

***TOWN OF TEWKSBURY, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2020***

TOWN OF TEWKSBURY, MASSACHUSETTS

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Tewksbury, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tewksbury, 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 Tewksbury, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the Town of Tewksbury, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Tewksbury, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Tewksbury, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

October 28, 2020

***Management's Discussion and Analysis***

## Management's Discussion and Analysis

As management of the Town of Tewksbury (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

### **Financial Highlights**

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$76.1 million (net position).
- As required by GASB Statement #68, the Town recognized their total net pension liability of \$107.5 million along with deferred outflows related to pension of \$11.8 million and deferred inflows related to pension of \$5.1 million on the statement of net position.
- In 2020, the Town recognized their total net other postemployment benefits liability of \$77 million along with deferred outflows related to OPEB of \$4.1 million and deferred inflows related to OPEB of \$6.6 million on the statement of net position.
- The government's total net position increased by \$12.6 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$115.8 million, an increase of \$5.9 million in comparison with the prior year.
- The Town contributed an additional \$859,000 to its other postemployment benefits (OPEB) trust fund, which had a balance of \$4.7 million at the end of the current year.
- At the end of the current year, unassigned fund balance for the general fund was \$17.3 million, or 13.7% percent of total government expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Tewksbury's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**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 deferred inflows of resources, with the 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 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 the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e. uncollected taxes and earned but unused vacation leave).

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

activities include general government, public safety, education, public works, health and human services, sanitation, culture and recreation, COVID-19, and interest.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Tewksbury 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.

**Proprietary funds.** The Town of Tewksbury maintains two types of proprietary funds:

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water, and cable operations.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance activities and workers compensation benefits. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements.

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

The other postemployment benefits fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Private purpose trust funds and agency funds are reported and combined in a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

**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.

## Government-wide Financial Analysis

As noted earlier net position may serve, over time, as a useful indicator of a government's financial position. The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76.1 million at the close of 2020.

**Governmental Activities** - The key elements of the governmental activities are as follows:

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets.....	\$ 141,199,668	\$ 137,417,958
Capital assets, non depreciable.....	11,187,722	7,638,502
Capital assets, net of accumulated depreciation.....	<u>119,712,514</u>	<u>120,703,644</u>
<b>Total assets.....</b>	<b><u>272,099,904</u></b>	<b><u>265,760,104</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>14,867,271</u></b>	<b><u>12,891,943</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	9,222,302	9,839,218
Noncurrent liabilities (excluding debt).....	178,472,321	169,949,503
Current debt.....	7,338,052	7,446,049
Noncurrent debt.....	<u>92,667,140</u>	<u>99,506,192</u>
<b>Total liabilities.....</b>	<b><u>287,699,815</u></b>	<b><u>286,740,962</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>11,139,475</u></b>	<b><u>12,056,017</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	36,186,956	29,108,177
Restricted.....	5,992,390	4,759,713
Unrestricted.....	<u>(54,051,461)</u>	<u>(54,012,822)</u>
<b>Total net position.....</b>	<b><u><u>\$ (11,872,115)</u></u></b>	<b><u><u>\$ (20,144,932)</u></u></b>

	<u>2020</u>	<u>2019</u>
<b>Program Revenues:</b>		
Charges for services..... \$	5,676,493	\$ 7,423,649
Operating grants and contributions.....	30,707,593	29,735,542
Capital grants and contributions.....	9,478,244	1,138,577
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	93,813,507	87,470,475
Tax and other liens.....	56,399	155,812
Motor vehicle and other excise taxes.....	5,244,840	5,347,833
Hotel/motel tax.....	957,376	1,479,458
Meals tax.....	648,381	677,732
Community preservation tax.....	1,059,100	964,110
Penalties and interest on taxes.....	314,626	336,372
Payments in lieu of taxes.....	22,176	232,554
Grants and contributions not restricted to specific programs.....	3,401,138	3,263,413
Unrestricted investment income.....	<u>2,399,735</u>	<u>1,090,113</u>
<b>Total revenues.....</b>	<b><u>153,779,608</u></b>	<b><u>139,315,640</u></b>
<b>Expenses:</b>		
General government.....	5,904,256	4,932,866
Public safety.....	30,548,501	19,408,872
Education.....	90,004,088	88,573,832
Public works.....	5,598,053	5,240,277
Health and human services.....	1,300,570	1,232,665
Sanitation.....	2,748,558	2,609,539
Culture and recreation.....	3,186,464	2,757,670
COVID-19.....	157,852	-
Interest.....	<u>2,924,086</u>	<u>1,606,333</u>
<b>Total expenses.....</b>	<b><u>142,372,428</u></b>	<b><u>126,362,054</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>11,407,180</b>	<b>12,953,586</b>
<b>Transfers.....</b>	<b><u>(3,134,363)</u></b>	<b><u>(4,592,717)</u></b>
<b>Change in net position.....</b>	<b>8,272,817</b>	<b>8,360,869</b>
<b>Net position, beginning of year.....</b>	<b><u>(20,144,932)</u></b>	<b><u>(28,505,801)</u></b>
<b>Net position, end of year..... \$</b>	<b><u>(11,872,115)</u></b>	<b><u>(20,144,932)</u></b>

For the Town's governmental activities, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11.9 million at the close of 2020.

A significant portion of the Town's net position, \$36.2 million, reflects its net investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens: consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$6.1 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position resulted in a \$54.1 million deficit, due mainly to the cumulative effect of recording \$75.5 million of net other postemployment benefit liabilities along with \$98.9 million of net pension liability through June 30, 2020.

## Revenues and Expenses

The governmental activities net position increased by \$8.3 million during the current year. This was due to \$1.5 million in state highway capital grants, \$2.5 million in Massachusetts School Business Authority (MSBA) funding, along with better than expected budgetary results; offset by the recognition of an additional \$5.9 million for the net pension liability net of deferred outflows/inflows.

Governmental expenses totaled \$142.4 million, of which \$45.9 million (32.2%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$107.9 million, primarily from property taxes, motor vehicle and other excise, and unrestricted investment income.

Charges for services represent 3.7% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by Town Meeting, the Board of Selectmen, Town boards and commissions, and the Town Manager are included in this category. Charges for services have decreased by \$1.7 million from the prior year which was mainly due to programs such as extended day and school lunch being suspended due to the State's shutdown orders from COVID-19.

Operating grants and contributions account for 20% of the governmental activities resources. Most of these resources apply to education operations. These resources offset costs within the school department in addition to their general fund operating budget.

Capital grants and contributions account for 6.2% of the governmental activities resources. The Town receives state reimbursement for highway projects, Massachusetts School Building Authority funding, and state funding for the Northern Middlesex Regional Emergency Communications Center District.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 61% of all resources.

Motor vehicle and other taxes comprise 3.4% of the governmental activity's resources.

Education is by far the largest governmental activity of the Town. A total of \$90 million was expended for education, of which \$32.4 million was funded by program revenues. The remaining \$57.6 million was funded by taxes and other revenue.

Public safety is the second largest activity of the Town. \$21.9 million of general revenues were needed to cover 2020 operating expenses. Included in public safety expenses are \$5.4 million for the construction of the Northern Middlesex Regional Emergency Communications Center District (District) which is fully funded by state grants. The District is owned by the Commonwealth and therefore, is not included in the Town's capital assets.

During FY2020, the Commonwealth received federal funding that they allotted to each community based on population. The communities could use these funds to offset the costs associated with the novel Coronavirus (COVID-19). The Town had expenditures of \$157,852 of which the full amount was reimbursed with federal and state grants.

**Business-type activities** - The key elements of the business-type activities are as follows:

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets.....	\$ 27,396,230	\$ 28,898,146
Capital assets, non depreciable.....	13,782,290	16,018,455
Capital assets, net of accumulated depreciation.....	<u>129,636,324</u>	<u>129,149,063</u>
<b>Total assets.....</b>	<b><u>170,814,844</u></b>	<b><u>174,065,664</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>2,623,760</u></b>	<b><u>3,070,539</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,511,889	1,360,130
Noncurrent liabilities (excluding debt).....	10,257,013	9,908,586
Current debt.....	8,752,193	9,187,787
Noncurrent debt.....	<u>64,423,606</u>	<u>72,551,034</u>
<b>Total liabilities.....</b>	<b><u>84,944,701</u></b>	<b><u>93,007,537</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>536,019</u></b>	<b><u>480,593</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	75,377,950	72,774,097
Unrestricted.....	<u>12,579,934</u>	<u>10,873,976</u>
<b>Total net position.....</b>	<b><u>\$ 87,957,884</u></b>	<b><u>\$ 83,648,073</u></b>
	<u>2020</u>	<u>2019</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 15,757,546	\$ 15,293,216
Operating grants and contributions.....	8,985	-
<b>General Revenues:</b>		
Unrestricted investment income.....	<u>156,498</u>	<u>393,340</u>
<b>Total revenues.....</b>	<b><u>15,923,029</u></b>	<b><u>15,686,556</u></b>
<b>Expenses:</b>		
Water.....	7,260,408	6,657,455
Sewer.....	7,043,980	7,171,991
Cable.....	<u>443,193</u>	<u>558,121</u>
<b>Total expenses.....</b>	<b><u>14,747,581</u></b>	<b><u>14,387,567</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>1,175,448</b>	<b>1,298,989</b>
<b>Transfers.....</b>	<b><u>3,134,363</u></b>	<b><u>4,592,717</u></b>
<b>Change in net position.....</b>	<b>4,309,811</b>	<b>5,891,706</b>
<b>Net position, beginning of year.....</b>	<b><u>83,648,073</u></b>	<b><u>77,756,367</u></b>
<b>Net position, end of year.....</b>	<b><u>\$ 87,957,884</u></b>	<b><u>\$ 83,648,073</u></b>

For the Town's business type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$88.0 million at the close of 2020.

Business type net position of \$75.4 million (85.7%) represents investments in capital assets, net of any related debt. The remaining \$12.6 million (14.3%) is available to be used for the ongoing operation of the Town's sewer, water, and cable enterprises.

Business-type activities net position increased by \$4.3 million during the current year. The primary reason for the increase was an increase in water and sewer usage and the fact that the rates are designed to support principal payments on long-term debt along with a subsidy by the tax rate. This is consistent with the prior year.

### **Financial Analysis of the Governmental Funds**

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

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances totaling \$115.8 million. Of this amount \$26.2 million is for the general fund, \$58.2 million is for the elementary school construction fund, and \$31.3 million is comprised of nonmajor governmental funds. Cumulatively there was an increase of \$5.9 million in fund balances from the prior year.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$17.3 million while total fund balance was \$26.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 13.7% of the total general fund expenditures, while total fund balance represents 20.8% of that same amount.

