



## **TOWN OF LITTLETON, MASSACHUSETTS**

**Financial Statements  
For the Year Ended June 30, 2021**

**(With Independent Auditor's Report Thereon)**

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**(For the Fiscal Year ended June 30, 2021)**

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## INDEPENDENT AUDITOR'S REPORT

To the Select Board  
Town of Littleton, 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 Littleton, Massachusetts (the Town), as of and for the year ended June 30, 2021 (except for the Electric Light Enterprise Fund, which is as of and for the year ended December 31, 2020), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***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 as of June 30, 2021, (except for the Electric Light Enterprise Fund, which is as of and for the year ended December 31, 2020), and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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's internal control over financial



reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Melanson*

Merrimack, New Hampshire  
June 17, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the Town of Littleton, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021.

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

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

#### ***Government-Wide Financial Statements***

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

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

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

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

education, public works, health and human services, and culture and recreation. The business-type activities include electric, water, sewer, and parks and recreation activities.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into 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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

#### ***Proprietary Funds***

Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on the fees charged to external users. Enterprise funds are used to report the same functions presented as the business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for the electric, water and sewer operations, which are considered to be major funds, as well as parks and recreation operations, a nonmajor enterprise fund.

### ***Fiduciary Funds***

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

### ***Notes to Financial Statements***

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

### ***Required Supplementary Information (Other Than MD&A)***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

### ***Financial Highlights***

- As of the close of the current fiscal year, net position in governmental activities was \$90,830,522, a change of \$14,194,424. Net position in business-type activities was \$48,279,292, a change of \$3,931,802.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$40,247,203, a change of \$(1,339,156) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,524,580 a change of \$4,382,158 in comparison to the prior year. This change was attributable to an increase in new growth within the Town, the amount of unused free cash or unassigned fund balance, and strong budgetary controls.

## Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years:

	SUMMARY OF NET POSITION (in thousands)					
	Governmental		Business-Type			
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 53,049	\$ 49,640	\$ 31,751	\$ 25,398	\$ 84,800	\$ 75,038
Capital assets	<u>95,112</u>	<u>86,107</u>	<u>50,070</u>	<u>41,181</u>	<u>145,182</u>	<u>127,288</u>
Total assets	148,161	135,747	81,821	66,579	229,982	202,326
Deferred outflows of resources	<u>7,715</u>	<u>8,364</u>	<u>2,141</u>	<u>2,778</u>	<u>9,856</u>	<u>11,142</u>
Total assets and deferred outflows of resources	<u>\$ 155,876</u>	<u>\$ 144,111</u>	<u>\$ 83,962</u>	<u>\$ 69,357</u>	<u>\$ 239,838</u>	<u>\$ 213,468</u>
Long-term liabilities outstanding	\$ 42,247	\$ 58,423	\$ 15,904	\$ 17,826	\$ 58,151	\$ 76,249
Other liabilities	<u>10,667</u>	<u>6,604</u>	<u>17,982</u>	<u>6,541</u>	<u>28,649</u>	<u>13,145</u>
Total liabilities	52,914	65,027	33,886	24,367	86,800	89,394
Deferred inflows of resources	12,132	2,178	1,797	916	13,929	3,094
Net position:						
Net investment in capital assets	72,873	66,085	41,503	34,866	114,376	100,951
Restricted	19,447	16,834	2,337	2,744	21,784	19,578
Unrestricted	<u>(1,490)</u>	<u>(6,013)</u>	<u>4,439</u>	<u>6,464</u>	<u>2,949</u>	<u>451</u>
Total net position	<u>90,830</u>	<u>76,906</u>	<u>48,279</u>	<u>44,074</u>	<u>139,109</u>	<u>120,980</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 155,876</u>	<u>\$ 144,111</u>	<u>\$ 83,962</u>	<u>\$ 69,357</u>	<u>\$ 239,838</u>	<u>\$ 213,468</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position.

The largest portion of net position \$114,376,475 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position of \$21,784,514 represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position reflects a balance of \$2,948,825.

