

TOWN OF TEWKSBURY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2021

TOWN OF TEWKSBURY, MASSACHUSETTS

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JUNE 30, 2021

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Independent Auditor's Report

To the Honorable Select Board
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, 2021, 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, 2021, 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 December 19, 2021, 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 cursive script, appearing to read "Bowers & Sullivan LLC".

December 19, 2021

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, 2021. 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 \$109.2 million (net position).
- As required by GASB Statement #68, the Town recognized their total net pension liability of \$104.2 million along with deferred outflows related to pension of \$7.2 million and deferred inflows related to pension of \$7.2 million on the statement of net position.
- In 2021, the Town recognized their total net other postemployment benefits liability of \$77.2 million along with deferred outflows related to OPEB of \$2.9 million and deferred inflows related to OPEB of \$4.3 million on the statement of net position.
- The government's total net position increased by \$32.7 million.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$98.9 million, a decrease of \$16.9 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 \$7.2 million at the end of the current year.
- At the end of the current year, unassigned fund balance for the general fund was \$20.4 million, or 13.9% percent of total government expenditures.
- In order to take advantage of favorable interest rates, the Town issued \$15.3 million of general obligation refunding bonds on October 20, 2020. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$17.7 million.

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 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, cable and stormwater 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 are reported and combined in a single, aggregate presentation in the fiduciary funds financial statements under the caption "private purpose trust funds".

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

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 \$109.2 million at the close of 2021.

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

	2021	2020 (As Revised)
Assets:		
Current assets.....	\$ 131,106,219	\$ 142,566,292
Capital assets, non depreciable.....	48,601,905	11,187,722
Capital assets, net of accumulated depreciation.....	119,101,106	119,712,514
Total assets.....	298,809,230	273,466,528
Deferred outflows of resources.....	9,507,089	14,867,271
Liabilities:		
Current liabilities (excluding debt).....	13,843,765	10,241,815
Noncurrent liabilities (excluding debt).....	175,264,481	178,472,321
Current debt.....	8,371,843	7,338,052
Noncurrent debt.....	84,646,846	92,667,140
Total liabilities.....	282,126,935	288,719,328
Deferred inflows of resources.....	10,785,825	11,139,475
Net position:		
Net investment in capital assets.....	82,512,242	36,186,956
Restricted.....	6,722,604	5,992,390
Unrestricted.....	(73,831,287)	(53,704,350)
Total net position.....	\$ 15,403,559	\$ (11,525,004)

For the Town's governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.4 million at the close of 2021.

A significant portion of the Town's net position, \$82.5 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, \$6.7 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 \$73.8 million deficit, due mainly to the cumulative effect of recording \$77.2 million of net other postemployment benefit liabilities along with \$104.2 million of net pension liability through June 30, 2021.

	2021	2020 (As Revised)
Program Revenues:		
Charges for services..... \$	5,620,502	\$ 7,556,963
Operating grants and contributions.....	33,379,563	30,707,593
Capital grants and contributions.....	18,360,108	9,478,244
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	97,254,060	93,813,507
Tax and other liens.....	138,576	56,399
Motor vehicle and other excise taxes.....	5,233,247	5,244,840
Hotel/motel tax.....	657,734	957,376
Meals tax.....	504,819	648,381
Community preservation tax.....	1,320,210	1,059,100
Penalties and interest on taxes.....	426,296	314,626
Payments in lieu of taxes.....	85,276	22,176
Grants and contributions not restricted to specific programs.....	3,443,574	3,401,138
Unrestricted investment income.....	1,054,760	2,399,735
Total revenues.....	167,478,725	155,660,078
Expenses:		
General government.....	5,807,889	6,020,695
Public safety.....	23,259,344	32,067,681
Education.....	93,319,921	90,161,422
Public works.....	5,163,798	5,598,053
Health and human services.....	969,861	1,300,570
Sanitation.....	2,919,276	2,760,846
Culture and recreation.....	2,864,471	3,186,464
Interest.....	2,605,633	2,924,086
Total expenses.....	136,910,193	144,019,817
Excess (Deficiency) before transfers.....	30,568,532	11,640,261
Transfers.....	(3,639,969)	(3,134,363)
Change in net position.....	26,928,563	8,505,898
Net position, beginning of year.....	(11,525,004)	(20,030,902)
Net position, end of year..... \$	15,403,559	\$ (11,525,004)

The governmental activities net position increased by \$26.9 million during the current year. This was due to \$953,000 in state highway capital grants, \$15.6 million in Massachusetts School Business Authority (MSBA) funding, along with better than expected budgetary results; offset by the recognition of an additional \$2.8 million for the net pension liability net of deferred outflows/inflows.

Governmental expenses totaled \$136.9 million, of which \$57.4 million (41.9%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$110.1 million, primarily from property taxes, motor vehicle and other excise, and unrestricted investment income.

Charges for services represent 3.3% 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 Select Board, Town boards and commissions, and the Town Manager are included in this category. Charges for services have decreased by \$1.9 million from the prior year which was mainly due to programs such as extended day, adult education, preschool and school lunch being suspended due to the State's shutdown orders from COVID-19.

Operating grants and contributions account for 19.9% 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 11.0% of the governmental activities resources. The Town receives state reimbursement for highway projects, MSBA funding for school construction, and state funding for the Northern Middlesex Regional Emergency Communications Center District. The increase from prior year is mainly due to the MSBA school construction funding.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 58.0% of all resources.

Motor vehicle and other taxes comprise 3.1% of the governmental activity's resources.

Education is by far the largest governmental activity of the Town. A total of \$93.3 million was expended for education, of which \$47.0 million was funded by program revenues. The remaining \$46.4 million was funded by taxes and other revenue.

Public safety is the second largest activity of the Town. \$23.3 million of general revenues were needed to cover 2021 operating expenses. Included in public safety expenses are \$1.6 million for the construction of the Northern Middlesex Regional Emergency Communications Center District (District) which is fully funded by state grants. The decrease in expenses is mainly due to prior year construction expenses for the District that is owned and funded by the Commonwealth and therefore, since this is a one-time expense did not occur in fiscal year 2021. The District's capital assets are owned by the Commonwealth and is not included in the Town's capital assets. The District began operations during fiscal year 2021.

During FY2021, 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 \$1.2 million 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>2021</u>	<u>2020</u>
Assets:		
Current assets.....	\$ 30,994,445	\$ 27,396,230
Capital assets, non depreciable.....	1,885,529	13,782,290
Capital assets, net of accumulated depreciation.....	<u>138,016,934</u>	<u>129,636,324</u>
Total assets.....	<u>170,896,908</u>	<u>170,814,844</u>
Deferred outflows of resources.....	<u>1,878,998</u>	<u>2,623,760</u>
Liabilities:		
Current liabilities (excluding debt).....	1,784,240	1,511,889
Noncurrent liabilities (excluding debt).....	10,263,107	10,257,013
Current debt.....	8,834,907	8,752,193
Noncurrent debt.....	<u>57,461,462</u>	<u>64,423,606</u>
Total liabilities.....	<u>78,343,716</u>	<u>84,944,701</u>
Deferred inflows of resources.....	<u>678,128</u>	<u>536,019</u>
Net position:		
Net investment in capital assets.....	79,888,475	75,377,950
Unrestricted.....	<u>13,865,587</u>	<u>12,579,934</u>
Total net position.....	<u>\$ 93,754,062</u>	<u>\$ 87,957,884</u>
	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for services.....	\$ 17,555,891	\$ 15,757,546
Operating grants and contributions.....	-	8,985
General Revenues:		
Unrestricted investment income.....	<u>182,735</u>	<u>156,498</u>
Total revenues.....	<u>17,738,626</u>	<u>15,923,029</u>
Expenses:		
Water.....	7,782,795	7,260,408
Sewer.....	7,063,597	7,043,980
Cable.....	261,805	443,193
Stormwater.....	<u>474,220</u>	<u>-</u>
Total expenses.....	<u>15,582,417</u>	<u>14,747,581</u>
Excess (Deficiency) before transfers.....	2,156,209	1,175,448
Transfers.....	<u>3,639,969</u>	<u>3,134,363</u>
Change in net position.....	5,796,178	4,309,811
Net position, beginning of year.....	<u>87,957,884</u>	<u>83,648,073</u>
Net position, end of year.....	<u>\$ 93,754,062</u>	<u>\$ 87,957,884</u>

For the Town's business type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$93.8 million at the close of 2021.

Business type net position of \$79.9 million (85.2%) represents investments in capital assets, net of any related debt. The remaining \$13.9 million (14.8%) is available to be used for the ongoing operation of the Town's sewer, water, cable and stormwater enterprises.

Business-type activities net position increased by \$5.8 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 \$98.9 million. Of this amount \$31.1 million is for the general fund, \$43.4 million is for the elementary school construction fund, and \$24.4 million is comprised of nonmajor governmental funds. Cumulatively there was a decrease of \$16.9 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 \$20.4 million while total fund balance was \$31.1 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 15.7% of the total general fund expenditures, while total fund balance represents 24.0% of that same amount.