### **Financial Summary**

- Tax revenue continues to be the most significant revenue source for the Town, representing 69.4% of total general fund revenue. Tax revenue increased in accordance with the provisions of the Massachusetts law, which limits such increase to 2 ½% over the preceding year plus an allowance for new growth and excluded debt.
- Intergovernmental revenue represents 21% of total general fund revenues. This includes state aid, COVID-19 relief, and \$10.9 million in payments made by the State to the Massachusetts Teachers' Retirement Association for teachers' pension benefits.
- Motor vehicle revenue represents 3.7% of the total general fund revenues, a slight decrease from the prior year.
- Charges for services revenue totaled approximately \$1.6 million, essentially the same as last year.
- Expenditures in education increased by \$1.6 million or 2.5%. The increase is consistent with prior year.
- Education continues to be the largest category of general fund expenditures, representing 51.7% in 2020. The Town is committed to providing a high-quality education through its public schools.
- Public safety and public works represent a combined 14.4% of general fund expenditures. This reflects the Town's commitment to providing a safe, secure environment and essential public services.

- Debt service costs in 2020 equaled 7.6% of total general fund expenditures, reflecting the Town's ongoing commitment to its school building program, public safety facilities, and recreation and cultural facilities.

The elementary school construction fund was established after the Town authorized at their May 2019 Annual Town Meeting, the construction of the new elementary school totaling \$98.5 million. The Town has been approved to receive assistance from the Massachusetts School Building Authority (MSBA) for 58.77% of eligible construction costs. The elementary school construction fund reported a fund balance of \$58.2 million. The Town received \$2.5 million in reimbursements from the MSBA and expended \$4.3 million in the current year. The FY20 expenses were mainly for architectural services. Construction is scheduled to begin in FY21.

### **General Fund Budgetary Highlights**

There was a \$5.2 million increase from the original budget to the final amended budget. During the fall and spring Special Town Meetings, appropriation increases for stabilization, snow and ice, and various Town and School functions were approved.

General Fund revenues came in approximately \$3 million more than budgeted. There were several factors that contributed to this increase. Motor vehicle and other excise receipts were higher by \$306,000 due to an improving economy and an increase in new car sales; charges for service were higher by \$367,000 due to a higher demand for fire and ambulance services; intergovernmental revenues were \$331,000 due to FEMA, state grant reimbursements, and reimbursements for the COVID-19 pandemic; and investment income exceeded expectations by \$2.0 million due to \$60 million in bond proceeds received in June 2019 for the new elementary school which mainly stayed in the Town's investments throughout FY20 because building construction had not started as of year-end.

General fund expenditures, including encumbrances, came in \$1.5 million less than budgeted.

### **Capital Asset and Debt Administration**

In conjunction with the annual operating budget the Town of Tewksbury annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

**Capital assets.** The Town of Tewksbury's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$274.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer system improvements, machinery and equipment, library and school books, computer equipment, park facilities, roads, highways, and bridges. The Town's investment in capital assets increased \$809,000 in 2020. Shown on the following page is the breakdown of the Town's capital assets.

<u>Capital Asset</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land.....\$	1,845,881	\$ 204,000	\$ 2,049,881
Construction in progress.....	8,438,541	13,578,290	22,016,831
Artwork.....	903,300	-	903,300
Land improvements.....	2,288,307	-	2,288,307
Buildings.....	83,133,766	6,661,535	89,795,301
Building improvements.....	8,471,678	1,041,009	9,512,687
Machinery and equipment.....	6,543,695	675,226	7,218,921
Library and school books.....	32,785	-	32,785
Computer software.....	51,340	-	51,340
Infrastructure.....	<u>19,190,943</u>	<u>121,258,554</u>	<u>140,449,497</u>
Total.....\$	<u>130,900,236</u>	<u>\$ 143,418,614</u>	<u>\$ 274,318,850</u>

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

- The Town capitalized \$5.4 million in construction in progress, of which \$5.4 million related to the governmental activities and \$35,000 related to the water enterprise fund. The governmental activities construction in progress additions included \$4.3 million for architectural services and other costs associated with the construction of the new elementary school.
- The Town capitalized \$1.1 million in machinery and equipment, of which \$127,000 related to general government, \$316,000 related to public safety, \$220,000 related to education, \$195,000 related to public works, \$118,000 related to culture and recreation and \$90,000 related to the sewer and water enterprise funds.
- The Town capitalized \$8.7 million in infrastructure, of which \$2.9 million related to the governmental activities, \$1.9 million related to sewer enterprise activities and \$3.9 million related to the water enterprise activities.

### **Debt Administration**

The Town maintains an “AA+” bond rating from Standard & Poor’s. The Town continues to maintain strong market access for both note and bond sales. At the end of the year, the Town had total bonded debt outstanding of \$161.4 million of which \$93.1 million is related to governmental activities, \$51.8 million is for sewer projects, and \$16.5 million is related to water projects. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the Town.

The Town’s long-term debt decreased by \$13.6 million in the current year due to debt pay downs.

Please refer to notes 4, 6 and 7 for further discussion of the major capital and debt activity.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Tewksbury’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 Finance Director, Town Hall Annex, 11 Town Hall Avenue, Tewksbury, MA 01876.

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# ***Basic Financial Statements***

## STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 31,362,411	\$ 14,833,814	\$ 46,196,225
Investments.....	98,007,756	6,977,221	104,984,977
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,481,557	-	1,481,557
Tax liens.....	2,481,596	-	2,481,596
Community preservation fund surtax.....	14,531	-	14,531
Motor vehicle and other excise taxes.....	555,381	-	555,381
User charges.....	-	5,585,195	5,585,195
Departmental and other.....	720,630	-	720,630
Intergovernmental - other.....	4,963,206	-	4,963,206
Community preservation state share.....	118,000	-	118,000
Working capital deposit.....	1,494,600	-	1,494,600
Total current assets.....	141,199,668	27,396,230	168,595,898
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	11,187,722	13,782,290	24,970,012
Capital assets, net of accumulated depreciation.....	119,712,514	129,636,324	249,348,838
Total noncurrent assets.....	130,900,236	143,418,614	274,318,850
<b>TOTAL ASSETS.....</b>	<b>272,099,904</b>	<b>170,814,844</b>	<b>442,914,748</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows for refunding debt.....	-	1,593,153	1,593,153
Deferred outflows related to pensions.....	10,872,453	951,255	11,823,708
Deferred outflows related to other postemployment benefits.....	3,994,818	79,352	4,074,170
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>14,867,271</b>	<b>2,623,760</b>	<b>17,491,031</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,407,105	313,919	1,721,024
Accrued payroll.....	4,124,723	54,147	4,178,870
Health claims payable.....	1,035,983	-	1,035,983
Tax refunds payable.....	265,643	-	265,643
Accrued interest.....	486,605	1,054,623	1,541,228
Other liabilities.....	690,922	20,000	710,922
Unearned revenue.....	18,323	-	18,323
Landfill closure.....	139,698	-	139,698
Compensated absences.....	1,053,300	69,200	1,122,500
Notes payable.....	499,000	-	499,000
Bonds payable.....	6,839,052	8,752,193	15,591,245
Total current liabilities.....	16,560,354	10,264,082	26,824,436
<b>NONCURRENT:</b>			
Landfill closure.....	2,528,866	-	2,528,866
Compensated absences.....	1,536,700	106,300	1,643,000
Net pension liability.....	98,868,868	8,650,256	107,519,124
Net other postemployment benefits liability.....	75,537,887	1,500,457	77,038,344
Bonds payable.....	92,667,140	64,423,606	157,090,746
Total noncurrent liabilities.....	271,139,461	74,680,619	345,820,080
<b>TOTAL LIABILITIES.....</b>	<b>287,699,815</b>	<b>84,944,701</b>	<b>372,644,516</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	4,654,074	407,195	5,061,269
Deferred inflows related to other postemployment benefits.....	6,485,401	128,824	6,614,225
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>11,139,475</b>	<b>536,019</b>	<b>11,675,494</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	36,186,956	75,377,950	111,564,906
Restricted for:			
Permanent funds:			
Expendable.....	55,866	-	55,866
Gifts and grants.....	4,061,474	-	4,061,474
Community preservation.....	1,875,050	-	1,875,050
Unrestricted.....	(54,051,461)	12,579,934	(41,471,527)
<b>TOTAL NET POSITION.....</b>	<b>\$ (11,872,115)</b>	<b>\$ 87,957,884</b>	<b>\$ 76,085,769</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 5,904,256	\$ 1,415,041	\$ 868,836	\$ -	\$ (3,620,379)
Public safety.....	30,548,501	2,571,524	593,900	5,476,720	(21,906,357)
Education.....	90,004,088	1,311,133	28,544,882	2,535,755	(57,612,318)
Public works.....	5,598,053	178,166	168,024	1,465,769	(3,786,094)
Health and human services.....	1,300,570	90,254	315,738	-	(894,578)
Sanitation.....	2,748,558	72,840	2,382	-	(2,673,336)
Culture and recreation.....	3,186,464	37,535	55,979	-	(3,092,950)
COVID-19.....	157,852	-	157,852	-	-
Interest.....	2,924,086	-	-	-	(2,924,086)
<b>Total Governmental Activities.....</b>	<b>142,372,428</b>	<b>5,676,493</b>	<b>30,707,593</b>	<b>9,478,244</b>	<b>(96,510,098)</b>
<i>Business-Type Activities:</i>					
Water.....	7,260,408	8,323,999	4,053	-	1,067,644
Sewer.....	7,043,980	6,797,763	4,932	-	(241,285)
Cable.....	443,193	635,784	-	-	192,591
<b>Total Business-Type Activities.....</b>	<b>14,747,581</b>	<b>15,757,546</b>	<b>8,985</b>	<b>-</b>	<b>1,018,950</b>
<b>Total Primary Government.....</b>	<b>\$ 157,120,009</b>	<b>\$ 21,434,039</b>	<b>\$ 30,716,578</b>	<b>\$ 9,478,244</b>	<b>\$ (95,491,148)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(96,510,098)</b>	\$ <b>1,018,950</b>	\$ <b>(95,491,148)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	93,813,507	-	93,813,507
Tax and other liens.....	56,399	-	56,399
Motor vehicle and other excise taxes.....	5,244,840	-	5,244,840
Hotel/motel tax.....	957,376	-	957,376
Meals tax.....	648,381	-	648,381
Community preservation tax.....	1,059,100	-	1,059,100
Penalties and interest on taxes.....	314,626	-	314,626
Payments in lieu of taxes.....	22,176	-	22,176
Grants and contributions not restricted to specific programs.....	3,401,138	-	3,401,138
Unrestricted investment income.....	2,399,735	156,498	2,556,233
<i>Transfers, net</i> .....	<u>(3,134,363)</u>	<u>3,134,363</u>	<u>-</u>
Total general revenues and transfers.....	<u>104,782,915</u>	<u>3,290,861</u>	<u>108,073,776</u>
Change in net position.....	8,272,817	4,309,811	12,582,628
<i>Net position:</i>			
Beginning of year.....	<u>(20,144,932)</u>	<u>83,648,073</u>	<u>63,503,141</u>
End of year.....	\$ <u><u>(11,872,115)</u></u>	\$ <u><u>87,957,884</u></u>	\$ <u><u>76,085,769</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