**CHANGES IN NET POSITION (in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 6,769	\$ 4,985	\$ 34,281	\$ 35,530	\$ 41,050	\$ 40,515
Operating grants and contributions	13,193	11,620	255	96	13,448	11,716
Capital grants and contributions	2,915	2,389	-	-	2,915	2,389
General revenues:						
Property taxes	43,665	41,544	-	-	43,665	41,544
Excise taxes	1,903	1,768	-	-	1,903	1,768
Interest and penalties	40	17	-	-	40	17
Grants and contributions not restricted to specific programs	1,100	1,397	-	-	1,100	1,397
Other	-	-	2,092	1,199	2,092	1,199
<b>Total revenues</b>	<b>69,585</b>	<b>63,720</b>	<b>36,628</b>	<b>36,825</b>	<b>106,213</b>	<b>100,545</b>
<b>Expenses*:</b>						
General government	5,687	5,741	-	-	5,687	5,741
Public safety	9,100	8,740	-	-	9,100	8,740
Education	34,971	35,790	-	-	34,971	35,790
Public works	4,119	3,490	-	-	4,119	3,490
Health and human services	528	624	-	-	528	624
Culture and recreation	593	991	-	-	593	991
Interest on long-term debt	766	606	-	-	766	606
Electric services	-	-	27,845	29,613	27,845	29,613
Water services	-	-	3,599	3,760	3,599	3,760
Sewer services	-	-	138	-	138	-
Parks and recreation	-	-	741	958	741	958
<b>Total expenses</b>	<b>55,764</b>	<b>55,982</b>	<b>32,323</b>	<b>34,331</b>	<b>88,087</b>	<b>90,313</b>
Change in net position before transfers	13,821	7,738	4,305	2,494	18,126	10,232
Transfers in (out)	373	243	(373)	(243)	-	-
Change in net position	14,194	7,981	3,932	2,251	18,126	10,232
Net position - beginning of year, as restated	<u>76,636</u>	<u>68,925</u>	<u>44,347</u>	<u>41,823</u>	<u>120,983</u>	<u>110,748</u>
<b>Net position - end of year</b>	<b>\$ 90,830</b>	<b>\$ 76,906</b>	<b>\$ 48,279</b>	<b>\$ 44,074</b>	<b>\$ 139,109</b>	<b>\$ 120,980</b>

\* Certain amounts in the prior period have been reclassified to conform with current period presentation.

***Governmental Activities***

Governmental activities for the year resulted in an increase in net position of \$14,194,424. This increase is primarily driven by the Town's practice of funding capital activity through their operating budget.

### ***Business-Type Activities***

Business-type activities for the year resulted in an increase in net position of \$3,931,802. The largest reason for this change was the increase in the Electric Fund's net position of \$2,514,918. The Water Fund's net position increased by \$1,315,995.

### **Financial Analysis of the Town's Funds**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

#### ***Governmental Funds***

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

The change of \$(1,339,156) was primarily due to financing the expenditure related to the Library Building project with temporary notes, netted against positive general and nonmajor governmental funds operating results.

#### ***General Fund***

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,524,580, while total fund balance was \$25,118,752.

The recommended level for the unassigned operating general fund balance per the Town's Financial Management Policy is to retain a minimum unassigned operating general fund balance of 5% of the total operating budget. In addition, the Town maintains a stabilization fund, a special reserve account allowed by Massachusetts General Laws (MGL). Under MGL Chapter 40 Section 5b, this special reserve account allows the Town to appropriate money and reserve for later appropriation for any lawful municipal purpose. The Town's policy is to maintain a minimum balance of 5% of the total operating budget. At the end of June 30, 2021, the unassigned fund balance in the operating fund and the unassigned stabilization fund balance both met the recommended level. Refer to the table below for fund balance as a percentage of the total operating budget:

		Unassigned Fund Balance	Total Operating Budget	% of Total Operating Budget
<b>General Fund</b>				
Operating unassigned	\$ 11,867,600	\$ 55,221,678	21.5%	
Stabilization fund	<u>3,656,980</u>	<u>\$ 55,221,678</u>		6.6%
<b>Total</b>	<b>\$ 15,524,580</b>			

Our unassigned fund balance increased by \$4,382,158 primarily due to the budgetary excess of revenues over expenditures of \$5,740,769 less our use of unassigned fund balance of \$650,000 for fiscal year 2022.

