additional receipts or appropriation.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2020 were \$2,748,488. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

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

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities:				
U. S. treasury obligations	\$ 274,522	\$ 152,323	\$ 122,199	\$ -
U. S. government agencies	188,657	-	168,631	20,026
Corporate bonds	354,603	186,515	168,088	-
Money market mutual fund	237,987	237,987	-	-
	1,055,769	\$ 576,825	\$ 458,918	\$ 20,026
Other Investments:				
Certificate of deposits	184,385			
Equity securities - domestic (stocks)	126,068			
MMDT	18,854			
	<u>\$ 1,385,076</u>			

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$1,385,076 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Credit Risk

The Town's exposure to credit risk as of June 30, 2020 is as follows:

Related Debt Instruments	Fair Value
<u>Moody's Quality Ratings</u>	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 274,522
<i>U. S. Government Agencies:</i>	
Aaa	188,657
<i>Corporate Bonds:</i>	
A1	46,115
A2	43,761
Baa1	144,023
Baa2	120,704
<i>Money Market Mutual Funds:</i>	
Not rated	237,987
	<u>\$ 1,055,769</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's total investments is in the Federal Farm Credit Banks and AT&T Corporate Bonds amounting to 12.17% and 5.43%, respectively, of the Town's total investments.

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 274,522	\$ 274,522	\$ -	\$ -
U. S. government agencies	188,657	188,657	-	-
Certificates of deposit	184,385	184,385	-	-
Equity securities - domestic	126,068	126,068	-	-
Money market mutual fund	237,987	237,987	-	-
Corporate bonds	354,603	-	354,603	-
	1,366,222	\$ 1,011,619	\$ 354,603	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	18,854			
Total Investments	\$ 1,385,076			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2020, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 252,526	\$ (11,895)	\$ 240,631
Tax liens and possessions	468,150	-	468,150
Excise taxes	84,748	(20,601)	64,147
Departmental	560,601	(429,737)	130,864
Due from other governments	316,528	-	316,528
	<u>\$ 1,682,553</u>	<u>\$ (462,233)</u>	<u>\$ 1,220,320</u>

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

The composition of amounts due from other governments as of June 30, 2020 for the governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue	\$	35,594
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Veterans, blind and surviving spouse		
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Department of Veterans Services:		
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Veterans benefits		20,723
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Other:

City of Fitchburg		12,322
	\$	68,639

Nonmajor Governmental Funds:

Commonwealth of Massachusetts:

Massachusetts Department of Transportation		247,889
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	\$	316,528
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C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:

Property taxes	\$	138,064
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Tax liens and possessions		466,213
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Excise taxes		64,147
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Departmental		49,188
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Due from other governments		20,723
	\$	738,335

Nonmajor Governmental Funds:

Property taxes		567
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Tax liens and possessions		1,937
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Departmental		22,382
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Due from other governments		247,889
	\$	272,775

	\$	1,011,110
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TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

D. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,264,131	\$ -	\$ -	\$ 2,264,131
Construction in progress	627,107	380,559	(1,007,666)	-
Total capital assets not being depreciated	2,891,238	380,559	(1,007,666)	2,264,131
Capital assets being depreciated:				
Buildings and Renovations	7,074,655	375,533	-	7,450,188
Machinery, equipment and other	3,457,847	164,753	-	3,622,600
Infrastructure	46,098,689	1,052,758	-	47,151,447
Total capital assets being depreciated	56,631,191	1,593,044	-	58,224,235
Less accumulated depreciation for:				
Buildings and Renovations	3,605,243	178,004	-	3,783,247
Machinery, equipment and other	2,212,942	301,929	-	2,514,871
Infrastructure	38,169,681	748,492	-	38,918,173
Total accumulated depreciation	43,987,866	1,228,425	-	45,216,291
Total capital assets being depreciated, net	12,643,325	364,619	-	13,007,944
Total governmental activities capital assets, net	\$ 15,534,563	\$ 745,178	\$ (1,007,666)	\$ 15,272,075

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 13,832
Public safety	181,424
Public works	873,101
Education	117,287
Health and human services	16,332
Culture and recreation	26,449
Total depreciation expense - governmental activities	<u>\$ 1,228,425</u>