Financial Summary

- Tax revenue continues to be the most significant revenue source for the Town, representing 70.6% 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 21.3% of total general fund revenues. This includes state aid and \$12.4 million in payments made by the State to the Massachusetts Teachers' Retirement Association for teachers' pension benefits.
- Motor vehicle revenue represents 3.9% of the total general fund revenues, a slight increase from the prior year.
- Charges for services revenue totaled approximately \$1.5 million, essentially the same as last year.
- Expenditures in education increased by \$742,000 or 1.1%. The increase is consistent with prior year.
- Education continues to be the largest category of general fund expenditures, representing 50.8% in 2021. The Town is committed to providing a high-quality education through its public schools.

- Public safety and public works represent a combined 14.0% of general fund expenditures. This reflects the Town's commitment to providing a safe, secure environment and essential public services.
- Debt service costs in 2021 equaled 7.0% 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 2020 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 \$43.4 million. The Town received \$15.6 million in reimbursements from the MSBA and expended \$30.4 million in the current year.

General Fund Budgetary Highlights

There was a \$6.1 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, sidewalks and various Town and School functions were approved.

General Fund revenues came in approximately \$3.3 million more than budgeted. Of this increase, \$1 million was in real estate and personal property taxes, \$818,000 was in motor vehicle and other excise taxes and \$272,000 were in licenses and permits.

General fund expenditures, including encumbrances, came in \$2.3 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, 2021, amounts to \$307.6 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 \$33.3 million in 2021. 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.....	45,852,724	1,681,529	47,534,253
Artwork.....	903,300	-	903,300
Land improvements.....	2,225,908	-	2,225,908
Buildings.....	81,202,936	6,279,817	87,482,753
Building improvements.....	9,274,121	854,729	10,128,850
Machinery and equipment.....	6,245,704	612,365	6,858,069
Library and school books.....	32,785	-	32,785
Computer software.....	69,210	-	69,210
Infrastructure.....	<u>20,050,442</u>	<u>130,270,023</u>	<u>150,320,465</u>
Total.....\$	<u>167,703,011</u>	<u>\$ 139,902,463</u>	<u>\$ 307,605,474</u>

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

- The Town capitalized \$41.6 million in construction in progress, of which \$39.9 million related to the governmental activities, \$1.4 million related to the water enterprise fund, and \$275,000 related to the sewer enterprise fund. The governmental activities construction in progress additions included \$28.3 million for the construction of the new elementary school and \$8.0 million for the construction of the new center fire station.
- The Town capitalized \$15.2 million in infrastructure, of which \$1.4 million related to the governmental activities, \$13.6 million related to water enterprise activities, \$126,000 related to the sewer enterprise activities and \$94,000 related to the cable enterprise fund.

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 \$147.2 million of which \$84.9 million is related to governmental activities, \$46.4 million is for sewer projects, and \$15.9 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 \$14.2 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, 2021

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 42,644,698	\$ 4,524,435	\$ 47,169,133
Restricted cash and cash equivalents.....	929,499	-	929,499
Investments.....	73,318,892	21,033,424	94,352,316
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	751,482	-	751,482
Tax liens.....	2,652,159	-	2,652,159
Community preservation fund surtax.....	6,719	-	6,719
Motor vehicle and other excise taxes.....	444,947	-	444,947
User charges.....	-	5,436,586	5,436,586
Departmental and other.....	1,264,104	-	1,264,104
Intergovernmental - other.....	6,224,319	-	6,224,319
Community preservation state share.....	350,800	-	350,800
Working capital deposit.....	2,518,600	-	2,518,600
Total current assets.....	<u>131,106,219</u>	<u>30,994,445</u>	<u>162,100,664</u>
NONCURRENT:			
Capital assets, nondepreciable.....	48,601,905	1,885,529	50,487,434
Capital assets, net of accumulated depreciation.....	<u>119,101,106</u>	<u>138,016,934</u>	<u>257,118,040</u>
Total noncurrent assets.....	<u>167,703,011</u>	<u>139,902,463</u>	<u>307,605,474</u>
TOTAL ASSETS.....	<u>298,809,230</u>	<u>170,896,908</u>	<u>469,706,138</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for refunding debt.....	-	1,221,449	1,221,449
Deferred outflows related to pensions.....	6,635,051	600,500	7,235,551
Deferred outflows related to other postemployment benefits.....	<u>2,872,038</u>	<u>57,049</u>	<u>2,929,087</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>9,507,089</u>	<u>1,878,998</u>	<u>11,386,087</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	3,474,150	663,627	4,137,777
Accrued payroll.....	4,598,850	80,018	4,678,868
Health claims payable.....	892,105	-	892,105
Tax refunds payable.....	90,289	-	90,289
Accrued interest.....	452,505	944,895	1,397,400
Other liabilities.....	1,631,636	20,000	1,651,636
Unearned revenue.....	1,456,967	-	1,456,967
Landfill closure.....	137,963	-	137,963
Compensated absences.....	1,109,300	75,700	1,185,000
Notes payable.....	271,483	-	271,483
Bonds payable.....	<u>8,100,360</u>	<u>8,834,907</u>	<u>16,935,267</u>
Total current liabilities.....	<u>22,215,608</u>	<u>10,619,147</u>	<u>32,834,755</u>
NONCURRENT:			
Landfill closure.....	2,390,903	-	2,390,903
Compensated absences.....	1,582,300	110,900	1,693,200
Net pension liability.....	95,550,537	8,647,721	104,198,258
Net other postemployment benefits liability.....	75,740,741	1,504,486	77,245,227
Bonds payable.....	<u>84,646,846</u>	<u>57,461,462</u>	<u>142,108,308</u>
Total noncurrent liabilities.....	<u>259,911,327</u>	<u>67,724,569</u>	<u>327,635,896</u>
TOTAL LIABILITIES.....	<u>282,126,935</u>	<u>78,343,716</u>	<u>360,470,651</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	6,566,804	594,323	7,161,127
Deferred inflows related to other postemployment benefits.....	<u>4,219,021</u>	<u>83,805</u>	<u>4,302,826</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>10,785,825</u>	<u>678,128</u>	<u>11,463,953</u>
NET POSITION			
Net investment in capital assets.....	82,512,242	79,888,475	162,400,717
Restricted for:			
Permanent funds:			
Expendable.....	31,059	-	31,059
Nonexpendable.....	26,922	-	26,922
Gifts and grants.....	3,452,599	-	3,452,599
Community preservation.....	3,212,024	-	3,212,024
Unrestricted.....	<u>(73,831,287)</u>	<u>13,865,587</u>	<u>(59,965,700)</u>
TOTAL NET POSITION.....	<u>\$ 15,403,559</u>	<u>\$ 93,754,062</u>	<u>\$ 109,157,621</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,807,889	\$ 1,117,536	\$ 497,929	\$ -	\$ (4,192,424)
Public safety.....	23,259,344	4,008,087	799,129	1,822,242	(16,629,886)
Education.....	93,319,921	259,193	31,119,340	15,584,775	(46,356,613)
Public works.....	5,163,798	117,074	603,320	953,091	(3,490,313)
Health and human services.....	969,861	9,384	260,594	-	(699,883)
Sanitation.....	2,919,276	74,560	35,634	-	(2,809,082)
Culture and recreation.....	2,864,471	34,668	63,617	-	(2,766,186)
Interest.....	2,605,633	-	-	-	(2,605,633)
Total Governmental Activities.....	136,910,193	5,620,502	33,379,563	18,360,108	(79,550,020)
<i>Business-Type Activities:</i>					
Water.....	7,782,795	8,569,450	-	-	786,655
Sewer.....	7,063,597	6,867,050	-	-	(196,547)
Cable.....	261,805	612,305	-	-	350,500
Stormwater.....	474,220	1,507,086	-	-	1,032,866
Total Business-Type Activities.....	15,582,417	17,555,891	-	-	1,973,474
Total Primary Government.....	\$ 152,492,610	\$ 23,176,393	\$ 33,379,563	\$ 18,360,108	\$ (77,576,546)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (79,550,020)	\$ 1,973,474	\$ (77,576,546)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	97,254,060	-	97,254,060
Tax and other liens.....	138,576	-	138,576
Motor vehicle and other excise taxes.....	5,233,247	-	5,233,247
Hotel/motel tax.....	657,734	-	657,734
Meals tax.....	504,819	-	504,819
Community preservation tax.....	1,320,210	-	1,320,210
Penalties and interest on taxes.....	426,296	-	426,296
Payments in lieu of taxes.....	85,276	-	85,276
Grants and contributions not restricted to specific programs.....	3,443,574	-	3,443,574
Unrestricted investment income.....	1,054,760	182,735	1,237,495
<i>Transfers, net</i>	<u>(3,639,969)</u>	<u>3,639,969</u>	<u>-</u>
Total general revenues and transfers.....	<u>106,478,583</u>	<u>3,822,704</u>	<u>110,301,287</u>
Change in net position.....	26,928,563	5,796,178	32,724,741
<i>Net position:</i>			
Beginning of year (as revised).....	<u>(11,525,004)</u>	<u>87,957,884</u>	<u>76,432,880</u>
End of year.....	\$ <u>15,403,559</u>	\$ <u>93,754,062</u>	\$ <u>109,157,621</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	General	Elementary School Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 19,712,535	\$ 4,917,081	\$ 13,233,790	\$ 37,863,406
Investments.....	17,732,220	35,486,920	12,892,592	66,111,732
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	751,482	-	-	751,482
Tax liens.....	2,645,438	-	6,721	2,652,159
Community preservation fund surtax.....	-	-	6,719	6,719
Motor vehicle and other excise taxes.....	444,947	-	-	444,947
Departmental and other.....	664,967	-	295,102	960,069
Intergovernmental - other.....	249,048	2,989,307	2,985,964	6,224,319
Community preservation state share.....	-	-	350,800	350,800
Restricted assets:				
Cash and cash equivalents.....	-	-	929,499	929,499
TOTAL ASSETS.....	\$ 42,200,637	\$ 43,393,308	\$ 30,701,187	\$ 116,295,132
LIABILITIES				
Warrants payable.....	\$ 1,748,510	\$ -	\$ 1,531,494	\$ 3,280,004
Accrued payroll.....	4,331,534	-	267,316	4,598,850
Tax refunds payable.....	90,289	-	-	90,289
Other liabilities.....	693,506	-	932,242	1,625,748
Unearned revenue.....	-	-	1,456,967	1,456,967
Notes payable.....	-	-	271,483	271,483
TOTAL LIABILITIES.....	6,863,839	-	4,459,502	11,323,341
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	4,222,748	-	1,836,525	6,059,273
FUND BALANCES				
Nonspendable.....	-	-	26,922	26,922
Restricted.....	-	43,393,308	24,988,219	68,381,527
Committed.....	6,059,319	-	-	6,059,319
Assigned.....	4,645,555	-	-	4,645,555
Unassigned.....	20,409,176	-	(609,981)	19,799,195
TOTAL FUND BALANCES.....	31,114,050	43,393,308	24,405,160	98,912,518
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 42,200,637	\$ 43,393,308	\$ 30,701,187	\$ 116,295,132