### *Proprietary Funds*

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$4,439,127, a decrease of \$2,025,148 in comparison with the prior year's unrestricted net position. This decrease is mainly attributable to the Electric Fund's unrestricted net position decrease of \$2,459,230.

### **General Fund Budgetary Highlights**

#### ***General Fund Revenues***

Our strong budgetary performance is attributable to unused overlay and conservative budgeting of local receipts.

#### ***General Fund Expenditures***

Expenditure turn-backs also contributed to our strong budgetary performance, most notably public safety and employee benefits.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$145,181,558 (net of accumulated depreciation), a change of \$17,889,530 from the prior year. This investment in capital assets includes land, buildings, improvements, and machinery equipment, and furnishings, vehicles, and infrastructure.

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

- Construction of new library - \$9,316,166 (added to Construction in Progress)
- Electric Light additions - \$6,890,104

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

#### ***Credit Rating***

During the fiscal year, Standard and Poor's Global Ratings affirmed the Town's AAA rating, with stable outlook.

The Town has continued to maintain their AAA credit rating which is directly related to the management practices, financial controls and reserve levels instituted and followed by the Town. Littleton in fiscal year 2021 continues to have strong budgetary performance, using its financial policies and practices to ensure that fiscally responsible planning is part of the Town's budget management process.

### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$23,755,000, all of which was backed by the full faith and credit of the government. Including loans payable and unamortized bond premiums, the total bonds and loans payable at June 30, 2021 was \$26,304,809.

The Town remains committed to funding its OPEB and pension liabilities. In fiscal year 2021, the Town was 78.13% funded in regard to its OPEB liability, with a net OPEB liability of \$6,062,112. In fiscal year 2020, the Town was 63% funded in regard to its pension liability, in comparison the overall Middlesex Retirement System is only 49% funded. This is a result of the Town's commitment to pay this liability down, which creates significant long-term savings.

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

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Littleton, Massachusetts' finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director of Finance

Town of Littleton

37 Shattuck St.

Littleton, Massachusetts 01460



**TOWN OF LITTLETON, MASSACHUSETTS**

Statement of Net Position  
June 30, 2021

(Except for the Electric Light Fund, which is as of December 31, 2020)

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
Assets			
Current:			
Cash and short-term investments	\$ 41,722,260	\$ 18,043,241	\$ 59,765,501
Investments	8,966,912	-	8,966,912
Receivables, net:			
Property taxes	1,646,188	-	1,646,188
Excises	386,714	-	386,714
User fees	-	4,003,692	4,003,692
Assessments	100,931	-	100,931
Intergovernmental	224,647	-	224,647
Other	900	29,824	30,724
Prepaid expenses	-	1,285,428	1,285,428
Inventory	-	983,029	983,029
Total current assets	53,048,552	24,345,214	77,393,766
Noncurrent:			
Restricted cash	-	382,744	382,744
Restricted investments	-	6,258,001	6,258,001
Betterments receivable	-	765,600	765,600
Capital assets:			
Nondepreciable capital assets	29,930,237	4,477,747	34,407,984
Other capital assets, net of accumulated depreciation	65,181,749	45,591,825	110,773,574
Total noncurrent assets	95,111,986	57,475,917	152,587,903
Total Assets	148,160,538	81,821,131	229,981,669
Deferred Outflows of Resources			
Related to pensions	2,142,298	1,057,315	3,199,613
Related to OPEB	5,573,172	1,084,083	6,657,255
Total Deferred Outflows of Resources	7,715,470	2,141,398	9,856,868
<b>Total Assets and Deferred Outflows of Resources</b>			
<b>Outflows of Resources</b>	<b>\$ 155,876,008</b>	<b>\$ 83,962,529</b>	<b>\$ 239,838,537</b>

(continued)