	General	Elementary School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 12,884,978	\$ 3,962,486	\$ 9,734,326	\$ 26,581,790
Investments.....	18,747,302	54,248,557	18,603,215	91,599,074
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,481,557	-	-	1,481,557
Tax liens.....	2,475,783	-	5,813	2,481,596
Community preservation fund surtax.....	-	-	14,531	14,531
Motor vehicle and other excise taxes.....	555,381	-	-	555,381
Departmental and other.....	533,573	-	-	533,573
Intergovernmental - other.....	-	-	4,963,206	4,963,206
Community preservation state share.....	-	-	118,000	118,000
<b>TOTAL ASSETS.....</b>	<b>\$ 36,678,574</b>	<b>\$ 58,211,043</b>	<b>\$ 33,439,091</b>	<b>\$ 128,328,708</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 1,012,999	\$ -	\$ 268,262	\$ 1,281,261
Accrued payroll.....	3,986,102	-	138,621	4,124,723
Tax refunds payable.....	265,643	-	-	265,643
Other liabilities.....	690,922	-	-	690,922
Unearned revenue.....	-	-	18,323	18,323
Notes payable.....	-	-	499,000	499,000
<b>TOTAL LIABILITIES.....</b>	<b>5,955,666</b>	<b>-</b>	<b>924,206</b>	<b>6,879,872</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	4,479,668	-	1,186,140	5,665,808
<b>FUND BALANCES</b>				
Restricted.....	-	58,211,043	32,484,656	90,695,699
Committed.....	5,550,661	-	-	5,550,661
Assigned.....	3,398,995	-	-	3,398,995
Unassigned.....	17,293,584	-	(1,155,911)	16,137,673
<b>TOTAL FUND BALANCES.....</b>	<b>26,243,240</b>	<b>58,211,043</b>	<b>31,328,745</b>	<b>115,783,028</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 36,678,574</b>	<b>\$ 58,211,043</b>	<b>\$ 33,439,091</b>	<b>\$ 128,328,708</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2020

Total governmental fund balances.....		\$ 115,783,028
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		130,900,236
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,665,808
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		3,727,796
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		11,709,133
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(486,605)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(99,506,192)	
Net pension liability.....	(98,868,868)	
Net other postemployment benefits liability.....	(75,537,887)	
Landfill closure.....	(2,668,564)	
Compensated absences.....	<u>(2,590,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(279,171,511)</u>
Net position of governmental activities.....		<u>\$ (11,872,115)</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2020

	General	Elementary School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 93,424,153	\$ -	\$ -	\$ 93,424,153
Tax liens.....	56,399	-	-	56,399
Motor vehicle and other excise taxes.....	5,028,215	-	-	5,028,215
Hotel/motel tax.....	957,376	-	-	957,376
Meals tax.....	648,381	-	-	648,381
Charges for services.....	1,614,894	-	827,954	2,442,848
Penalties and interest on taxes.....	314,626	-	-	314,626
Fees and rentals.....	853,349	-	570,365	1,423,714
Payments in lieu of taxes.....	22,176	-	-	22,176
Licenses and permits.....	913,569	-	-	913,569
Fines and forfeitures.....	62,476	-	-	62,476
Intergovernmental - state aid.....	17,097,492	2,464,422	-	19,561,914
Intergovernmental - Teachers Retirement.....	10,889,361	-	-	10,889,361
Intergovernmental - other.....	230,526	-	13,484,615	13,715,141
Intergovernmental - COVID-19 relief.....	100,299	-	57,553	157,852
Departmental and other.....	265,253	-	1,110,659	1,375,912
Community preservation taxes.....	-	-	1,040,205	1,040,205
Community preservation state match.....	-	-	226,651	226,651
Contributions and donations.....	-	-	361,647	361,647
Investment income.....	2,123,343	-	128,277	2,251,620
<b>TOTAL REVENUES.....</b>	<b>134,601,888</b>	<b>2,464,422</b>	<b>17,807,926</b>	<b>154,874,236</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	3,238,668	-	452,489	3,691,157
Public safety.....	14,239,752	-	6,303,303	20,543,055
Education.....	65,182,969	4,253,379	5,218,032	74,654,380
Public works.....	3,925,630	-	1,955,141	5,880,771
Health and human services.....	762,974	-	182,374	945,348
Sanitation.....	2,704,137	-	2,193	2,706,330
Culture and recreation.....	1,855,744	-	802,842	2,658,586
Pension benefits.....	6,565,432	-	-	6,565,432
Pension benefits - Teachers Retirement.....	10,889,361	-	-	10,889,361
Employee benefits.....	5,520,746	-	-	5,520,746
COVID-19.....	100,299	-	57,553	157,852
State and county charges.....	1,595,901	-	-	1,595,901
Debt service:				
Principal.....	5,935,795	-	230,000	6,165,795
Interest.....	3,610,359	-	131,100	3,741,459
<b>TOTAL EXPENDITURES.....</b>	<b>126,127,767</b>	<b>4,253,379</b>	<b>15,335,027</b>	<b>145,716,173</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>8,474,121</b>	<b>(1,788,957)</b>	<b>2,472,899</b>	<b>9,158,063</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	1,072,777	-	390,000	1,462,777
Transfers out.....	(3,959,363)	-	(762,777)	(4,722,140)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>(2,886,586)</b>	<b>-</b>	<b>(372,777)</b>	<b>(3,259,363)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>5,587,535</b>	<b>(1,788,957)</b>	<b>2,100,122</b>	<b>5,898,700</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>20,655,705</b>	<b>60,000,000</b>	<b>29,228,623</b>	<b>109,884,328</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 26,243,240</b>	<b>\$ 58,211,043</b>	<b>\$ 31,328,745</b>	<b>\$ 115,783,028</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....		\$ 5,898,700
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	7,685,071	
Depreciation expense.....	<u>(5,126,981)</u>	
Net effect of reporting capital assets.....		2,558,090
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(1,242,743)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Net amortization of premium from issuance of bonds.....	781,254	
Debt service principal payments.....	<u>6,165,795</u>	
Net effect of reporting long-term debt.....		6,947,049
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(253,600)	
Net change in accrued interest on long-term debt.....	36,119	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(3,386,332)	
Net change in net pension liability.....	(2,482,807)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	6,278,202	
Net change in net other postemployment benefits liability.....	(6,091,409)	
Net change in landfill closure.....	<u>148,371</u>	
Net effect of recording long-term liabilities.....		(5,751,456)
The net activity of internal service funds is reported with Governmental Activities.....		<u>(136,823)</u>
Change in net position of governmental activities.....		<u>\$ 8,272,817</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Cable	Total	
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 6,075,632	\$ 8,335,519	\$ 422,663	\$ 14,833,814	\$ 4,780,621
Investments.....	1,616,764	3,745,821	1,614,636	6,977,221	6,408,682
Receivables, net of allowance for uncollectibles:					
User charges.....	3,286,516	2,298,679	-	5,585,195	-
Departmental and other.....	-	-	-	-	187,057
Working capital deposit.....	-	-	-	-	1,494,600
Total current assets.....	<u>10,978,912</u>	<u>14,380,019</u>	<u>2,037,299</u>	<u>27,396,230</u>	<u>12,870,960</u>
<b>NONCURRENT:</b>					
Capital assets, non depreciable.....	13,716,400	65,890	-	13,782,290	-
Capital assets, net of accumulated depreciation.....	<u>33,725,148</u>	<u>95,689,702</u>	<u>221,474</u>	<u>129,636,324</u>	<u>-</u>
Total noncurrent assets.....	<u>47,441,548</u>	<u>95,755,592</u>	<u>221,474</u>	<u>143,418,614</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<b><u>58,420,460</u></b>	<b><u>110,135,611</u></b>	<b><u>2,258,773</u></b>	<b><u>170,814,844</u></b>	<b><u>12,870,960</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred loss on refunding.....	-	1,593,153	-	1,593,153	-
Deferred outflows related to pensions.....	644,408	253,375	53,472	951,255	-
Deferred outflows related to other postemployment benefits.....	<u>69,448</u>	<u>9,576</u>	<u>328</u>	<u>79,352</u>	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b><u>713,856</u></b>	<b><u>1,856,104</u></b>	<b><u>53,800</u></b>	<b><u>2,623,760</u></b>	<b><u>-</u></b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	255,189	52,653	6,077	313,919	125,844
Accrued payroll.....	41,049	9,238	3,860	54,147	-
Health claims payable.....	-	-	-	-	1,035,983
Accrued interest.....	195,138	859,485	-	1,054,623	-
Other liabilities.....	-	20,000	-	20,000	-
Compensated absences.....	50,300	9,700	9,200	69,200	-
Bonds payable.....	<u>2,411,333</u>	<u>6,340,860</u>	<u>-</u>	<u>8,752,193</u>	<u>-</u>
Total current liabilities.....	<u>2,953,009</u>	<u>7,291,936</u>	<u>19,137</u>	<u>10,264,082</u>	<u>1,161,827</u>
<b>NONCURRENT:</b>					
Compensated absences.....	80,800	24,500	1,000	106,300	-
Net pension liability.....	5,859,935	2,304,071	486,250	8,650,256	-
Net other postemployment benefits liability.....	1,313,185	181,064	6,208	1,500,457	-
Bonds payable.....	<u>14,856,277</u>	<u>49,567,329</u>	<u>-</u>	<u>64,423,606</u>	<u>-</u>
Total noncurrent liabilities.....	<u>22,110,197</u>	<u>52,076,964</u>	<u>493,458</u>	<u>74,680,619</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>25,063,206</u></b>	<b><u>59,368,900</u></b>	<b><u>512,595</u></b>	<b><u>84,944,701</u></b>	<b><u>1,161,827</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions.....	275,846	108,460	22,889	407,195	-
Deferred inflows related to other postemployment benefits.....	<u>112,746</u>	<u>15,545</u>	<u>533</u>	<u>128,824</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b><u>388,592</u></b>	<b><u>124,005</u></b>	<b><u>23,422</u></b>	<b><u>536,019</u></b>	<b><u>-</u></b>
<b>NET POSITION</b>					
Net investment in capital assets.....	32,837,385	42,319,091	221,474	75,377,950	-
Unrestricted.....	<u>845,133</u>	<u>10,179,719</u>	<u>1,555,082</u>	<u>12,579,934</u>	<u>11,709,133</u>
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 33,682,518</u></b>	<b><u>\$ 52,498,810</u></b>	<b><u>\$ 1,776,556</u></b>	<b><u>\$ 87,957,884</u></b>	<b><u>\$ 11,709,133</u></b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Cable	Total	
<b>OPERATING REVENUES:</b>					
Employee contributions.....	\$ -	\$ -	\$ -	\$ -	\$ 7,498,210
Employer contributions.....	-	-	-	-	8,782,327
Charges for services.....	8,323,999	6,797,763	635,784	15,757,546	-
Other operating revenues.....	-	-	-	-	275,135
<b>TOTAL OPERATING REVENUES</b> .....	<b>8,323,999</b>	<b>6,797,763</b>	<b>635,784</b>	<b>15,757,546</b>	<b>16,555,672</b>
<b>OPERATING EXPENSES:</b>					
Cost of services and administration.....	2,277,476	1,653,573	75,651	4,006,700	-
Salaries and wages.....	2,117,998	968,902	364,703	3,451,603	-
Depreciation.....	2,343,948	3,035,063	2,839	5,381,850	-
Employee benefits.....	-	-	-	-	16,965,610
<b>TOTAL OPERATING EXPENSES</b> .....	<b>6,739,422</b>	<b>5,657,538</b>	<b>443,193</b>	<b>12,840,153</b>	<b>16,965,610</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>1,584,577</b>	<b>1,140,225</b>	<b>192,591</b>	<b>2,917,393</b>	<b>(409,938)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	37,423	91,965	27,110	156,498	148,115
Interest expense.....	(516,933)	(1,381,510)	-	(1,898,443)	-
Intergovernmental - COVID-19 relief.....	4,053	4,932	-	8,985	-
COVID-19.....	(4,053)	(4,932)	-	(8,985)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>(479,510)</b>	<b>(1,289,545)</b>	<b>27,110</b>	<b>(1,741,945)</b>	<b>148,115</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>1,105,067</b>	<b>(149,320)</b>	<b>219,701</b>	<b>1,175,448</b>	<b>(261,823)</b>
<b>TRANSFERS:</b>					
Transfers in.....	-	3,834,363	-	3,834,363	125,000
Transfers out.....	(350,000)	(350,000)	-	(700,000)	-
<b>TOTAL TRANSFERS</b> .....	<b>(350,000)</b>	<b>3,484,363</b>	<b>-</b>	<b>3,134,363</b>	<b>125,000</b>
<b>CHANGE IN NET POSITION</b> .....	<b>755,067</b>	<b>3,335,043</b>	<b>219,701</b>	<b>4,309,811</b>	<b>(136,823)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b> .....	<b>32,927,451</b>	<b>49,163,767</b>	<b>1,556,855</b>	<b>83,648,073</b>	<b>11,845,956</b>
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 33,682,518</b>	<b>\$ 52,498,810</b>	<b>\$ 1,776,556</b>	<b>\$ 87,957,884</b>	<b>\$ 11,709,133</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Cable	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 7,783,374	\$ 6,683,190	\$ 635,784	\$ 15,102,348	\$ 7,498,210
Receipts from interfund services provided.....	-	-	-	-	9,946,834
Payments to vendors.....	(1,857,217)	(1,457,263)	(69,541)	(3,384,021)	-
Payments to employees.....	(2,227,097)	(994,104)	(140,356)	(3,361,557)	-
Payments for interfund services used.....	-	-	-	-	(16,829,282)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>3,699,060</b>	<b>4,231,823</b>	<b>425,887</b>	<b>8,356,770</b>	<b>615,762</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in.....	-	3,834,363	-	3,834,363	125,000
Transfers out.....	(350,000)	(350,000)	-	(700,000)	-
Intergovernmental - COVID-19 relief.....	4,053	4,932	-	8,985	-
COVID-19.....	(4,053)	(4,932)	-	(8,985)	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(350,000)</b>	<b>3,484,363</b>	<b>-</b>	<b>3,134,363</b>	<b>125,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets.....	(3,588,123)	(44,823)	-	(3,632,946)	-
Principal payments on bonds and notes.....	(1,852,598)	(5,547,710)	-	(7,400,308)	-
Interest expense.....	(638,656)	(2,132,835)	-	(2,771,491)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(6,079,377)</b>	<b>(7,725,368)</b>	<b>-</b>	<b>(13,804,745)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Sale (purchase) of investments, net.....	134,527	(120,047)	(454,803)	(440,323)	(3,206,780)
Investment income.....	37,423	91,965	27,110	156,498	148,115
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>171,950</b>	<b>(28,082)</b>	<b>(427,693)</b>	<b>(283,825)</b>	<b>(3,058,665)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(2,558,367)</b>	<b>(37,264)</b>	<b>(1,806)</b>	<b>(2,597,437)</b>	<b>(2,317,903)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>8,633,999</b>	<b>8,372,783</b>	<b>424,469</b>	<b>17,431,251</b>	<b>7,098,524</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 6,075,632</b>	<b>\$ 8,335,519</b>	<b>\$ 422,663</b>	<b>\$ 14,833,814</b>	<b>\$ 4,780,621</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>					
<b>FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 1,584,577	\$ 1,140,225	\$ 192,591	\$ 2,917,393	\$ (409,938)
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	2,343,948	3,035,063	2,839	5,381,850	-
Deferred (outflows)/inflows related to pensions.....	200,766	63,764	(3,880)	260,650	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(139,438)	(30,494)	205	(169,727)	-
User charges.....	(540,625)	(114,573)	-	(655,198)	-
Departmental and other.....	-	-	-	-	14,872
Working capital deposit.....	-	-	-	-	874,500
Warrants payable.....	206,967	30,336	3,782	241,085	117,704
Accrued payroll.....	14,339	(8)	1,159	15,490	(4,255)
Health claims payable.....	-	-	-	-	22,879
Compensated absences.....	16,000	5,300	4,700	26,000	-
Net pension liability.....	146,564	209,919	218,283	574,766	-
Net other postemployment benefits.....	(134,038)	(107,709)	6,208	(235,539)	-
<b>Total adjustments.....</b>	<b>2,114,483</b>	<b>3,091,598</b>	<b>233,296</b>	<b>5,439,377</b>	<b>1,025,700</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 3,699,060</b>	<b>\$ 4,231,823</b>	<b>\$ 425,887</b>	<b>\$ 8,356,770</b>	<b>\$ 615,762</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>					
Change in the deferred loss on debt refunding.....	\$ -	\$ (411,282)	\$ -	\$ (411,282)	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ -	\$ 861	\$ 1,043,861
Investments:			
Investments in Pension Reserve Investment Trust.....	4,715,215	-	-
Other investments.....	-	2,819	31,182
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	-	291,581
<b>TOTAL ASSETS.....</b>	<b>4,715,215</b>	<b>3,680</b>	<b>1,366,624</b>
<b>LIABILITIES</b>			
Warrants payable.....	-	-	522
Accrued payroll.....	-	-	63,299
Liabilities due depositors.....	-	-	1,302,803
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>1,366,624</b>
<b>NET POSITION</b>			
Restricted for other postemployment benefits.....	4,715,215	-	-
Held in trust for other purposes.....	-	3,680	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 4,715,215</b>	<b>\$ 3,680</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 858,932	\$ -
Employer contributions for other postemployment benefit payments....	3,891,220	-
Total contributions.....	4,750,152	-
Investment income.....	98,136	67
TOTAL ADDITIONS.....	4,848,288	67
<u>DEDUCTIONS:</u>		
Other postemployment benefit payments.....	3,891,220	-
NET INCREASE (DECREASE) IN NET POSITION.....	957,068	67
NET POSITION AT BEGINNING OF YEAR.....	3,758,147	3,613
NET POSITION AT END OF YEAR.....	\$ 4,715,215	\$ 3,680