See notes to basic financial statements.

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

JUNE 30, 2021

Total governmental fund balances.....		\$ 98,912,518
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		167,703,011
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		6,059,273
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.....		(1,278,736)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		13,718,948
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(452,505)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(92,747,206)	
Net pension liability.....	(95,550,537)	
Net other postemployment benefits liability.....	(75,740,741)	
Landfill closure.....	(2,528,866)	
Compensated absences.....	<u>(2,691,600)</u>	
Net effect of reporting long-term liabilities.....		<u>(269,258,950)</u>
Net position of governmental activities.....		<u>\$ 15,403,559</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	General	Elementary School Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 97,659,800	\$ -	\$ -	\$ 97,659,800
Tax liens.....	447	-	-	447
Motor vehicle and other excise taxes.....	5,343,682	-	-	5,343,682
Hotel/motel tax.....	657,734	-	-	657,734
Meals tax.....	504,819	-	-	504,819
Charges for services.....	1,527,734	-	23,226	1,550,960
Penalties and interest on taxes.....	426,296	-	-	426,296
Fees and rentals.....	713,068	-	242,702	955,770
Payments in lieu of taxes.....	85,276	-	-	85,276
Licenses and permits.....	1,062,676	-	-	1,062,676
Fines and forfeitures.....	46,092	-	-	46,092
Intergovernmental - state aid.....	17,004,851	15,584,775	-	32,589,626
Intergovernmental - Teachers Retirement.....	12,381,389	-	-	12,381,389
Intergovernmental - other.....	19,393	-	9,418,082	9,437,475
Departmental and other.....	413,670	-	1,801,180	2,214,850
Community preservation taxes.....	-	-	1,094,314	1,094,314
Community preservation state match.....	-	-	299,882	299,882
Contributions and donations.....	-	-	10,993	10,993
Investment income.....	482,937	-	275,172	758,109
TOTAL REVENUES.....	138,329,864	15,584,775	13,165,551	167,080,190
EXPENDITURES:				
Current:				
General government.....	4,366,097	-	996,142	5,362,239
Public safety.....	14,615,615	-	11,734,815	26,350,430
Education.....	65,925,308	30,402,510	5,842,263	102,170,081
Public works.....	3,598,639	-	1,180,098	4,778,737
Health and human services.....	707,572	-	59,240	766,812
Sanitation.....	2,931,329	-	27,902	2,959,231
Culture and recreation.....	1,974,352	-	45,934	2,020,286
Pension benefits.....	6,730,476	-	-	6,730,476
Pension benefits - Teachers Retirement.....	12,381,389	-	-	12,381,389
Employee benefits.....	5,606,396	-	-	5,606,396
State and county charges.....	1,716,465	-	-	1,716,465
Debt service:				
Principal.....	5,627,965	-	230,000	5,857,965
Interest.....	3,493,387	-	119,600	3,612,987
TOTAL EXPENDITURES.....	129,674,990	30,402,510	20,235,994	180,313,494
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	8,654,874	(14,817,735)	(7,070,443)	(13,233,304)
OTHER FINANCING SOURCES (USES):				
Issuance of refunding bonds.....	15,015,000	-	-	15,015,000
Premium from issuance of refunding bonds.....	2,437,233	-	-	2,437,233
Payment to escrow agent on current refunding.....	(17,380,000)	-	-	(17,380,000)
Transfers in.....	136,189	-	227,517	363,706
Transfers out.....	(3,992,486)	-	(136,189)	(4,128,675)
TOTAL OTHER FINANCING SOURCES (USES).....	(3,784,064)	-	91,328	(3,692,736)
NET CHANGE IN FUND BALANCES.....	4,870,810	(14,817,735)	(6,979,115)	(16,926,040)
FUND BALANCES AT BEGINNING OF YEAR (AS REVISED)....	26,243,240	58,211,043	31,384,275	115,838,558
FUND BALANCES AT END OF YEAR.....	\$ 31,114,050	\$ 43,393,308	\$ 24,405,160	\$ 98,912,518