E. Interfund Receivables, Payables and Transfers

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

Transfers Out:	Transfers In:		
	General fund	Nonmajor Governmental funds	Total
General fund	\$ -	\$ 1,755	\$ 1,755
Nonmajor governmental funds	117,055	-	117,055
Total transfers out	<u>\$ 117,055</u>	<u>\$ 1,755</u>	<u>\$ 118,810</u>

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2019	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2020
Bond Anticipation Note:						
Fire Department vehicle	2.70%	11/20/2019	\$ 450,000	\$ -	\$ 450,000	\$ -
Highway vehicle	2.70%	11/20/2019	100,000	-	100,000	-
Library roof	2.35%	4/10/2020	100,000	-	100,000	-
Fire Department vehicle	1.85%	11/20/2020	-	450,000	-	450,000
Highway vehicle	1.85%	11/20/2020	-	50,000	-	50,000
Total Governmental Activities			<u>\$ 650,000</u>	<u>\$ 500,000</u>	<u>\$ 650,000</u>	<u>\$ 500,000</u>

G. Long Term Debt

General Obligation Bonds

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

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2020
Inside Debt:					
Road improvements	1.88%	4/30/2015	5/15/2023	\$ 1,395,000	\$ 495,000
Highway truck	1.88%	4/30/2015	5/15/2023	135,000	45,000
Library roof	2.43%	4/10/2020	4/1/2024	80,000	80,000
Total governmental type debt					<u>\$ 620,000</u>

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2020, are as follows:

Year	Principal	Interest	Total
2021	\$ 200,000	\$ 18,095	\$ 218,095
2022	200,000	12,258	212,258
2023	200,000	6,372	206,372
2024	20,000	486	20,486
	<u>\$ 620,000</u>	<u>\$ 37,211</u>	<u>\$ 657,211</u>

A summary of the changes in governmental activities long term debt during the year is as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 725,000	\$ 80,000	\$ 185,000	\$ 620,000	\$ 180,000
Landfill closure	25,500	-	8,500	17,000	8,500
Compensated absences	35,605	1,777	-	37,382	-
Net pension liability	4,164,808	-	494,935	3,669,873	-
Governmental activity					
Long-term liabilities	<u>\$ 4,950,913</u>	<u>\$ 81,777</u>	<u>\$ 688,435</u>	<u>\$ 4,344,255</u>	<u>\$ 188,500</u>

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2020 totaled \$620,000.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2020:

Equalized Valuation-Real Estate and Personal Property (2018)		<u>\$ 467,728,400</u>
Debt Limit: 5 % of Equalized value		23,386,420
Total Debt Outstanding	\$ 620,000	
Less: Debt Outside Debt Limit	-	<u>620,000</u>
Inside Debt Excess Borrowing Capacity at June 30, 2020		<u>\$ 22,766,420</u>

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. The Town has no loan authorizations that have not been issued as of June 30, 2020.

Overlapping Debt

The Town pays assessments, including debt service payments, to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The primary overlapping debt relates to the regional school. The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Quabbin Regional School District Green repair projects	\$ 735,000	24.29%	<u>\$ 178,532</u>

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

H. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2020:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 152,801	\$ 152,801
Restricted:			
Federal, state and local grants	-	70,033	70,033
Revolving funds	-	193,959	193,959
Community preservation act	-	430,656	430,656
Gifts and donations	-	133,499	133,499
Septic program	-	150,318	150,318
Permanent funds	-	215,201	215,201
Other	-	69,671	69,671
	-	1,263,337	1,263,337
Assigned:			
General government	69,388	-	69,388
Public safety	56,127	-	56,127
Public works	7,778	-	7,778
Culture and recreation	130	-	130
Employee benefits and insurance	200	-	200
Subsequent year's budget	261,000	-	261,000
	394,623	-	394,623
Unassigned:			
General fund	1,220,367	-	1,220,367
Deficit special revenue	-	(41,243)	(41,243)
Deficit capital projects	-	(500,000)	(500,000)
	1,220,367	(541,243)	679,124
Total Governmental fund balances	\$ 1,614,990	\$ 874,895	\$ 2,489,885

I. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

At June 30, 2020, the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 419,429
Capital stabilization fund	<u>42,350</u>
	<u><u>\$ 461,779</u></u>

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

C. Subsequent Events

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

D. Landfill Closure and Post-Closure Care Costs

State and federal laws and regulations require that the Town of Hubbardston place a final cover on its landfill when closed and perform certain maintenance and monitoring functions of the landfill site for thirty (30) years after closure. The current year expenditures are reported in the General Fund. The estimated total future liability for landfill post-closure care costs is \$17,000.