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Tewksbury, Massachusetts (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 Massachusetts municipal corporation that is governed by an elected Board of Selectmen and an appointed Town Manager.

For financial reporting purposes, the Town has included all funds, organizations, 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. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's basic financial statements.

***Joint Ventures***

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town has entered into a joint venture for the Shawsheen Valley Technical High School along with other municipalities to pool resources and share the costs, risk and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified recipients. The Town has no equity interest in this joint venture. The Town's assessment for 2020 was \$6,593,936. Complete financial statements for the Shawsheen Valley Technical High School can be obtained by contacting their administrative offices at 100 Cook Street, Billerica, Massachusetts 01821.

The Town is a member of the North Middlesex Regional Emergency Communication Center District (District) that provides public safety field personnel with professional communications services in addition to dispatching police, fire and emergency medical services to the towns of Tewksbury and Dracut. The Town does not have an equity interest in the North Middlesex Regional Emergency Communication Center District. The District's construction was completed by year end and operations were scheduled to start in fiscal year 2021.

**B. Government-Wide and Fund Financial Statements*****Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

*Fund Financial Statements*

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

*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 or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service funds and 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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated, as

the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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.

There are three major funds reported:

The *general fund* which is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *elementary school construction fund* is used to account for the building of the new \$98 million elementary school.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the

proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following proprietary fund types are reported:

The *sewer enterprise fund* accounts for the Town's sewer activities.

The *water enterprise fund* accounts for the Town's water activities.

The *cable enterprise fund* accounts for the Town's cable activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the Town's health insurance and workers' compensation.

**Fiduciary** funds are used to account for financial 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.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to account for other postemployment benefits (OPEB), which accumulate resources to provide funding for future OPEB liabilities.

The *private purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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. Investments are carried at fair value.

#### E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

##### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed during the second and fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

**Motor Vehicle and Other Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of these boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value; with a maximum taxable value of \$50,000.

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

**Sewer User Charges**

Sewer user fees are levied tri-annually for individual and commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Water User Charges**

Water user fees are levied tri-annually for individual and commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in December of every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Departmental and Other**

Departmental and other receivables consist primarily of ambulance and Veteran's receivables which are recorded as receivables in the year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

**Intergovernmental**

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded 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. Inventories

*Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, building improvements, machinery and equipment, library and school books, computer software, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the governmental activity column of the government-wide financial statements, and the proprietary fund 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 at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$35,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	5 - 50
Buildings.....	5 - 50
Building improvements.....	5 - 50
Machinery and equipment.....	3 - 20
Library and school books.....	3 - 10
Computer software.....	5 - 10
Infrastructure.....	10 - 50

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.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of

resources (expense/expenditure) until then. The Town reports deferred outflows for refunding debt, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB in this category.

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources related to pensions and deferred inflows of resources related to OPEB in this category.

#### *Governmental 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 assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

#### J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

#### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position.

#### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

#### K. Interfund Transfers

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

#### *Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position.

#### *Fund Financial Statements*

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

## L. Net Position and Fund Equity

### *Government-Wide Financial Statements (Net Position)*

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

“Permanent funds – expendable” represents the endowment and the amount of realized and unrealized investment earnings of donor restricted trusts that support governmental programs.

“Gifts and grants” represents restrictions placed on assets from outside parties and consists primarily of gifts and federal and state grants.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### *Fund Financial Statements (Fund Balances)*

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

#### M. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

##### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### N. Pensions

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 Middlesex County Retirement System and the Massachusetts Teachers’ Retirement System. Additions to/deductions from the Systems’ fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### O. Investment Income

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

#### P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

##### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

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

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

*Fund Financial Statements*

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.