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, 2021

Net change in fund balances - total governmental funds.....		\$ (16,926,040)
<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.....	42,027,496	
Depreciation expense.....	<u>(5,224,721)</u>	
Net effect of reporting capital assets.....		36,802,775
<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>		
		101,884
<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>		
Issuance of refunding bonds.....	(15,015,000)	
Premium from issuance of refunding bonds.....	(2,437,233)	
Net amortization of premium from issuance of bonds.....	973,254	
Debt service principal payments.....	5,857,965	
Debt service principal payments - current refunding.....	<u>17,380,000</u>	
Net effect of reporting long-term debt.....		6,758,986
<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.....	(101,600)	
Net change in accrued interest on long-term debt.....	34,100	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(6,150,132)	
Net change in net pension liability.....	3,318,331	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits....	1,143,600	
Net change in net other postemployment benefits liability.....	(202,854)	
Net change in landfill closure.....	<u>139,698</u>	
Net effect of recording long-term liabilities.....		(1,818,857)
The net activity of internal service funds is reported with Governmental Activities.....		<u>2,009,815</u>
Change in net position of governmental activities.....		<u>\$ 26,928,563</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Cable	Stormwater	Total	
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 3,202,143	\$ 607,596	\$ 274,327	\$ 440,369	\$ 4,524,435	\$ 4,781,292
Investments.....	6,894,571	11,786,278	2,052,812	299,763	21,033,424	7,207,160
Receivables, net of allowance for uncollectibles:						
User charges.....	2,898,957	2,161,608	-	376,021	5,436,586	-
Departmental and other.....	-	-	-	-	-	304,035
Working capital deposit.....	-	-	-	-	-	2,518,600
Total current assets.....	<u>12,995,671</u>	<u>14,555,482</u>	<u>2,327,139</u>	<u>1,116,153</u>	<u>30,994,445</u>	<u>14,811,087</u>
NONCURRENT:						
Capital assets, non depreciable.....	1,610,908	274,621	-	-	1,885,529	-
Capital assets, net of accumulated depreciation.....	<u>44,865,853</u>	<u>92,838,150</u>	<u>312,931</u>	<u>-</u>	<u>138,016,934</u>	<u>-</u>
Total noncurrent assets.....	<u>46,476,761</u>	<u>93,112,771</u>	<u>312,931</u>	<u>-</u>	<u>139,902,463</u>	<u>-</u>
TOTAL ASSETS.....	<u>59,472,432</u>	<u>107,668,253</u>	<u>2,640,070</u>	<u>1,116,153</u>	<u>170,896,908</u>	<u>14,811,087</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding.....	-	1,221,449	-	-	1,221,449	-
Deferred outflows related to pensions.....	411,459	155,729	33,312	-	600,500	-
Deferred outflows related to other postemployment benefits.....	<u>49,929</u>	<u>6,884</u>	<u>236</u>	<u>-</u>	<u>57,049</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>461,388</u>	<u>1,384,062</u>	<u>33,548</u>	<u>-</u>	<u>1,878,998</u>	<u>-</u>
LIABILITIES						
CURRENT:						
Warrants payable.....	496,614	78,400	4,965	83,648	663,627	194,146
Accrued payroll.....	61,284	14,070	4,664	-	80,018	-
Health claims payable.....	-	-	-	-	-	892,105
Accrued interest.....	182,762	762,133	-	-	944,895	-
Other liabilities.....	-	20,000	-	-	20,000	5,888
Compensated absences.....	52,600	10,600	12,500	-	75,700	-
Bonds payable.....	<u>2,522,992</u>	<u>6,311,915</u>	<u>-</u>	<u>-</u>	<u>8,834,907</u>	<u>-</u>
Total current liabilities.....	<u>3,316,252</u>	<u>7,197,118</u>	<u>22,129</u>	<u>83,648</u>	<u>10,619,147</u>	<u>1,092,139</u>
NONCURRENT:						
Compensated absences.....	83,100	25,400	2,400	-	110,900	-
Net pension liability.....	5,925,365	2,242,629	479,727	-	8,647,721	-
Net other postemployment benefits liability.....	1,316,711	181,550	6,225	-	1,504,486	-
Bonds payable.....	<u>14,231,048</u>	<u>43,230,414</u>	<u>-</u>	<u>-</u>	<u>57,461,462</u>	<u>-</u>
Total noncurrent liabilities.....	<u>21,556,224</u>	<u>45,679,993</u>	<u>488,352</u>	<u>-</u>	<u>67,724,569</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>24,872,476</u>	<u>52,877,111</u>	<u>510,481</u>	<u>83,648</u>	<u>78,343,716</u>	<u>1,092,139</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions.....	407,226	154,127	32,970	-	594,323	-
Deferred inflows related to other postemployment benefits.....	<u>73,345</u>	<u>10,113</u>	<u>347</u>	<u>-</u>	<u>83,805</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>480,571</u>	<u>164,240</u>	<u>33,317</u>	<u>-</u>	<u>678,128</u>	<u>-</u>
NET POSITION						
Net investment in capital assets.....	34,204,690	45,370,854	312,931	-	79,888,475	-
Unrestricted.....	<u>376,083</u>	<u>10,640,110</u>	<u>1,816,889</u>	<u>1,032,505</u>	<u>13,865,587</u>	<u>13,718,948</u>
TOTAL NET POSITION.....	<u>\$ 34,580,773</u>	<u>\$ 56,010,964</u>	<u>\$ 2,129,820</u>	<u>\$ 1,032,505</u>	<u>\$ 93,754,062</u>	<u>\$ 13,718,948</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Cable	Stormwater	Total	
OPERATING REVENUES:						
Employee contributions.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,715,776
Employer contributions.....	-	-	-	-	-	8,636,112
Charges for services.....	8,569,450	6,867,050	612,305	1,507,086	17,555,891	-
Other operating revenues.....	-	-	-	-	-	162,549
TOTAL OPERATING REVENUES	8,569,450	6,867,050	612,305	1,507,086	17,555,891	16,514,437
OPERATING EXPENSES:						
Cost of services and administration.....	2,539,382	2,058,867	79,496	474,220	5,151,965	-
Salaries and wages.....	2,298,835	789,337	179,369	-	3,267,541	-
Depreciation.....	2,469,443	3,014,894	2,940	-	5,487,277	-
Employee benefits.....	-	-	-	-	-	14,926,273
TOTAL OPERATING EXPENSES	7,307,660	5,863,098	261,805	474,220	13,906,783	14,926,273
OPERATING INCOME (LOSS)	1,261,790	1,003,952	350,500	1,032,866	3,649,108	1,588,164
NONOPERATING REVENUES (EXPENSES):						
Investment income (loss).....	111,600	68,732	2,764	(361)	182,735	296,651
Interest expense.....	(475,135)	(1,200,499)	-	-	(1,675,634)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(363,535)	(1,131,767)	2,764	(361)	(1,492,899)	296,651
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	898,255	(127,815)	353,264	1,032,505	2,156,209	1,884,815
TRANSFERS:						
Transfers in.....	-	3,639,969	-	-	3,639,969	125,000
CHANGE IN NET POSITION	898,255	3,512,154	353,264	1,032,505	5,796,178	2,009,815
NET POSITION AT BEGINNING OF YEAR	33,682,518	52,498,810	1,776,556	-	87,957,884	11,709,133
NET POSITION AT END OF YEAR	\$ 34,580,773	\$ 56,010,964	\$ 2,129,820	\$ 1,032,505	\$ 93,754,062	\$ 13,718,948

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Cable	Stormwater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users.....	\$ 8,957,009	\$ 7,004,121	\$ 612,305	\$ 1,131,065	\$ 17,704,500	\$ 7,715,776
Receipts from interfund services provided.....	-	-	-	-	-	7,657,683
Payments to vendors.....	(1,864,672)	(1,950,763)	(56,873)	(390,572)	(4,262,880)	-
Payments to employees.....	(2,293,882)	(785,445)	(173,959)	-	(3,253,286)	-
Payments for interfund services used.....	-	-	-	-	-	(14,995,961)
NET CASH FROM OPERATING ACTIVITIES.....	4,798,455	4,267,913	381,473	740,493	10,188,334	377,498
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in.....	-	3,639,969	-	-	3,639,969	125,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from the issuance of bonds.....	1,285,000	-	-	-	1,285,000	-
Premium from the issuance of bonds.....	215,000	-	-	-	215,000	-
Acquisition and construction of capital assets.....	(1,504,656)	(372,073)	(94,397)	-	(1,971,126)	-
Principal payments on bonds and notes.....	(1,905,176)	(5,375,560)	-	-	(7,280,736)	-
Interest expense.....	(595,905)	(1,916,447)	-	-	(2,512,352)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,505,737)	(7,664,080)	(94,397)	-	(10,264,214)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Sale (purchase) of investments, net.....	(5,277,807)	(8,040,457)	(438,176)	(299,763)	(14,056,203)	(798,478)
Investment income.....	111,600	68,732	2,764	(361)	182,735	296,651
NET CASH FROM INVESTING ACTIVITIES.....	(5,166,207)	(7,971,725)	(435,412)	(300,124)	(13,873,468)	(501,827)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(2,873,489)	(7,727,923)	(148,336)	440,369	(10,309,379)	671
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,075,632	8,335,519	422,663	-	14,833,814	4,780,621
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 3,202,143	\$ 607,596	\$ 274,327	\$ 440,369	\$ 4,524,435	\$ 4,781,292
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH						
FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ 1,261,790	\$ 1,003,952	\$ 350,500	\$ 1,032,866	\$ 3,649,108	\$ 1,588,164
Adjustments to reconcile operating income to net cash from operating activities:						
Depreciation.....	2,469,443	3,014,894	2,940	-	5,487,277	-
Deferred (outflows)/inflows related to pensions.....	364,329	143,313	30,241	-	537,883	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(19,882)	(2,740)	(94)	-	(22,716)	-
User charges.....	387,559	137,071	-	(376,021)	148,609	-
Departmental and other.....	-	-	-	-	-	(116,978)
Working capital deposit.....	-	-	-	-	-	(1,024,000)
Warrants payable.....	241,425	25,747	(1,112)	83,648	349,708	68,302
Accrued payroll.....	20,235	4,832	804	-	25,871	-
Health claims payable.....	-	-	-	-	-	(143,878)
Other liabilities.....	-	-	-	-	-	5,888
Compensated absences.....	4,600	1,800	4,700	-	11,100	-
Net pension liability.....	65,430	(61,442)	(6,523)	-	(2,535)	-
Net other postemployment benefits.....	3,526	486	17	-	4,029	-
Total adjustments.....	3,536,665	3,263,961	30,973	(292,373)	6,539,226	(1,210,666)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,798,455	\$ 4,267,913	\$ 381,473	\$ 740,493	\$ 10,188,334	\$ 377,498
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Issuance of refunding bonds.....	\$ 100,000	\$ 190,000	\$ -	\$ -	\$ 290,000	\$ -
Long-term bonds refunded.....	(100,000)	(220,000)	-	-	(320,000)	-
Refunding premium.....	7,939	32,628	-	-	40,567	-
Premium applied to the issuance of debt.....	215,000	-	-	-	215,000	-
Change in the deferred loss on debt refunding.....	-	(371,704)	-	-	(371,704)	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	-	\$ 428
Investments:		
Investments in Pension Reserve Investment Trust.....	7,213,052	-
Other investments.....	-	3,391
TOTAL ASSETS.....	<u>7,213,052</u>	<u>3,819</u>
NET POSITION		
Restricted for other postemployment benefits.....	7,213,052	-
Held in trust for other purposes.....	-	3,819
TOTAL NET POSITION.....	<u>\$ 7,213,052</u>	<u>\$ 3,819</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 858,932	\$ -
Employer contributions for other postemployment benefit payments....	4,249,310	-
Total contributions.....	5,108,242	-
Investment income.....	1,638,905	139
TOTAL ADDITIONS.....	6,747,147	139
<u>DEDUCTIONS:</u>		
Other postemployment benefit payments.....	4,249,310	-
NET INCREASE (DECREASE) IN NET POSITION.....	2,497,837	139
NET POSITION AT BEGINNING OF YEAR.....	4,715,215	3,680
NET POSITION AT END OF YEAR.....	\$ 7,213,052	\$ 3,819

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 Select Board 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 2021 was \$6,924,597. 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 started during 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 \$98.5 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 *stormwater enterprise fund* accounts for the Town's management of the roadway drainage systems.