This estimate is based on an independent evaluation of the cost to perform post-closure care. The actual cost of closure and post-closure care may be higher due to inflation, changes in technology, changes in estimates, or changes in landfill regulations.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

E. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by a five-member board. Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. MGL Chapter 32 establishes uniform benefit and contributory requirements for all contributory public employee retirement systems (PERS). The Massachusetts PERS benefits are uniform from system to system, with a few minor exceptions. Members of the System become vested after 10 years of creditable service. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. Most employees who joined the system on or after April 2, 2012 cannot retire prior to age 60. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2019 was \$251,032, representing 18.59% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Pension Liability

As of June 30, 2020, a reported liability of \$3,669,873 is the Town's proportionate share of the net pension liability as measured as of December 31, 2019. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportional percentage was 0.412%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2020, the Town recognized a pension expense of \$463,384 and reported deferred outflows of resources related to pensions of \$383,726 from the net difference between expected and actual experience, changes in assumptions and change in allocated proportion; and deferred inflows of resources related to pensions of \$515,022 from the net difference between expected and actual experience, the net difference between projected and actual investment earnings and the change in allocated proportion.

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,		
	2021	\$ (96,629)
	2022	(48,802)
	2023	(26,819)
	2024	55,861
	Thereafter:	(14,907)
		<u><u>\$ (131,296)</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2019:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Payment increases 4.0% per year.
Asset valuation method	Market value of assets
Inflation	2.4% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Payroll growth	4.0% per year
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Mortality rates

RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB.
For disabled lives, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

Long-term Expected Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	4.68%
Fixed income	23%	1.90%
Private Equity	13%	8.50%
Real Estate	10%	3.70%
Timber/Natural Resources	4%	4.30%
Portfolio Completion Strategies	11%	3.40%
Total	100%	

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 16.55%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or 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.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.65%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
Net pension liability	\$ 4,478,201	\$ 3,669,873	\$ 2,987,263

F. Implementation of New GASB Pronouncements

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

G. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*, for implementation in fiscal year 2021.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2022.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2021.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, for implementation in fiscal 2022.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023.

The GASB issued 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*, for implementation in fiscal year 2021 and 2022.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HUBBARDSTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2020

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

Date	Town's proportion of the net pension liability (asset)	Town's proportionate share of the net pension liability (asset)	Town's covered employee payroll	Net pension liability percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
12/31/2019	0.412%	\$ 3,669,873	\$ 1,350,338	271.77%	47.36%
12/31/2018	0.459%	\$ 4,164,808	\$ 876,192	475.33%	43.05%
12/31/2017	0.472%	\$ 3,847,404	\$ 1,094,952	351.38%	46.40%
12/31/2016	0.440%	\$ 3,688,477	\$ 1,250,143	295.04%	42.00%
12/31/2015	0.446%	\$ 3,162,619	\$ 1,195,841	264.47%	44.52%
12/31/2014	0.383%	\$ 2,278,991	\$ 1,149,847	198.20%	47.94%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF HUBBARDSTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2020

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

Date	Actuarially determined contribution	Less: Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions percentage of covered employee payroll
12/31/2019	\$ 251,032	\$ (251,032)	\$ -	\$ 1,350,338	18.59%
12/31/2018	\$ 255,716	\$ (255,716)	\$ -	\$ 876,192	29.18%
12/31/2017	\$ 238,741	\$ (238,741)	\$ -	\$ 1,094,952	21.80%
12/31/2016	\$ 213,907	\$ (213,907)	\$ -	\$ 1,250,143	17.11%
12/31/2015	\$ 202,444	\$ (202,444)	\$ -	\$ 1,195,841	16.93%
12/31/2014	\$ 151,350	\$ (151,350)	\$ -	\$ 1,149,847	13.16%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULE

TOWN OF HUBBARDSTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
Special Revenue:					
Federal and State Grants:					
Arts Lottery Cultural Council	\$ 4,022	\$ 5,500	\$ 4,269	\$ (254)	\$ 4,999
Council on Aging Grants	-	7,776	7,776	-	-
Community Compact - Information Technology	7,738	20,000	15,238	-	12,500
Emergency Management Grants	-	27,108	68,351	-	(41,243)
Extended Polling Hours	982	-	982	-	-
Highway grants	3	356,869	356,872	-	-
Library Grants	15,507	6,801	2,061	-	20,247
Other Grants and Programs	5,000	20,000	9,874	-	15,126
Public Safety Grants	20,130	2,885	5,854	-	17,161
Senior Center Grants	14,848	-	14,848	-	-
Small Bridge Grant	2,750	319,847	322,597	-	-
Other:					
Board of Health Revolving	14,490	11,780	10,519	18,876	34,627
Board of Health Vaccine	18,876	-	-	(18,876)	-
Community Preservation Fund	396,706	85,583	51,633	-	430,656
Conservation Commission	3,604	547	437	-	3,714
Council on Aging MART Revolving	28,694	32,757	27,841	(31,615)	1,995
Demolition Revolving	3,900	-	-	-	3,900
Dog Fees	5,228	750	-	-	5,978
Dog Officer	231	-	-	(231)	-
Fire Department Burning Permits	2,773	3,670	-	-	6,443
Gifts and Donations	152,842	28,661	28,249	(19,754)	133,500
Highway Revolving	296	3,100	600	-	2,796
Inspector Revolving	134,403	1,263	50,000	(12,022)	73,644
Insurance Proceeds	12,387	725	-	(13,112)	-
Law Enforcement Trust	4,342	-	469	-	3,873
Total Special Revenue Funds Page 51	\$ 849,752	\$ 935,622	\$ 978,470	\$ (76,988)	\$ 729,916

TOWN OF HUBBARDSTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
Continued from Page 51	\$ 849,752	\$ 935,622	\$ 978,470	\$ (76,988)	\$ 729,916
Special Revenue (continued):					
Other (continued):					
Library Dog Fund	3,276	579	1,058	-	2,797
PEG Cable Access Grant	81,814	562	12,731	-	69,645
Planning Board Revolving	28,477	5,567	20,516	-	13,528
Police Detail Revolving	7,855	167,581	175,436	-	-
Public Records Revolving	-	98	98	-	-
Recreation Revolving	937	26	570	-	393
Recycling Revolving	4,481	4,403	3,814	-	5,070
Sale of Lots and Graves	7,220	1,210	1,210	(7,220)	-
Septic Repair Program	144,055	6,263	-	-	150,318
Septic Revolving	-	2,948	1,165	-	1,783
Special Events Revolving	-	8,999	4,662	13,356	17,693
Transportation infrastructure	15	12	-	-	27
Wetland Protection	16,302	-	579	-	15,723
Total Special Revenue Funds	1,144,184	1,133,870	1,200,309	(70,852)	1,006,893
Capital Projects:					
Fire Department vehicle	(448,981)	-	-	(1,019)	(450,000)
Highway vehicle	(99,333)	-	-	49,333	(50,000)
Library roof replacement	(100,000)	-	-	100,000	-
Roadway designs and engineering	20,000	-	-	(20,000)	-
Route 68 reconstruction	(11,123)	-	-	11,123	-
Town Center reconstruction	36,892	-	-	(36,892)	-
Total Capital Projects	\$ (602,545)	\$ -	\$ -	\$ 102,545	\$ (500,000)

TOWN OF HUBBARDSTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
Perpetual Permanent Funds:					
Cemetery Perpetual Care	\$ 135,991	\$ -	\$ -	\$ (7,190)	\$ 128,801
Library Funds	24,416	-	-	(416)	24,000
Total Perpetual Permanent Funds	160,407	-	-	(7,606)	152,801
Permanent Funds:					
Cemetery Perpetual Care	130,521	3,044	291	1,790	135,064
Library Funds	42,632	687	14	416	43,721
Hubbardston Community Park	10,997	(73)	1,718	-	9,206
Other	15,512	3,381	90	8,407	27,210
Total Permanent Funds	199,662	7,039	2,113	10,613	215,201
Total - Non-Major Governmental Funds	\$ 901,708	\$ 1,140,909	\$ 1,202,422	\$ 34,700	\$ 874,895