**NOTE 2 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$31,623,678 and the bank balance totaled \$32,032,536. Of the bank balance, \$2,501,000 was covered by Federal Depository Insurance, \$4,335,759 was covered by Depositor's Insurance Fund, and \$25,195,777 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities Under 1 Year</u>
<u>Debt securities:</u>		
U.S. treasury notes.....	\$ 69,766,994	\$ 69,766,994
Government sponsored enterprises.....	<u>21,151,426</u>	<u>21,151,426</u>
Total debt securities.....	90,918,420	<u>\$ 90,918,420</u>
<u>Other investments:</u>		
Equity securities.....	2,626,515	
Fixed income.....	10,492,164	
International securities.....	122,947	
Money market mutual funds.....	10,297,094	
Pension Reserve Investment Management.....	5,574,147	
MMDT - Cash portfolio.....	<u>5,320,175</u>	
Total investments.....	<u>\$ 125,351,462</u>	

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

All of the Town's OPEB trust assets are invested in the State Retirees Benefit Trust Fund (SRBTF), which was established under the provisions of Massachusetts General Laws Chapter 32A, Section 24. SRBTF assets are administered by the Pension Reserve Investment Management Board (PRIM). As of June 30, 2020, the value of these investments totaled \$4,715,215.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's investments are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form. Of the Town's investments, \$90,918,515 of debt securities, \$2,626,515 in equity securities, \$10,492,164 in fixed income securities, and \$122,947 in international securities are exposed to custodial credit risk because the related securities are uninsured, unregistered, and held by the counterparty. As of June 30, 2020, the Town's investments in MMDT, which totaled \$5,320,175, are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form. The Town does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

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

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. The investment ratings are as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>
AA+.....	\$ <u>21,151,426</u>

Additionally, the Town holds \$5,320,175 in MMDT which are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount the government may invest in any one issuer. As of June 30, 2020, 12% of the Town's total investments are with the Federal Home Loan Mortgage Corporation. The Town did not invest more than 5% of total investments with any other issuer.

Fair Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The following table presents financial assets at June 30, 2020, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 69,766,994	\$ 69,766,994	\$ -	\$ -
Government sponsored enterprises.....	21,151,426	21,151,426	-	-
Total debt securities.....	90,918,420	90,918,420	-	-
<u>Other investments:</u>				
Equity securities.....	2,626,515	2,626,515	-	-
Fixed income.....	10,492,164	10,492,164	-	-
International securities.....	122,947	122,947	-	-
Money market mutual funds.....	10,297,094	10,297,094	-	-
Total other investments.....	23,538,720	23,538,720	-	-
Total investments measured at fair value.....	114,457,140	\$ 114,457,140	\$ -	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	5,320,175			
<b>Investments measured at net asset value:</b>				
Pension Reserve Investment Management...	5,574,147			
Total investments.....	\$ 125,351,462			

U.S. treasury notes, government sponsored enterprises, equity securities, fixed income, international securities, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Investments classified in Level 3 are valued using significant unobservable inputs. The Town does not have any investments in this categories 2 or 3.

MMDT cash portfolio investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

PRIM investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIM is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same

as the value of each Pool's shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIM.

**NOTE 3 – RECEIVABLES**

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,559,022	\$ (77,465)	\$ 1,481,557
Tax liens.....	2,481,596	-	2,481,596
Community preservation fund surtax.....	14,531	-	14,531
Motor vehicle and other excise taxes.....	789,913	(234,532)	555,381
Departmental and other.....	940,384	(219,754)	720,630
Intergovernmental - other.....	4,963,206	-	4,963,206
Community preservation state share.....	118,000	-	118,000
Total.....	<u>\$ 10,866,652</u>	<u>\$ (531,751)</u>	<u>\$ 10,334,901</u>

At June 30, 2020, receivables for the water and sewer enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 3,286,516	\$ -	\$ 3,286,516
Sewer user charges.....	2,298,679	-	2,298,679
Total.....	<u>\$ 5,585,195</u>	<u>\$ -</u>	<u>\$ 5,585,195</u>

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 year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 922,373	\$ -	\$ 922,373
Tax liens.....	2,475,783	5,813	2,481,596
Community preservation fund surtax.....	-	14,531	14,531
Motor vehicle and other excise taxes.....	555,381	-	555,381
Departmental and other.....	526,131	-	526,131
Intergovernmental - highway improvements.....	-	1,047,796	1,047,796
Community preservation state share.....	-	118,000	118,000
Total.....	<u>\$ 4,479,668</u>	<u>\$ 1,186,140</u>	<u>\$ 5,665,808</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,845,881	\$ -	\$ -	\$ 1,845,881
Construction in progress.....	4,889,321	5,393,508	(1,844,288)	8,438,541
Artwork.....	903,300	-	-	903,300
Total capital assets not being depreciated.....	<u>7,638,502</u>	<u>5,393,508</u>	<u>(1,844,288)</u>	<u>11,187,722</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,100,596	4,200	-	3,104,796
Buildings.....	123,620,289	-	-	123,620,289
Building improvements.....	13,191,076	188,386	-	13,379,462
Machinery and equipment.....	13,851,878	975,834	-	14,827,712
Library and school books.....	3,261,757	-	-	3,261,757
Computer software.....	367,465	-	-	367,465
Infrastructure.....	49,023,150	2,967,431	(411,480)	51,579,101
Total capital assets being depreciated.....	<u>206,416,211</u>	<u>4,135,851</u>	<u>(411,480)</u>	<u>210,140,582</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(676,290)	(140,199)	-	(816,489)
Buildings.....	(37,438,550)	(3,047,973)	-	(40,486,523)
Building improvements.....	(4,382,940)	(524,844)	-	(4,907,784)
Machinery and equipment.....	(7,353,895)	(930,122)	-	(8,284,017)
Library and school books.....	(3,228,972)	-	-	(3,228,972)
Computer software.....	(301,455)	(14,670)	-	(316,125)
Infrastructure.....	(32,330,465)	(469,173)	411,480	(32,388,158)
Total accumulated depreciation.....	<u>(85,712,567)</u>	<u>(5,126,981)</u>	<u>411,480</u>	<u>(90,428,068)</u>
Total capital assets being depreciated, net.....	<u>120,703,644</u>	<u>(991,130)</u>	<u>-</u>	<u>119,712,514</u>
Total governmental activities capital assets, net.....	<u>\$ 128,342,146</u>	<u>\$ 4,402,378</u>	<u>\$ (1,844,288)</u>	<u>\$ 130,900,236</u>

Capital asset activity for the business-type activities for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 204,000	\$ -	\$ -	\$ 204,000
Construction in progress.....	13,884,003	35,232	(406,835)	13,512,400
Total capital assets not being depreciated.....	<u>14,088,003</u>	<u>35,232</u>	<u>(406,835)</u>	<u>13,716,400</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	22,455,883	-	-	22,455,883
Building improvements.....	4,424,989	-	-	4,424,989
Machinery and equipment.....	3,644,332	44,823	-	3,689,155
Infrastructure.....	77,236,561	3,914,903	(666,303)	80,485,161
Total capital assets being depreciated.....	<u>107,761,765</u>	<u>3,959,726</u>	<u>(666,303)</u>	<u>111,055,188</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(15,412,630)	(381,718)	-	(15,794,348)
Building improvements.....	(3,193,608)	(190,372)	-	(3,383,980)
Machinery and equipment.....	(3,394,743)	(115,966)	-	(3,510,709)
Infrastructure.....	(53,651,414)	(1,655,892)	666,303	(54,641,003)
Total accumulated depreciation.....	<u>(75,652,395)</u>	<u>(2,343,948)</u>	<u>666,303</u>	<u>(77,330,040)</u>
Total capital assets being depreciated, net.....	<u>32,109,370</u>	<u>1,615,778</u>	<u>-</u>	<u>33,725,148</u>
Total water activities capital assets, net.....	<u>\$ 46,197,373</u>	<u>\$ 1,651,010</u>	<u>\$ (406,835)</u>	<u>\$ 47,441,548</u>
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 1,930,452	\$ -	\$ (1,864,562)	\$ 65,890
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	881,001	44,823	-	925,824
Infrastructure.....	143,332,580	1,864,562	(326,381)	144,870,761
Total capital assets being depreciated.....	<u>144,213,581</u>	<u>1,909,385</u>	<u>(326,381)</u>	<u>145,796,585</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(357,112)	(71,932)	-	(429,044)
Infrastructure.....	(47,041,089)	(2,963,131)	326,381	(49,677,839)
Total accumulated depreciation.....	<u>(47,398,201)</u>	<u>(3,035,063)</u>	<u>326,381</u>	<u>(50,106,883)</u>
Total capital assets being depreciated, net.....	<u>96,815,380</u>	<u>(1,125,678)</u>	<u>-</u>	<u>95,689,702</u>
Total sewer activities capital assets, net.....	<u>\$ 98,745,832</u>	<u>\$ (1,125,678)</u>	<u>\$ (1,864,562)</u>	<u>\$ 95,755,592</u>
<b>Cable:</b>				
<u>Capital assets being depreciated:</u>				
Infrastructure.....	\$ 227,152	\$ -	\$ -	\$ 227,152
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(2,839)	(2,839)	-	(5,678)
Total cable activities capital assets, net.....	<u>\$ 224,313</u>	<u>\$ (2,839)</u>	<u>\$ -</u>	<u>\$ 221,474</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 450,042
Public safety.....	675,233
Education.....	2,813,451
Public works.....	809,894
Culture and recreation.....	<u>378,361</u>
Total depreciation expense - governmental activities.....	\$ <u>5,126,981</u>
<b>Business-Type Activities:</b>	
Water.....	\$ 2,343,948
Sewer.....	3,035,063
Cable.....	<u>2,839</u>
Total depreciation expense - business-type activities.....	\$ <u>5,381,850</u>

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2020, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General fund	Nonmajor governmental funds	Internal service fund	Sewer enterprise fund		
General fund.....	\$ -	\$ -	\$ 125,000	\$ 3,834,363	\$ 3,959,363	(1)
Nonmajor governmental funds.....	372,777	390,000	-	-	762,777	(2)
Sewer enterprise fund.....	350,000	-	-	-	350,000	(3)
Water enterprise fund.....	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>(3)</u>
Total.....	\$ <u>1,072,777</u>	\$ <u>390,000</u>	\$ <u>125,000</u>	\$ <u>3,834,363</u>	\$ <u>5,422,140</u>	

- (1) Represents budgeted transfers from the general fund to the sewer enterprise fund for debt service costs and the internal service fund.
- (2) Represents transfers from nonmajor governmental funds to the general fund and other nonmajor governmental funds.
- (3) Represents budgeted transfers from the sewer and the water enterprise funds to the general fund for their portion of costs associated with the design, engineering and project management of a new DPW and School maintenance facility voted at the October 2019 Special Town Meeting.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and water and sewer enterprise funds, respectively.