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.

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 1st 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 1st, November 1st, February 1st and May 1st 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.

Stormwater User Charges

Stormwater user fees are levied tri-annually for small residential and commercial / large residential properties. These fees are subject to penalties and interest if they are not paid by the respective due date. Stormwater liens are processed in December of every year and included as a lien on the property owner's tax bill. Stormwater 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.

“Permanent funds – nonexpendable” represents the endowment portion 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. Fund Deficits

Individual fund deficits exist at June 30, 2021, within the special revenue and capital project funds. These deficits will be funded with grant funds and bond proceeds in subsequent year.

S. 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 \$33,297,442 and the bank balance totaled \$32,525,593. Of the bank balance, \$2,500,000 was covered by Federal Depository Insurance, \$4,501,277 was covered by Depositor's Insurance Fund, and \$25,524,316 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2021, 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.....	\$ 33,378,159	\$ 19,885,664
Government sponsored enterprises.....	<u>57,460,528</u>	<u>22,604,789</u>
Total debt securities.....	90,838,687	<u>\$ 42,490,453</u>
<u>Other investments:</u>		
Equity securities.....	3,376,152	
International securities.....	140,868	
Money market mutual funds.....	12,476,845	
Pension Reserve Investment Management.....	7,213,052	
MMDT - Cash portfolio.....	<u>2,324,773</u>	
Total investments.....	<u>\$ 116,370,377</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, 2021, the value of these investments totaled \$7,213,052.

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, \$90,838,687 of debt securities, \$3,376,152 in equity securities, and \$140,868 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, 2021, the Town's

investments in MMDT, which totaled \$2,324,773, 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>57,460,528</u>

Additionally, the Town holds \$2,324,773 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, 2021, 29% of the Town’s total investments are with Federal Farm Credit Banks. The Town did not invest more than 22% 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, 2021, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2021	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)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 33,378,159	\$ 33,378,159	\$ -	\$ -
Government sponsored enterprises.....	57,460,528	57,460,528	-	-
Total debt securities.....	90,838,687	90,838,687	-	-
<u>Other investments:</u>				
Equity securities.....	3,376,152	3,376,152	-	-
International securities.....	140,868	140,868	-	-
Money market mutual funds.....	12,476,845	12,476,845	-	-
Total other investments.....	15,993,865	15,993,865	-	-
Total investments measured at fair value.....	106,832,552	\$ 106,832,552	\$ -	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	2,324,773			
Investments measured at net asset value:				
Pension Reserve Investment Management...	7,213,052			
Total investments.....	\$ 116,370,377			

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 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, 2021, 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.....	\$ 841,002	\$ (89,520)	\$ 751,482
Tax liens.....	2,652,159	-	2,652,159
Community preservation fund surtax.....	6,719	-	6,719
Motor vehicle and other excise taxes.....	692,226	(247,279)	444,947
Departmental and other.....	1,585,012	(320,908)	1,264,104
Intergovernmental - other.....	6,224,319	-	6,224,319
Community preservation state share.....	350,800	-	350,800
Total.....	<u>\$ 12,352,237</u>	<u>\$ (657,707)</u>	<u>\$ 11,694,530</u>

At June 30, 2021, receivables for the water, sewer and stormwater enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 2,898,957	\$ -	\$ 2,898,957
Sewer user charges.....	2,161,608	-	2,161,608
Stormwater user charges.....	376,021	-	376,021
Total.....	<u>\$ 5,436,586</u>	<u>\$ -</u>	<u>\$ 5,436,586</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.....	\$ 485,106	\$ -	\$ 485,106
Tax liens.....	2,645,438	6,721	2,652,159
Community preservation fund surtax.....	-	6,719	6,719
Motor vehicle and other excise taxes.....	444,947	-	444,947
Departmental and other.....	647,257	295,102	942,359
Intergovernmental - highway improvements.....	-	1,177,183	1,177,183
Community preservation state share.....	-	350,800	350,800
Total.....	<u>\$ 4,222,748</u>	<u>\$ 1,836,525</u>	<u>\$ 6,059,273</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,845,881	\$ -	\$ -	\$ 1,845,881
Construction in progress.....	8,438,541	39,894,857	(2,480,674)	45,852,724
Artwork.....	903,300	-	-	903,300
Total capital assets not being depreciated.....	<u>11,187,722</u>	<u>39,894,857</u>	<u>(2,480,674)</u>	<u>48,601,905</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,104,796	78,000	-	3,182,796
Buildings.....	123,620,289	1,128,242	-	124,748,531
Building improvements.....	13,379,462	1,347,310	-	14,726,772
Machinery and equipment.....	14,827,712	660,620	-	15,488,332
Library and school books.....	3,261,757	-	-	3,261,757
Computer software.....	367,465	36,155	-	403,620
Infrastructure.....	51,579,101	1,362,986	(411,480)	52,530,607
Total capital assets being depreciated.....	<u>210,140,582</u>	<u>4,613,313</u>	<u>(411,480)</u>	<u>214,342,415</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(816,489)	(140,399)	-	(956,888)
Buildings.....	(40,486,523)	(3,059,072)	-	(43,545,595)
Building improvements.....	(4,907,784)	(544,867)	-	(5,452,651)
Machinery and equipment.....	(8,284,017)	(958,611)	-	(9,242,628)
Library and school books.....	(3,228,972)	-	-	(3,228,972)
Computer software.....	(316,125)	(18,285)	-	(334,410)
Infrastructure.....	(32,388,158)	(503,487)	411,480	(32,480,165)
Total accumulated depreciation.....	<u>(90,428,068)</u>	<u>(5,224,721)</u>	<u>411,480</u>	<u>(95,241,309)</u>
Total capital assets being depreciated, net.....	<u>119,712,514</u>	<u>(611,408)</u>	<u>-</u>	<u>119,101,106</u>
Total governmental activities capital assets, net.....	<u>\$ 130,900,236</u>	<u>\$ 39,283,449</u>	<u>\$ (2,480,674)</u>	<u>\$ 167,703,011</u>

Capital asset activity for the business-type activities for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 204,000	\$ -	\$ -	\$ 204,000
Construction in progress.....	13,512,400	1,402,853	(13,508,345)	1,406,908
Total capital assets not being depreciated.....	<u>13,716,400</u>	<u>1,402,853</u>	<u>(13,508,345)</u>	<u>1,610,908</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.....	3,689,155	36,991	-	3,726,146
Infrastructure.....	80,485,161	13,573,157	(666,303)	93,392,015
Total capital assets being depreciated.....	<u>111,055,188</u>	<u>13,610,148</u>	<u>(666,303)</u>	<u>123,999,033</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(15,794,348)	(381,718)	-	(16,176,066)
Building improvements.....	(3,383,980)	(186,280)	-	(3,570,260)
Machinery and equipment.....	(3,510,709)	(61,258)	-	(3,571,967)
Infrastructure.....	(54,641,003)	(1,840,187)	666,303	(55,814,887)
Total accumulated depreciation.....	<u>(77,330,040)</u>	<u>(2,469,443)</u>	<u>666,303</u>	<u>(79,133,180)</u>
Total capital assets being depreciated, net.....	<u>33,725,148</u>	<u>11,140,705</u>	<u>-</u>	<u>44,865,853</u>
Total water activities capital assets, net.....	<u>\$ 47,441,548</u>	<u>\$ 12,543,558</u>	<u>\$ (13,508,345)</u>	<u>\$ 46,476,761</u>
Sewer:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 65,890	\$ 274,621	\$ (65,890)	\$ 274,621
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	925,824	37,452	-	963,276
Infrastructure.....	144,870,761	125,890	(326,381)	144,670,270
Total capital assets being depreciated.....	<u>145,796,585</u>	<u>163,342</u>	<u>(326,381)</u>	<u>145,633,546</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(429,044)	(76,046)	-	(505,090)
Infrastructure.....	(49,677,839)	(2,938,848)	326,381	(52,290,306)
Total accumulated depreciation.....	<u>(50,106,883)</u>	<u>(3,014,894)</u>	<u>326,381</u>	<u>(52,795,396)</u>
Total capital assets being depreciated, net.....	<u>95,689,702</u>	<u>(2,851,552)</u>	<u>-</u>	<u>92,838,150</u>
Total sewer activities capital assets, net.....	<u>\$ 95,755,592</u>	<u>\$ (2,576,931)</u>	<u>\$ (65,890)</u>	<u>\$ 93,112,771</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Cable:				
<u>Capital assets being depreciated:</u>				
Infrastructure.....	\$ 227,152	\$ 94,397	\$ -	\$ 321,549
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(5,678)	(2,940)	-	(8,618)
Total cable activities capital assets, net.....	<u>\$ 221,474</u>	<u>\$ 91,457</u>	<u>\$ -</u>	<u>\$ 312,931</u>