At June 30, 2020, the Town had the following short-term debt outstanding:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
<b>Governmental Funds:</b>							
BAN	Municipal Purpose.....	2.14%	05/29/20	\$ 499,000	\$ -	\$ (499,000)	\$ -
BAN	Municipal Purpose.....	1.24%	05/29/21	-	499,000	-	499,000
Total Governmental Funds.....				\$ 499,000	\$ 499,000	\$ (499,000)	\$ 499,000

**NOTE 7 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are shown:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Municipal Purpose Bonds of 2012.....	2031	\$ 32,170,000	2.00-4.00	\$ 17,380,000
Municipal Purpose Bonds of 2013.....	2022	100,000	2.00	20,000
Municipal Purpose Refunding Bonds of 2013.....	2022	3,224,500	2.00	467,120
Municipal Purpose Bonds of 2015.....	2035	7,600,000	2.50-5.00	5,700,000
Municipal Purpose Refunding Bonds of 2016.....	2025	1,055,000	2.00-500	585,000
Municipal Purpose Bonds of 2017.....	2036	4,100,000	2.00-5.00	3,280,000
Municipal Purpose Refunding Bonds of 2017.....	2026	718,500	2.00-5.00	450,000
Municipal Purpose Bonds of 2018.....	2038	15,000,000	2.00-5.00	13,500,000
Municipal Purpose Bonds of 2019.....	2039	54,435,000	3.00-5.00	51,710,000
Total Bonds Payable.....				93,092,120
Add: Unamortized premium on bonds.....				6,414,072
Total Bonds Payable, net.....				<u>\$ 99,506,192</u>

Debt service requirements for principal and interest for governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2021.....	\$ 6,082,965	\$ 3,528,348	\$ 9,611,313
2022.....	6,074,155	3,254,038	9,328,193
2023.....	5,830,000	2,976,906	8,806,906
2024.....	5,830,000	2,717,006	8,547,006
2025.....	5,830,000	2,455,131	8,285,131
2026.....	5,715,000	2,205,206	7,920,206
2027.....	5,635,000	1,960,231	7,595,231
2028.....	5,635,000	1,736,381	7,371,381
2029.....	5,635,000	1,506,681	7,141,681
2030.....	5,635,000	1,302,306	6,937,306
2031.....	5,635,000	1,095,800	6,730,800
2032.....	4,055,000	884,813	4,939,813
2033.....	4,055,000	764,225	4,819,225
2034.....	4,055,000	642,650	4,697,650
2035.....	4,055,000	521,075	4,576,075
2036.....	3,675,000	399,025	4,074,025
2037.....	3,470,000	289,800	3,759,800
2038.....	3,470,000	185,700	3,655,700
2039.....	2,720,000	81,600	2,801,600
Total.....	<u>\$ 93,092,120</u>	<u>\$ 28,506,922</u>	<u>\$ 121,599,042</u>

**Bonds and Notes Payable Schedule – Sewer Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Sewer.....	2031	\$ 400,000	2.00-6.75	\$ 220,000
Sewer Refunding.....	2035	67,393,180	2.00-3.125	<u>51,545,540</u>
Total Bonds Payable.....				51,765,540
Add: Unamortized premium on bonds.....				<u>4,142,649</u>
Total Bonds Payable, net.....				<u><u>\$ 55,908,189</u></u>

Debt service requirements for principal and interest for the sewer enterprise fund bonds payable in future years are as follows:

Year	Principal	Interest	Total
2021.....	\$ 5,380,560	\$ 1,916,529	\$ 7,297,089
2022.....	5,469,980	1,699,668	7,169,648
2023.....	5,670,000	1,439,218	7,109,218
2024.....	5,995,000	1,159,434	7,154,434
2025.....	6,235,000	863,994	7,098,994
2026.....	6,065,000	619,525	6,684,525
2027.....	6,135,000	433,750	6,568,750
2028.....	4,560,000	249,600	4,809,600
2029.....	2,910,000	154,300	3,064,300
2030.....	1,655,000	92,050	1,747,050
2031.....	370,000	53,356	423,356
2032.....	340,000	42,056	382,056
2033.....	335,000	31,430	366,430
2034.....	325,000	20,962	345,962
2035.....	<u>320,000</u>	<u>10,400</u>	<u>330,400</u>
Total.....	\$ <u>51,765,540</u>	\$ <u>8,786,272</u>	\$ <u>60,551,812</u>

**Bonds and Notes Payable Schedule – Water Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
<b>General Obligation Bonds Payable:</b>				
Water.....	2036	\$ 17,645,000	2.00-6.75	\$ 12,550,000
Water Refunding.....	2029	2,736,295	2.00-3.125	<u>1,142,340</u>
Subtotal General Obligation Bonds Payable.....				<u>13,692,340</u>
<b>Direct Borrowings Payable:</b>				
MCWT-Water.....	2027	7,190,614	2.00	<u>2,854,283</u>
Total Bonds Payable.....				16,546,623
Add: Unamortized premium on bonds.....				<u>720,987</u>
Total Bonds Payable, net.....				<u><u>\$ 17,267,610</u></u>

Debt service requirements for principal and interest for the water enterprise fund bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2021.....	\$ 1,396,475	\$ 514,274	\$ 1,910,749
2022.....	1,290,865	452,290	1,743,155
2023.....	1,165,000	411,324	1,576,324
2024.....	1,175,000	353,076	1,528,076
2025.....	1,030,000	294,322	1,324,322
2026.....	845,000	254,430	1,099,430
2027.....	805,000	219,032	1,024,032
2028.....	805,000	191,482	996,482
2029.....	805,000	164,032	969,032
2030.....	625,000	138,282	763,282
2031.....	625,000	119,532	744,532
2032.....	625,000	100,782	725,782
2033.....	625,000	81,250	706,250
2034.....	625,000	61,718	686,718
2035.....	625,000	41,406	666,406
2036.....	625,000	21,094	646,094
Total.....	<u>\$ 13,692,340</u>	<u>\$ 3,418,326</u>	<u>\$ 17,110,666</u>

Year	Direct Borrowings Payable		
	Principal	Interest	Total
2021.....	\$ 383,701	\$ 53,249	\$ 436,950
2022.....	391,453	45,497	436,950
2023.....	399,361	37,589	436,950
2024.....	407,429	29,521	436,950
2025.....	415,660	21,290	436,950
2026.....	424,056	12,893	436,949
2027.....	432,623	4,326	436,949
Total.....	\$ 2,854,283	\$ 204,365	\$ 3,058,648

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the Town had the following authorized and unissued debt:

Purpose	Amount
Ames Hill Storage Tank.....	\$ 25,000
Annex Solar Panels.....	85,000
High School.....	10,766,582
Roads.....	3,000,000
Water Treatment Plant.....	42,567
Elementary School.....	38,503,724
New Center Fire Station.....	2,500,000
Water Lines.....	1,500,000
Total.....	\$ 56,422,873

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term general obligation bonds payable...\$	99,257,915	\$ -	\$ (6,165,795)	\$ -	\$ -	\$ 93,092,120	\$ 6,082,965
Add: Unamortized premium on bonds.....	7,195,326	-	(781,254)	-	-	6,414,072	756,087
Total bonds payable.....	106,453,241	-	(6,947,049)	-	-	99,506,192	6,839,052
Landfill closure.....	2,816,935	-	-	-	(148,371)	2,668,564	139,698
Compensated absences.....	2,336,400	-	-	1,141,600	(888,000)	2,590,000	1,053,300
Net pension liability.....	96,386,061	-	-	10,347,873	(7,865,066)	98,868,868	-
Net other postemployment benefits.....	69,446,478	-	-	11,053,304	(4,961,895)	75,537,887	-
Total governmental activity long-term liabilities.....	\$ 277,439,115	\$ -	\$ (6,947,049)	\$ 22,542,777	\$ (13,863,332)	\$ 279,171,511	\$ 8,032,050
<b>Business-Type Activities:</b>							
Long-term general obligation bonds payable...\$	72,482,085	\$ -	\$ (7,024,205)	\$ -	\$ -	\$ 65,457,880	\$ 6,777,035
Long-term direct borrowings payable.....	3,230,386	-	(376,103)	-	-	2,854,283	383,701
Add: Unamortized premium on bonds.....	6,026,350	-	(1,162,714)	-	-	4,863,636	1,591,457
Total bonds payable.....	81,738,821	-	(8,563,022)	-	-	73,175,799	8,752,193
Compensated absences.....	149,500	-	-	78,400	(52,400)	175,500	69,200
Net pension liability.....	8,075,490	-	-	1,224,217	(649,451)	8,650,256	-
Net other postemployment benefits.....	1,735,996	-	-	256,757	(492,296)	1,500,457	-
Total business-type activity long-term liabilities.....	\$ 91,699,807	\$ -	\$ (8,563,022)	\$ 1,559,374	\$ (1,194,147)	\$ 83,502,012	\$ 8,821,393

Compensated absence liabilities related to governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. With the exception of compensated absence liabilities, the governmental long-term liabilities are generally liquidated by the general fund.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balance according to the constraints imposed on the use of the resources.

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy:

	General	Elementary School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
Elementary school construction.....	\$ -	\$ 58,211,043	\$ -	\$ 58,211,043
Town grant funds.....	-	-	771,852	771,852
Town revolving funds.....	-	-	790,451	790,451
Town gift funds.....	-	-	1,714,742	1,714,742
Town receipts reserved.....	-	-	1,252	1,252
Town other funds.....	-	-	204,308	204,308
Town special articles.....	-	-	911	911
School grant funds.....	-	-	2,057,991	2,057,991
School revolving funds.....	-	-	1,659,159	1,659,159
School gift funds.....	-	-	46,383	46,383
School other funds.....	-	-	2,570	2,570
Restricted funds.....	-	-	5,293,145	5,293,145
Street projects.....	-	-	75,000	75,000
Community preservation.....	-	-	1,736,706	1,736,706
Town capital projects.....	-	-	3,269,553	3,269,553
Fire station construction.....	-	-	14,804,767	14,804,767
Foster trust fund.....	-	-	28,944	28,944
Cemetery perpetual care.....	-	-	26,922	26,922
Committed to:				
Articles and continuing appropriations:				
General government.....	2,455,386	-	-	2,455,386
Public safety.....	50,536	-	-	50,536
Education.....	1,801,008	-	-	1,801,008
Public works.....	900,179	-	-	900,179
Health and sanitation.....	295,403	-	-	295,403
Culture and recreation.....	48,149	-	-	48,149
Assigned to:				
Encumbrances:				
General government.....	157,966	-	-	157,966
Public safety.....	151,908	-	-	151,908
Education.....	2,503,609	-	-	2,503,609
Public works.....	399,927	-	-	399,927
Health and sanitation.....	35,565	-	-	35,565
Human services.....	58,104	-	-	58,104
Culture and recreation.....	91,531	-	-	91,531
Employee benefits.....	385	-	-	385
Unassigned.....	<u>17,293,584</u>	<u>-</u>	<u>(1,155,911)</u>	<u>16,137,673</u>
Total Fund Balances.....	<u>\$ 26,243,240</u>	<u>\$ 58,211,043</u>	<u>\$ 31,328,745</u>	<u>\$ 115,783,028</u>

Massachusetts General Law Ch.40 §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. At year end the unassigned balance of the general fund includes \$6,567,374 of stabilization fund and \$725,000 of special education reserve fund.

**NOTE 9 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. In addition, the Town is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is self-insured for its health insurance and workers' compensation activities. The health insurance and workers' compensation activities are accounted for in the internal service fund where revenues are recorded when

earned and expenses are recorded when the liability is incurred. Incurred But Not Reported claims for workers' compensation are immaterial and therefore not reported.