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

Governmental Activities:	
General government.....	\$ 459,898
Public safety.....	696,249
Education.....	2,828,828
Public works.....	840,620
Culture and recreation.....	399,126
Total depreciation expense - governmental activities.....	<u>\$ 5,224,721</u>
Business-Type Activities:	
Water.....	\$ 2,469,443
Sewer.....	3,014,894
Cable.....	2,940
Total depreciation expense - business-type activities.....	<u>\$ 5,487,277</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General fund	Nonmajor governmental funds	Internal service fund	Sewer enterprise fund	
General fund.....	\$ -	\$ 227,517	\$ 125,000	\$ 3,639,969	\$ 3,992,486 (1)
Nonmajor governmental funds.....	136,189	-	-	-	136,189 (2)
Total.....	<u>\$ 136,189</u>	<u>\$ 227,517</u>	<u>\$ 125,000</u>	<u>\$ 3,639,969</u>	<u>\$ 4,128,675</u>

- (1) Represents budgeted transfers from the general fund to the sewer enterprise fund for debt service costs, the nonmajor capital project fund for short term bond paydown and the internal service fund.
- (2) Represents transfers from nonmajor governmental funds to the general fund from tax title revolving funds and to close out old projects.

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, 2021, the Town had the following short-term debt outstanding:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
Governmental Funds:							
BAN	Municipal Purpose.....	1.24%	05/28/21	\$ 499,000	\$ -	\$ (499,000)	\$ -
BAN	Municipal Purpose.....	0.53%	07/15/21	-	271,483	-	271,483
Total Governmental Funds.....				\$ 499,000	\$ 271,483	\$ (499,000)	\$ 271,483

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, 2021, 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, 2021
General Obligation Bonds Payable:				
Municipal Purpose Bonds of 2013.....	2022	\$ 100,000	2.00	\$ 10,000
Municipal Purpose Refunding Bonds of 2013.....	2022	2,595,600	2.00	229,155
Municipal Purpose Bonds of 2015.....	2035	7,600,000	2.50-5.00	5,320,000
Municipal Purpose Refunding Bonds of 2016.....	2025	1,055,000	2.00-5.00	465,000
Municipal Purpose Bonds of 2017.....	2036	4,100,000	2.00-5.00	3,075,000
Municipal Purpose Refunding Bonds of 2017.....	2026	680,000	2.00-5.00	375,000
Municipal Purpose Bonds of 2018.....	2038	15,000,000	2.00-5.00	12,750,000
Municipal Purpose Bonds of 2019.....	2039	54,435,000	3.00-5.00	48,985,000
Municipal Purpose Refunding Bonds of 2021.....	2031	15,015,000	3.00-5.00	13,660,000
Total Bonds Payable.....				84,869,155
Add: Unamortized premium on bonds.....				7,878,051
Total Bonds Payable, net.....				<u>\$ 92,747,206</u>

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

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2022.....	\$ 5,809,155	\$ 3,294,788	\$ 9,103,943
2023.....	5,570,000	3,015,106	8,585,106
2024.....	5,585,000	2,736,606	8,321,606
2025.....	5,605,000	2,457,356	8,062,356
2026.....	5,505,000	2,191,031	7,696,031
2027.....	5,440,000	1,930,881	7,370,881
2028.....	5,455,000	1,693,081	7,148,081
2029.....	5,465,000	1,456,581	6,921,581
2030.....	5,450,000	1,259,006	6,709,006
2031.....	5,430,000	1,073,850	6,503,850
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>\$ 84,869,155</u>	<u>\$ 24,877,174</u>	<u>\$ 109,746,329</u>

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
General Obligation Bonds Payable:				
Sewer Refunding.....	2035	\$ 67,426,705	2.00-3.125	\$ 46,359,980
Add: Unamortized premium on bonds.....				<u>3,182,349</u>
Total Bonds Payable, net.....				<u>\$ 49,542,329</u>

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

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2022.....	\$ 5,464,980	\$ 1,700,168	\$ 7,165,148
2023.....	5,665,000	1,439,768	7,104,768
2024.....	5,990,000	1,159,834	7,149,834
2025.....	6,230,000	864,269	7,094,269
2026.....	6,060,000	619,700	6,679,700
2027.....	6,135,000	433,850	6,568,850
2028.....	4,560,000	249,400	4,809,400
2029.....	2,910,000	153,900	3,063,900
2030.....	1,655,000	91,650	1,746,650
2031.....	370,000	53,156	423,156
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>\$ 46,359,980</u>	<u>\$ 6,870,543</u>	<u>\$ 53,230,523</u>

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
General Obligation Bonds Payable:				
Water.....	2036	\$ 18,930,000	2.00-6.75	\$ 12,570,000
Water Refunding.....	2029	2,416,695	2.00-3.125	<u>885,865</u>
Subtotal General Obligation Bonds Payable.....				<u>13,455,865</u>
Direct Borrowings Payable:				
Massachusetts Clean Water Trust - Water.....	2027	7,190,614	2.00	<u>2,470,582</u>
Total Bonds Payable.....				15,926,447
Add: Unamortized premium on bonds.....				<u>827,593</u>
Total Bonds Payable, net.....				<u>\$ 16,754,040</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
2022.....	\$ 1,420,865	\$ 506,540	\$ 1,927,405
2023.....	1,295,000	459,074	1,754,074
2024.....	1,305,000	394,326	1,699,326
2025.....	1,160,000	329,072	1,489,072
2026.....	975,000	282,680	1,257,680
2027.....	935,000	240,782	1,175,782
2028.....	935,000	206,732	1,141,732
2029.....	930,000	172,782	1,102,782
2030.....	750,000	142,032	892,032
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>\$ 13,455,865</u>	<u>\$ 3,159,802</u>	<u>\$ 16,615,667</u>

Year	Direct Borrowings Payable		
	Principal	Interest	Total
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.....	\$ 2,470,582	\$ 151,116	\$ 2,621,698

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, 2021, 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

In order to take advantage of favorable interest rates, the Town issued \$15,305,000 of general obligation refunding bonds along with \$2,652,233 of bond premiums on October 20, 2020. The proceeds of the refunding bonds and premiums were used to complete a current refunding of existing debt. The refunded bonds totaled \$17,700,000 and became callable on December 1, 2020. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$2,765,975 and a reduction of \$2,884,125 in future debt service payments.

Changes in Long-term Liabilities

During the year ended June 30, 2021, 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
Governmental Activities:							
Long-term general obligation bonds payable...\$	93,092,120	\$ 15,015,000	\$ (23,237,965)	\$ -	\$ -	\$ 84,869,155	\$ 6,969,155
Add: Unamortized premium on bonds.....	6,414,072	2,437,233	(973,254)	-	-	7,878,051	1,131,205
Total bonds payable.....	99,506,192	17,452,233	(24,211,219)	-	-	92,747,206	8,100,360
Landfill closure.....	2,668,564	-	-	-	(139,698)	2,528,866	137,963
Compensated absences.....	2,590,000	-	-	1,154,900	(1,053,300)	2,691,600	1,109,300
Net pension liability.....	98,868,868	-	-	4,757,964	(8,076,295)	95,550,537	-
Net other postemployment benefits.....	75,537,887	-	-	5,543,864	(5,341,010)	75,740,741	-
Total governmental activity long-term liabilities.....	\$ 279,171,511	\$ 17,452,233	\$ (24,211,219)	\$ 11,456,728	\$ (14,610,303)	\$ 269,258,950	\$ 9,347,623
Business-Type Activities:							
Long-term general obligation bonds payable...\$	65,457,880	\$ 1,575,000	\$ (7,217,035)	\$ -	\$ -	\$ 59,815,845	\$ 4,806,716
Long-term direct borrowings payable.....	2,854,283	-	(383,701)	-	-	2,470,582	2,470,582
Add: Unamortized premium on bonds.....	4,863,636	255,567	(1,109,261)	-	-	4,009,942	1,557,609
Total bonds payable.....	73,175,799	1,830,567	(8,709,997)	-	-	66,296,369	8,834,907
Compensated absences.....	175,500	-	-	80,300	(69,200)	186,600	75,700
Net pension liability.....	8,650,256	-	-	687,855	(690,390)	8,647,721	-
Net other postemployment benefits.....	1,500,457	-	-	110,121	(106,092)	1,504,486	-
Total business-type activity long-term liabilities.....	\$ 83,502,012	\$ 1,830,567	\$ (8,709,997)	\$ 878,276	\$ (865,682)	\$ 76,635,176	\$ 8,910,607