*Health Insurance*

The estimate of Incurred But Not Reported (IBNR) claims is based on a one and one half-month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$150,000 per claim.

This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2018, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2019.....	\$ 996,197	\$ 16,368,355	\$ (16,351,448)	\$ 1,013,104
2020.....	1,013,104	16,988,489	(16,965,610)	1,035,983

**NOTE 10 – PENSION PLAN**

*Plan Description*

The Town is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The MCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$10,889,361 is reported in the general fund as intergovernmental revenue and employee benefits and other fixed charges in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$89,796,305 as of the measurement date.

*Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. 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. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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 increase 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*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution was \$8,545,236 and its actual contribution for the year ended December 31, 2019, was \$8,553,198, 33.05% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2020, the Town reported a liability of \$107,519,124 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on 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 proportion was 6.720%, which increased from its 6.699% proportion measured at December 31, 2018.

*Pension Expense*

For the year ended June 30, 2020, the Town recognized a pension expense of \$15,257,753. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$11,823,708 and deferred inflows of resources related to pensions of \$5,061,269.

The balances of deferred outflows and inflows at June 30, 2020, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 2,616,171	\$ (243,506)	\$ 2,372,665
Difference between projected and actual earnings, net.....	-	(2,790,113)	(2,790,113)
Changes in assumptions.....	7,404,421	-	7,404,421
Changes in proportion and proportionate share of contributions.....	<u>1,803,116</u>	<u>(2,027,650)</u>	<u>(224,534)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 11,823,708</u>	<u>\$ (5,061,269)</u>	<u>\$ 6,762,439</u>

The Town's deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021.....	\$ 3,426,677
2022.....	1,902,851
2023.....	1,337,797
2024.....	<u>95,114</u>
Total.....	<u>\$ 6,762,439</u>

*Actuarial Assumptions* – The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Prior year's total contribution increased by 6.50% for fiscal 2020 through fiscal 2027, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI liability, 2 years from July 1, 2018 for 2033 ERI, and 4 years from July 1, 2018 for 2010 ERI.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the market value.

Investment rate of return/ Discount Rate.....	7.30%, net of pension plan investment expense, including inflation, previously 7.50%.
Inflation rate.....	3.25%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living adjustment.....	3.0% of the first \$16,000 of retirement income, as of July 1, 2019.
Mortality rates:	
Pre-Retirement.....	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disabled Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

*Investment Policy* – The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2020, are summarized in the following table:

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

*Rate of Return*

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. *Sensitivity of the net position liability to changes in the discount rate.* The table on the following page presents the net pension liability, calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate.

	1% Decrease (6.30%)	Current Discount (7.30%)	1% Increase (8.30%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
The Town's proportionate share of the net pension liability.....	\$ 132,132,487	\$ 107,519,124	\$ 86,807,610
MCRS total net pension liability.....	\$ 1,966,342,109	\$ 1,600,056,015	\$ 1,291,835,664

*Pension Plan Fiduciary Net Position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Middlesex County Retirement System financial report.

*Changes in Assumptions* – The net investment return assumption was lowered from 7.50% to 7.30%.

*Changes in Plan Provisions* – As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The Town of Tewksbury administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

*Funding Policy*

The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 - 85 percent of the cost of current-year premiums for healthcare, dental and life insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 15 - 25 percent of their premium costs for healthcare, dental and life insurance. For the year ended June 30, 2020, the Town's average contribution rate was 9.37% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. The Town has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB Fund and as such has authorized the OPEB Trust Funds to be invested entirely in the State Retirement Benefits Trust Fund (SRBT Fund). Massachusetts General Law directs the HSCBT to invest the SRBT Fund in the Pension Reserves Investment Trust (PRIT) Fund. The Trustees have adopted a trust agreement detailing their duties and responsibilities as Trustees. The PRIT Fund is subject to oversight by the Pension Reserves Investment Management (PRIM) Board. A nine member Board of Trustees governs the PRIM Board. The Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

During 2020, the Town pre-funded future OPEB liabilities totaling approximately \$858,932 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the net position of this fund totaled \$4,715,215.

*Measurement Date* – GASB #74 and GASB #75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

*Employees Covered by Benefit Terms* – The following table represents the Plan's membership at June 30, 2020:

Active members.....	728
Inactive employees or beneficiaries currently receiving benefits.....	<u>866</u>
Total.....	<u><u>1,594</u></u>

*Components of OPEB Liability* – The following table represents the components of the Plan's OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$ 81,753,559
Less: OPEB plan's fiduciary net position.....	<u>(4,715,215)</u>
Net OPEB liability.....	<u><u>\$ 77,038,344</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	5.77%

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, to be in accordance with GASB Statement #74 and #75 as follows:

Valuation date.....	July 1, 2020
Actuarial cost method.....	Entry Age Normal.
Investment rate of return/ Discount Rate.....	Full prefunding: 7.5%, net of investment expenses.
Medical care inflation rate.....	4.50%
Dental cost trend rate.....	Increases in dental costs are assumed to be 3.5% per year.
Participation.....	85% of future retirees are assumed to participate in the retiree medical plan, 85% of future retirees are expected to elect dental insurance, and 85% of future retirees are expected to elect life insurance.
Marital status.....	80% of male Town employees and 60% of female Town employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Termination benefit.....	85% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.
Medical plan costs.....	The estimated gross per capita incurred claim costs for all retirees and beneficiaries for 2020-21 at age 64 and 65 are \$16,377 and \$3,338, respectively. Medicare eligible retirees' per capita claims costs at age 65 is \$3,061. It is assumed that future retirees participate in the same manner as current retirees. Per capita costs were developed from age adjusting a blend of the current premium rates. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.
Mortality.....	It is assumed that mortality for non-teachers is represented by the various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2019 improvements until 2025.

Mortality -Teachers..... It is assumed that pre-retirement mortality, retiree mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2017, fully generational. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward two years is used.

*Rate of Return*

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	22.50%	6.90%
International developed markets equity....	15.10%	7.00%
International emerging markets equity.....	6.40%	9.20%
Core fixed income.....	14.90%	3.40%
Value-added fixed income.....	7.50%	6.80%
Private equity.....	11.00%	10.90%
Real estate.....	9.50%	6.10%
Timberland.....	3.50%	6.70%
Hedge fund, PCS.....	9.20%	6.20%
Liquidating portfolios.....	0.10%	5.80%
Overlay.....	0.30%	0.00%
Total.....	<u>100.00%</u>	

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.50% as of June 30, 2020, and 7.50% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected future benefits payments as of June 30, 2020.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 7.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability.....	\$ 91,674,892	\$ 81,753,559	\$ 73,535,577
Less: Plan fiduciary net position.....	<u>(4,715,215)</u>	<u>(4,715,215)</u>	<u>(4,715,215)</u>
Net OPEB liability.....	<u>\$ 86,959,677</u>	<u>\$ 77,038,344</u>	<u>\$ 68,820,362</u>

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend* – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Total OPEB liability.....	\$ 71,684,893	\$ 81,753,559	\$ 94,061,821
Less: Plan fiduciary net position.....	<u>(4,715,215)</u>	<u>(4,715,215)</u>	<u>(4,715,215)</u>
Net OPEB liability.....	<u>\$ 66,969,678</u>	<u>\$ 77,038,344</u>	<u>\$ 89,346,606</u>

*Changes in Assumptions* – The mortality assumptions for non-teachers is now represented by RP-2010 Public Retirement Plans Mortality tables using Scale MP-2019, a change from using RP-2014 Blue Collar Mortality Tables and RP-2000 Mortality Tables using Scale MP-2016.

*Changes in Plan Provisions* – None.

*Summary of Significant Accounting Policies* – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 74,940,621	\$ 3,758,147	\$ 71,182,474
Changes for the year:			
Service cost.....	1,624,430	-	1,624,430
Interest.....	5,587,670	-	5,587,670
Differences between expected and actual experience....	(957,103)	-	(957,103)
Changes in assumptions and other inputs.....	4,449,161	-	4,449,161
Benefit payments.....	(3,891,220)	(3,891,220)	-
Employer contributions.....	-	4,750,152	(4,750,152)
Investment income.....	-	98,136	(98,136)
Net change.....	<u>6,812,938</u>	<u>957,068</u>	<u>5,855,870</u>
Balances at June 30, 2020.....	<u>\$ 81,753,559</u>	<u>\$ 4,715,215</u>	<u>\$ 77,038,344</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$4,408,420. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (6,576,441)	\$ (6,576,441)
Difference between projected and actual earnings, net....	-	(37,784)	(37,784)
Changes in assumptions.....	<u>4,074,170</u>	<u>-</u>	<u>4,074,170</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 4,074,170</u>	<u>\$ (6,614,225)</u>	<u>\$ (2,540,055)</u>

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

Year ended June 30:

2021.....	\$ (2,490,194)
2022.....	(1,513,084)
2023.....	853,844
2024.....	<u>609,379</u>
Total.....	<u>\$ (2,540,055)</u>

**NOTE 12 – LANDFILL**

In August 2009, the Town entered into a consent decree related to an environmental case associated with the Sutton Brook landfill. The original consent decree, among other matters, obligated the Town to contribute \$10,159,454, over a 30-year period ending in 2040, into a trust established to remedy the environmental impact created by the landfill. In Fiscal 2020, the Town made a payment of \$148,371 which reduced the present value of the obligation to \$2,668,564. Yearly payments on the remaining balance vary based on the cost of monitoring and maintenance of the landfill. The Fiscal 2021 payment will be \$139,698.

**NOTE 13 – COMMITMENTS**

In 2020, the Town has authorized but not yet issued debt of \$56.4 million. Of this amount, \$10.7 million relates to the high school project, \$3.0 million relates to various road projects, \$38.5 million relates to the new elementary school, \$2.5 million relates to the new center fire station, \$1.5 million relates to water lines and the remaining \$153,000 relates to the Ames Hill Storage Tank, solar panels on the Annex Building and the water treatment plant.

**NOTE 14 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2020, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of 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.

**NOTE 15 – COVID-19**

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act

requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

#### **NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 28, 2020 which is the date the financial statements were available to be issued.

#### **NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #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.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.

- The GASB issued Statement #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, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

## ***Required Supplementary Information***

# ***General Fund Budgetary Schedule***

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
<b>REVENUES:</b>							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 88,139,270	\$ 88,139,270	\$ 93,766,069	\$ 93,140,118	\$ -	\$ (625,951)
Tax liens.....	-	-	-	-	56,399	-	56,399
Motor vehicle and other excise taxes.....	-	4,722,222	4,722,222	4,722,222	5,028,215	-	305,993
Hotel/motel tax.....	-	1,034,786	1,034,786	1,034,786	957,376	-	(77,410)
Meals tax.....	-	590,265	590,265	590,265	648,381	-	58,116
Charges for services.....	-	1,247,647	1,247,647	1,247,647	1,614,894	-	367,247
Penalties and interest on taxes.....	-	324,972	324,972	324,972	314,626	-	(10,346)
Fees and rentals.....	-	564,071	564,071	564,071	853,349	-	289,278
Payments in lieu of taxes.....	-	35,997	35,997	35,997	22,176	-	(13,821)
Licenses and permits.....	-	756,400	756,400	756,400	913,569	-	157,169
Fines and forfeitures.....	-	83,895	83,895	83,895	62,476	-	(21,419)
Intergovernmental - state aid.....	-	16,969,404	16,969,404	16,969,404	17,097,492	-	128,088
Intergovernmental - other.....	-	-	-	-	230,526	-	230,526
Intergovernmental - COVID-19 relief.....	-	-	-	-	100,299	-	100,299
Departmental and other.....	-	143,750	143,750	143,750	265,253	-	121,503
Investment income.....	-	76,510	76,510	76,510	2,036,740	-	1,960,230
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>114,689,189</b>	<b>114,689,189</b>	<b>120,315,988</b>	<b>123,341,889</b>	<b>-</b>	<b>3,025,901</b>
<b>EXPENDITURES:</b>							
Current:							
General government.....	408,516	5,625,453	6,033,969	6,063,169	3,238,668	2,613,352	211,149
Public safety.....	431,629	14,498,934	14,930,563	14,697,830	14,239,752	202,443	255,635
Education.....	4,060,555	69,349,780	73,410,335	70,140,628	65,182,969	4,304,617	653,042
Public works.....	1,853,742	4,299,047	6,152,789	5,304,479	3,925,630	1,300,107	78,742
Health and human services.....	10,610	901,659	912,269	912,270	762,974	35,565	113,731
Sanitation.....	319,322	3,033,949	3,353,271	3,067,868	2,704,137	353,507	10,224
Culture and recreation.....	173,552	2,028,308	2,201,860	2,140,930	1,855,744	139,680	145,506
Pension benefits.....	-	6,565,432	6,565,432	6,575,281	6,565,432	-	9,849
Employee benefits.....	-	5,026,982	5,026,982	4,930,090	4,870,746	385	58,959
COVID-19.....	-	-	-	-	100,299	-	(100,299)
State and county charges.....	-	1,612,783	1,612,783	1,612,783	1,595,901	-	16,882
Debt service:							
Principal.....	-	3,210,795	3,210,795	5,935,795	5,935,795	-	-
Interest.....	-	1,498,883	1,498,883	3,610,359	3,610,359	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>7,257,926</b>	<b>117,652,005</b>	<b>124,909,931</b>	<b>124,991,482</b>	<b>114,588,406</b>	<b>8,949,656</b>	<b>1,453,420</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(7,257,926)</b>	<b>(2,962,816)</b>	<b>(10,220,742)</b>	<b>(4,675,494)</b>	<b>8,753,483</b>	<b>(8,949,656)</b>	<b>4,479,321</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in.....	-	-	-	2,952,540	3,325,317	-	372,777
Transfers out.....	-	(4,609,363)	(4,609,363)	(9,747,951)	(9,747,951)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(4,609,363)</b>	<b>(4,609,363)</b>	<b>(6,795,411)</b>	<b>(6,422,634)</b>	<b>-</b>	<b>372,777</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(7,257,926)</b>	<b>(7,572,179)</b>	<b>(14,830,105)</b>	<b>(11,470,905)</b>	<b>2,330,849</b>	<b>(8,949,656)</b>	<b>4,852,098</b>
<b>BUDGETARY FUND BALANCE, Beginning of year...</b>	<b>-</b>	<b>16,326,477</b>	<b>16,326,477</b>	<b>16,326,477</b>	<b>16,326,477</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (7,257,926)</b>	<b>\$ 8,754,298</b>	<b>\$ 1,496,372</b>	<b>\$ 4,855,572</b>	<b>\$ 18,657,326</b>	<b>\$ (8,949,656)</b>	<b>\$ 4,852,098</b>

See notes to required supplementary information.

# ***Pension Plan Schedules***

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Employee payroll	Net pension liability as a percentage of employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	6.720%	\$ 107,519,124	\$ 25,881,068	415.44%	49.45%
December 31, 2018.....	6.699%	104,461,551	22,741,155	459.35%	46.40%
December 31, 2017.....	6.906%	98,006,180	21,795,849	449.66%	49.27%
December 31, 2016.....	6.598%	93,491,923	20,571,433	454.47%	45.49%
December 31, 2015.....	6.612%	85,301,248	19,696,238	433.08%	46.13%
December 31, 2014.....	6.748%	81,064,434	18,938,690	428.04%	47.65%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM**

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Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Employee payroll	Contributions as a percentage of employee payroll
June 30, 2020.....	\$ 8,545,236	\$ (8,553,198)	\$ (7,962)	\$ 25,881,068	33.05%
June 30, 2019.....	7,971,708	(7,972,598)	(890)	22,741,155	35.05%
June 30, 2018.....	7,504,649	(7,504,649)	-	21,795,849	34.43%
June 30, 2017.....	6,933,838	(6,933,838)	-	20,571,433	33.71%
June 30, 2016.....	6,586,336	(6,586,336)	-	19,696,238	33.44%
June 30, 2015.....	6,304,010	(6,304,010)	-	18,938,690	33.29%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 89,796,305	\$ 10,889,361	53.95%
2019.....	85,614,939	8,675,834	54.84%
2018.....	80,314,326	8,382,640	54.25%
2017.....	80,992,323	8,261,748	52.73%
2016.....	71,879,600	3,587,027	55.38%
2015.....	55,302,785	3,261,000	61.64%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE  
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
<b>Total OPEB Liability</b>				
Service Cost.....	\$ 1,491,263	\$ 1,558,371	\$ 1,569,500	\$ 1,624,430
Interest.....	6,069,625	6,343,332	5,357,166	5,587,670
Changes of benefit terms.....	-	(1,872,821)	-	-
Differences between expected and actual experience....	-	(16,038,724)	-	(957,103)
Changes of assumptions.....	-	412,590	-	4,449,161
Benefit payments.....	(4,437,801)	(3,502,405)	(3,625,325)	(3,891,220)
Net change in total OPEB liability.....	3,123,087	(13,099,657)	3,301,341	6,812,938
Total OPEB liability - beginning.....	81,615,850	84,738,937	71,639,280	74,940,621
Total OPEB liability - ending (a).....	\$ 84,738,937	\$ 71,639,280	\$ 74,940,621	\$ 81,753,559
<b>Plan fiduciary net position</b>				
Employer contributions.....	\$ 350,000	\$ 852,732	\$ 852,732	\$ 858,932
Employer contributions for OPEB payments.....	4,437,801	3,502,405	3,625,325	3,891,220
Net investment income.....	162,913	217,163	216,377	98,136
Benefit payments.....	(4,437,801)	(3,502,405)	(3,625,325)	(3,891,220)
Net change in plan fiduciary net position.....	512,913	1,069,895	1,069,109	957,068
Plan fiduciary net position - beginning of year.....	1,106,230	1,619,143	2,689,038	3,758,147
Plan fiduciary net position - end of year (b).....	\$ 1,619,143	\$ 2,689,038	\$ 3,758,147	\$ 4,715,215
<b>Net OPEB liability - ending (a)-(b).....</b>	<b>\$ 83,119,794</b>	<b>\$ 68,950,242</b>	<b>\$ 71,182,474</b>	<b>\$ 77,038,344</b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.91%	3.75%	5.01%	5.77%
Covered-employee payroll.....	\$ 45,926,768	\$ 47,438,780	\$ 49,099,137	\$ 50,721,092
Net OPEB liability as a percentage of covered-employee payroll.....	180.98%	145.35%	144.98%	151.89%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2020.....	\$ 5,060,456	\$ (4,750,152)	\$ 310,304	\$ 50,721,092	9.37%
June 30, 2019.....	4,478,074	(4,478,057)	17	49,099,137	9.12%
June 30, 2018.....	4,355,137	(4,355,137)	-	47,438,780	9.18%
June 30, 2017.....	4,787,801	(4,787,801)	-	45,926,768	10.42%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	1.92%
June 30, 2019.....	6.24%
June 30, 2018.....	19.20%
June 30, 2017.....	13.17%

The annual money-weighted rate of return has been calculated by the Pension Reserves Investment Management Board (PRIM).

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is reviewed by the Finance Committee (Committee). The Committee presents the annual budget to the open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers less than \$1,500 within budget classifications require department and Town Manager approval while changes greater than \$1,500 require the additional approval of the Finance Committee. Increases or decreases between budget classifications subsequent to the approval of the annual budget requires majority vote at a Special Town Meeting.

The majority of appropriations are non-continuing and lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at a Special Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 approved budget, including amounts carried forward from the prior year, authorized approximately \$129.5 million in appropriations and other amounts to be raised. There was an approximately \$5.2 million increase from the original budget to the final amended budget.

The Town Accountant’s Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is as follows:

Net change in fund balance - budgetary basis.....	\$ 2,330,849
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	2,972,651
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(95,400)
Net change in recording 60 day receipts.....	379,435
Recognition of revenue for on-behalf payments.....	10,889,361
Recognition of expenditures for on-behalf payments.....	<u>(10,889,361)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 5,587,535</u>

**NOTE B – PENSION PLAN**A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered employee payroll.

B. Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on actuarial valuation results. In addition, the Town may contribute more than the amount required.

C. Schedule of the Special Funding Amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions:

The net investment return assumption was lowered from 7.50% to 7.30%.

E. Changes in Plan Provisions:

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan ("the Other Post Employment Benefit Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

**The Other Postemployment Benefit Plan**A. Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and

ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered-employee payroll.

**B. Schedule of the Town’s Contributions**

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are on the following page.

Valuation date.....	July 1, 2020
Actuarial cost method.....	Entry Age Normal.
Investment rate of return/ Discount Rate.....	Full prefunding: 7.5%, net of investment expenses.
Medical care inflation rate.....	4.50%
Dental cost trend rate.....	Increases in dental costs are assumed to be 3.5% per year.
Participation.....	85% of future retirees are assumed to participate in the retiree medical plan, 85% of future retirees are expected to elect dental insurance, and 85% of future retirees are expected to elect life insurance.
Marital status.....	80% of male Town employees and 60% of female Town employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Termination benefit.....	85% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.
Medical plan costs.....	The estimated gross per capita incurred claim costs for all retirees and beneficiaries for 2020-21 at age 64 and 65 are \$16,377 and \$3,338, respectively. Medicare eligible retirees' per capita claims costs at age 65 is \$3,061. It is assumed that future retirees participate in the same manner as current retirees. Per capita costs were developed from age adjusting a blend of the current premium rates. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.

Mortality.....	It is assumed that mortality for non-teachers is represented by the various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2019 improvements until 2025.
Mortality -Teachers.....	It is assumed that pre-retirement mortality, retiree mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2017, fully generational. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward two years is used.

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

D. Changes in Assumptions:

The mortality assumptions for non-teachers is now represented by RP-2010 Public Retirement Plans Mortality tables using Scale MP-2019, a change from using RP-2014 Blue Collar Mortality Tables and RP-2000 Mortality Tables using Scale MP-2016.

E. Changes in Plan Provisions – None.