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:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 26,922	\$ 26,922
Restricted for:				
Elementary school construction.....	-	43,393,308	-	43,393,308
Town grant funds.....	-	-	283,947	283,947
Town revolving funds.....	-	-	986,866	986,866
Town gift funds.....	-	-	1,133,836	1,133,836
Town receipts reserved.....	-	-	2,593	2,593
Town other funds.....	-	-	302,797	302,797
Town special articles.....	-	-	911	911
School grant funds.....	-	-	1,978,775	1,978,775
School revolving funds.....	-	-	1,421,520	1,421,520
School gift funds.....	-	-	56,041	56,041
School other funds.....	-	-	154,975	154,975
Restricted funds.....	-	-	5,488,627	5,488,627
Street projects.....	-	-	75,000	75,000
Community preservation.....	-	-	2,847,784	2,847,784
Town capital projects.....	-	-	3,449,497	3,449,497
Fire station construction.....	-	-	6,773,991	6,773,991
Foster trust fund.....	-	-	30,040	30,040
Cemetery perpetual care.....	-	-	1,019	1,019
Committed to:				
Articles and continuing appropriations:				
General government.....	1,508,951	-	-	1,508,951
Public safety.....	443,053	-	-	443,053
Education.....	1,620,558	-	-	1,620,558
Public works.....	1,904,823	-	-	1,904,823
Health and sanitation.....	295,403	-	-	295,403
Culture and recreation.....	286,531	-	-	286,531
Assigned to:				
General government.....	169,080	-	-	169,080
Public safety.....	288,400	-	-	288,400
Education.....	3,616,194	-	-	3,616,194
Public works.....	433,564	-	-	433,564
Health and sanitation.....	1,471	-	-	1,471
Human services.....	39,533	-	-	39,533
Culture and recreation.....	96,928	-	-	96,928
Employee benefits.....	385	-	-	385
Unassigned.....	20,409,176	-	(609,981)	19,799,195
Total Fund Balances.....	\$ 31,114,050	\$ 43,393,308	\$ 24,405,160	\$ 98,912,518

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 \$7,315,538 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, 2019, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2020.....	\$ 1,013,104	\$ 16,988,489	\$ (16,965,610)	\$ 1,035,983
2021.....	1,035,983	14,782,395	(14,926,273)	892,105

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, 2020. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$12,381,389 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 \$100,242,535 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 \$8,797,968 and its actual contribution for the year ended December 31, 2020, was \$8,807,233, 36.29% 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, 2021, the Town reported a liability of \$104,198,258 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, 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, 2020, the Town's proportion was 6.805%, which increased from its 6.720% proportion measured at December 31, 2019.

Pension Expense

For the year ended June 30, 2021, the Town recognized a pension expense of \$12,174,382. At June 30, 2021, the Town reported deferred outflows of resources related to pensions of \$7,235,551 and deferred inflows of resources related to pensions of \$7,161,127.

The balances of deferred outflows and inflows at June 30, 2021, consist of the following:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ 1,905,747	\$ (123,307)	\$ 1,782,440
Difference between projected and actual earnings, net.....	-	(5,906,847)	(5,906,847)
Changes in assumptions.....	3,977,634	-	3,977,634
Changes in proportion and proportionate share of contributions.....	<u>1,352,170</u>	<u>(1,130,973)</u>	<u>221,197</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 7,235,551</u>	<u>\$ (7,161,127)</u>	<u>\$ 74,424</u>

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

Year ended June 30:

2022.....	\$ 1,098,016
2023.....	534,620
2024.....	(731,143)
2025.....	<u>(827,069)</u>
Total.....	<u>\$ 74,424</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 2022 through fiscal 2028, 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%.
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.
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:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	22.00%	6.28%
International developed markets equity....	12.00%	7.00%
International emerging markets equity.....	5.00%	8.82%
Core fixed income.....	15.00%	0.38%
High-yield fixed income.....	8.00%	2.97%
Real estate.....	10.00%	3.50%
Timber.....	4.00%	3.45%
Hedge funds, GTAA, risk parity.....	10.00%	2.35%
Private equity.....	14.00%	10.11%
 Total.....	 <u>100.00%</u>	

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.26%. 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 Pension Liability to Changes in the Discount Rate

The following table 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.

	<u>1% Decrease (6.30%)</u>	<u>Current Discount (7.30%)</u>	<u>1% Increase (8.30%)</u>
The Town's proportionate share of the net pension liability.....	\$ <u>129,842,250</u>	\$ <u>104,198,258</u>	\$ <u>82,623,473</u>
MCRS total net pension liability.....	\$ <u>1,907,916,916</u>	\$ <u>1,531,093,126</u>	\$ <u>1,214,072,425</u>

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, 2021, the Town's average contribution rate was 9.73% 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 2021, 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, 2021, the net position of this fund totaled \$7,213,052.

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, 2021, 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, 2021:

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, 2021:

Total OPEB liability.....	\$ 84,458,279
Less: OPEB plan's fiduciary net position.....	<u>(7,213,052)</u>
Net OPEB liability.....	<u><u>\$ 77,245,227</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	8.54%

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, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.40%. 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, 2021, are summarized in the table on the following page.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	23.10%	6.40%
International developed markets equity....	14.40%	6.60%
International emerging markets equity.....	5.80%	8.40%
Core fixed income.....	15.80%	8.50%
Value-added fixed income.....	7.40%	6.20%
Private equity.....	12.60%	10.20%
Real estate.....	8.30%	6.00%
Timberland.....	3.30%	6.60%
Hedge fund, PCS.....	8.80%	5.70%
Liquidating portfolios.....	0.10%	5.20%
Overlay.....	0.40%	0.00%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50% as of June 30, 2021, and 7.50% as of June 30, 2020. 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, 2021.

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..... \$	95,090,359	\$ 84,458,279	\$ 76,398,536
Less: Plan fiduciary net position.....	(7,213,052)	(7,213,052)	(7,213,052)
Net OPEB liability..... \$	87,877,307	\$ 77,245,227	\$ 69,185,484

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The table on the following page 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.....	\$ 73,701,768	\$ 84,458,279	\$ 98,555,798
Less: Plan fiduciary net position.....	(7,213,052)	(7,213,052)	(7,213,052)
Net OPEB liability.....	\$ 66,488,716	\$ 77,245,227	\$ 91,342,746

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, 2020.....	\$ 81,753,559	\$ 4,715,215	\$ 77,038,344
Changes for the year:			
Service cost.....	1,616,778	-	1,616,778
Interest.....	6,083,829	-	6,083,829
Differences between expected and actual experience....	(746,577)	-	(746,577)
Benefit payments.....	(4,249,310)	(4,249,310)	-
Employer contributions.....	-	5,108,242	(5,108,242)
Investment income.....	-	1,638,905	(1,638,905)
Net change.....	<u>2,704,720</u>	<u>2,497,837</u>	<u>206,883</u>
Balances at June 30, 2021.....	<u>\$ 84,458,279</u>	<u>\$ 7,213,052</u>	<u>\$ 77,245,227</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$4,487,669. At June 30, 2021, 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.....	\$ -	\$ (3,288,522)	\$ (3,288,522)
Difference between projected and actual earnings, net....	-	(1,014,304)	(1,014,304)
Changes in assumptions.....	<u>2,929,087</u>	<u>-</u>	<u>2,929,087</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 2,929,087</u>	<u>\$ (4,302,826)</u>	<u>\$ (1,373,739)</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:

2022.....	\$ (1,850,559)
2023.....	516,369
2024.....	271,904
2025.....	<u>(311,453)</u>
Total.....	<u>\$ (1,373,739)</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 2021, the Town made a payment of \$139,698 which reduced the present value of the obligation to \$2,528,866. Yearly payments on the remaining balance vary based on the cost of monitoring and maintenance of the landfill. The Fiscal 2021 payment will be \$137,963.

NOTE 13 – COMMITMENTS

In 2021, the Town has authorized but not yet issued debt of \$56.4 million. Of this amount, \$38.5 million relates to the new elementary school, \$10.8 million relates to the high school project, \$3.0 million relates to various road projects, \$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.

The general fund has various commitments for goods and services related to encumbrances totaling \$10,704,874.

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, 2021, 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, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

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, 2021. 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.

In addition to the CARES Act, on March 11, 2021, the United States Federal Government established the American Rescue Plan Act (ARPA) to enhance the United States' recovery from the economic and health effects of the COVID-19 pandemic. This Act requires that the payment from these funds be used to cover costs related to; public health; negative economic impacts; services to disproportionately impacted communities; premium pay; infrastructure; revenue replacement; or administration. These funds can only be used to cover costs incurred between March 3, 2021, and December 31, 2024. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

In addition to funding from the CARES Act and the ARPA 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 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the governmental activities and the nonmajor governmental funds have been revised to reflect the implementation of GASB Statement #84. The revised balances are summarized in the following table:

	6/30/2020 Previously Reported Balances	Implementation of GASB #84	6/30/2020 Revised Balances
Government-Wide Financial Statements			
Governmental activities.....	\$ (11,872,115)	\$ 347,111	\$ (11,525,004)
GASB Financial Statements			
Nonmajor governmental funds.....	\$ 31,328,745	\$ 55,530	\$ 31,384,275

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2021 which is the date the financial statements were available to be issued.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, Fiduciary Activities. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, Majority Equity Interests – an amendment of GASB Statements #14 and #61. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, The Annual Comprehensive Financial Report. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- 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 #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*, which is required to be implemented in 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, 2021

	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			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 97,498,010	\$ 97,498,010	\$ 96,737,949	\$ 97,777,253	\$ -	\$ 1,039,304
Tax liens.....	-	-	-	-	447	-	447
Motor vehicle and other excise taxes.....	-	4,525,191	4,525,191	4,525,191	5,343,682	-	818,491
Hotel/motel tax.....	-	424,142	424,142	424,142	657,734	-	233,592
Meals tax.....	-	349,656	349,656	349,656	504,819	-	155,163
Charges for services.....	-	1,374,928	1,374,928	1,374,928	1,527,734	-	152,806
Penalties and interest on taxes.....	-	266,341	266,341	266,341	426,296	-	159,955
Fees and rentals.....	-	617,321	617,321	617,321	713,068	-	95,747
Payments in lieu of taxes.....	-	28,531	28,531	28,531	85,276	-	56,745
Licenses and permits.....	-	790,335	790,335	790,335	1,062,676	-	272,341
Fines and forfeitures.....	-	56,228	56,228	56,228	46,092	-	(10,136)
Intergovernmental - state aid.....	-	17,006,747	17,006,747	17,006,747	17,004,851	-	(1,896)
Intergovernmental - other.....	-	-	-	-	19,393	-	19,393
Departmental and other.....	-	150,628	150,628	150,628	413,670	-	263,042
Investment income.....	-	122,133	122,133	122,133	202,920	-	80,787
TOTAL REVENUES.....	-	123,210,191	123,210,191	122,450,130	125,785,911	-	3,335,781
EXPENDITURES:							
Current:							
General government.....	2,613,352	5,781,525	8,394,877	6,186,976	4,366,097	1,678,031	142,848
Public safety.....	202,443	14,967,270	15,169,713	15,424,179	14,615,615	731,453	77,111
Education.....	4,304,617	70,041,652	74,346,269	72,527,213	65,925,308	5,236,752	1,365,153
Public works.....	1,300,107	5,422,046	6,722,153	6,119,672	3,598,639	2,338,387	182,646
Health and human services.....	35,565	930,090	965,655	911,343	707,572	39,533	164,238
Sanitation.....	353,507	3,130,675	3,484,182	3,243,779	2,931,329	296,874	15,576
Culture and recreation.....	139,680	2,264,308	2,403,988	2,394,614	1,974,352	383,459	36,803
Pension benefits.....	-	6,762,476	6,762,476	6,762,476	6,730,476	-	32,000
Employee benefits.....	385	5,187,956	5,188,341	5,113,654	4,956,396	385	156,873
State and county charges.....	-	1,563,048	1,563,048	1,563,048	1,716,465	-	(153,417)
Debt service:							
Principal.....	-	6,674,465	6,674,465	5,855,482	5,627,965	-	227,517
Interest.....	-	3,996,159	3,996,159	3,431,167	3,421,154	-	10,013
TOTAL EXPENDITURES.....	8,949,656	126,721,670	135,671,326	129,533,603	116,571,368	10,704,874	2,257,361
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(8,949,656)	(3,511,479)	(12,461,135)	(7,083,473)	9,214,543	(10,704,874)	5,593,142
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	-	-	2,587,291	2,723,480	-	136,189
Transfers out.....	-	(4,414,969)	(4,414,969)	(7,697,924)	(7,697,924)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	(4,414,969)	(4,414,969)	(5,110,633)	(4,974,444)	-	136,189
NET CHANGE IN FUND BALANCE.....	(8,949,656)	(7,926,448)	(16,876,104)	(12,194,106)	4,240,099	(10,704,874)	5,729,331
BUDGETARY FUND BALANCE, Beginning of year...	-	18,657,326	18,657,326	18,657,326	18,657,326	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (8,949,656)	\$ 10,730,878	\$ 1,781,222	\$ 6,463,220	\$ 22,897,425	\$ (10,704,874)	\$ 5,729,331

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, 2020.....	6.805%	\$ 104,198,258	\$ 24,269,942	429.33%	53.42%
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

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, 2021.....	\$ 8,797,968	\$ (8,807,233)	\$ (9,265)	\$ 24,269,942	36.29%
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**

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.

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2021.....	\$ 100,242,535	\$ 12,381,389	50.67%
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	June 30, 2021
Total OPEB Liability					
Service Cost.....	\$ 1,491,263	\$ 1,558,371	\$ 1,569,500	\$ 1,624,430	\$ 1,616,778
Interest.....	6,069,625	6,343,332	5,357,166	5,587,670	6,083,829
Changes of benefit terms.....	-	(1,872,821)	-	-	-
Differences between expected and actual experience....	-	(16,038,724)	-	(957,103)	(746,577)
Changes of assumptions.....	-	412,590	-	4,449,161	-
Benefit payments.....	<u>(4,437,801)</u>	<u>(3,502,405)</u>	<u>(3,625,325)</u>	<u>(3,891,220)</u>	<u>(4,249,310)</u>
Net change in total OPEB liability.....	3,123,087	(13,099,657)	3,301,341	6,812,938	2,704,720
Total OPEB liability - beginning.....	<u>81,615,850</u>	<u>84,738,937</u>	<u>71,639,280</u>	<u>74,940,621</u>	<u>81,753,559</u>
Total OPEB liability - ending (a).....	<u>\$ 84,738,937</u>	<u>\$ 71,639,280</u>	<u>\$ 74,940,621</u>	<u>\$ 81,753,559</u>	<u>\$ 84,458,279</u>
Plan fiduciary net position					
Employer contributions.....	\$ 350,000	\$ 852,732	\$ 852,732	\$ 858,932	\$ 858,932
Employer contributions for OPEB payments.....	4,437,801	3,502,405	3,625,325	3,891,220	4,249,310
Net investment income.....	162,913	217,163	216,377	98,136	1,638,905
Benefit payments.....	<u>(4,437,801)</u>	<u>(3,502,405)</u>	<u>(3,625,325)</u>	<u>(3,891,220)</u>	<u>(4,249,310)</u>
Net change in plan fiduciary net position.....	512,913	1,069,895	1,069,109	957,068	2,497,837
Plan fiduciary net position - beginning of year.....	<u>1,106,230</u>	<u>1,619,143</u>	<u>2,689,038</u>	<u>3,758,147</u>	<u>4,715,215</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 1,619,143</u>	<u>\$ 2,689,038</u>	<u>\$ 3,758,147</u>	<u>\$ 4,715,215</u>	<u>\$ 7,213,052</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 83,119,794</u>	<u>\$ 68,950,242</u>	<u>\$ 71,182,474</u>	<u>\$ 77,038,344</u>	<u>\$ 77,245,227</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.91%	3.75%	5.01%	5.77%	8.54%
Covered-employee payroll.....	\$ 45,926,768	\$ 47,438,780	\$ 49,099,137	\$ 50,721,092	\$ 52,496,330
Net OPEB liability as a percentage of covered-employee payroll.....	180.98%	145.35%	144.98%	151.89%	147.14%

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**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2021.....	\$ 5,746,168	\$ (5,108,242)	\$ 637,926	\$ 52,496,330	9.73%
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

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2021.....	29.40%
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 2021 approved budget, including amounts carried forward from the prior year, authorized approximately \$140.1 million in appropriations and other amounts to be raised. There was an approximately \$6.1 million increase from the initial 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, 2021, is as follows:

Net change in fund balance - budgetary basis.....	\$ 4,240,099
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	748,164
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	175,354
Net change in recording 60 day receipts.....	(292,807)
Recognition of revenue for on-behalf payments.....	12,381,389
Recognition of expenditures for on-behalf payments.....	<u>(12,381,389)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 4,870,810</u>

3. Appropriation Deficit

Expenditures exceeded appropriations for state and county charges. State assessment deficits are not required to be raised.

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 are 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.