**TOWN OF LITTLETON, MASSACHUSETTS**

Statement of Net Position  
June 30, 2021

(Except for the Electric Light Fund, which is as of December 31, 2020)

(continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Liabilities</b>			
Current:			
Accounts payable	\$ 954,567	\$ 2,704,663	\$ 3,659,230
Accrued payroll and withholdings	2,355,135	246,518	2,601,653
Performance bonds payable	300,304	-	300,304
Bond anticipation notes payable	7,042,383	14,785,716	21,828,099
Other liabilities	14,227	245,102	259,329
Current portion of long-term liabilities:			
Bonds and loans payable	2,396,118	364,464	2,760,582
Compensated absences	111,239	95,651	206,890
Total current liabilities	13,173,973	18,442,114	31,616,087
Noncurrent:			
Long-term liabilities:			
Bonds and loans payable, net of current portion	19,842,580	3,701,647	23,544,227
Net pension liability	13,904,794	9,561,467	23,466,261
Net OPEB liability	5,658,575	2,042,105	7,700,680
Compensated absences, net of current portion	333,716	139,115	472,831
Total noncurrent liabilities	39,739,665	15,444,334	55,183,999
Total Liabilities	52,913,638	33,886,448	86,800,086
<b>Deferred Inflows of Resources</b>			
Related to pensions	894,547	773,633	1,668,180
Related to OPEB	11,237,301	1,023,156	12,260,457
Total Deferred Inflows of Resources	12,131,848	1,796,789	13,928,637
<b>Net Position:</b>			
Net investment in capital assets	72,873,287	41,503,188	114,376,475
Restricted for:			
Depreciation	-	2,336,977	2,336,977
Education related services	3,694,938	-	3,694,938
Library building (State grant)	3,517,995	-	3,517,995
Community preservation	1,465,281	-	1,465,281
Ambulance services	704,570	-	704,570
Other purposes	5,479,550	-	5,479,550
Permanent fund:			
Nonexpendable trust	1,462,267	-	1,462,267
Expendable trust	3,122,936	-	3,122,936
Unrestricted (deficit)	(1,490,302)	4,439,127	2,948,825
Total Net Position	90,830,522	48,279,292	139,109,814
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	\$ 155,876,008	\$ 83,962,529	\$ 239,838,537

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

**TOWN OF LITTLETON, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2021

(Except for the Electric Light Fund, which is for the Year Ended December 31, 2020)

	Program Revenues					Net (Expenses) Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions		
			Operating Grants and Contributions	Capital Grants and Contributions			
<b>Governmental Activities</b>							
General government	\$ 5,686,902	\$ 4,125,777	\$ 570,182	\$ 721,084	\$ (269,859)		
Public safety	9,099,782	1,082,291	58,492	3,580	(7,955,419)		
Education	34,971,059	563,185	12,440,329	-	(21,967,545)		
Public works	4,119,207	678,608	67,584	1,016,417	(2,356,598)		
Health and human services	527,781	51,387	34,642	-	(441,752)		
Culture and recreation	593,079	267,992	22,165	1,173,757	870,835		
Debt service interest and related costs	<u>766,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(766,522)</u>		
Total Governmental Activities	<u>55,764,332</u>	<u>6,769,240</u>	<u>13,193,394</u>	<u>2,914,838</u>	<u>(32,886,860)</u>		
<b>Business-Type Activities</b>							
Electric	27,845,369	29,682,634	54,703	-	1,891,968		
Water	3,599,037	4,083,613	200,000	-	684,576		
Sewer	137,519	-	-	-	(137,519)		
Parks and Recreation	<u>740,774</u>	<u>514,569</u>	<u>-</u>	<u>-</u>	<u>(226,205)</u>		
Total Business-Type Activities	<u>32,322,699</u>	<u>34,280,816</u>	<u>254,703</u>	<u>-</u>	<u>2,212,820</u>		
Total primary government	<u>\$ 88,087,031</u>	<u>\$ 41,050,056</u>	<u>\$ 13,448,097</u>	<u>\$ 2,914,838</u>	<u>\$ (30,674,040)</u>		

(continued)

**TOWN OF LITTLETON, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2021

(Except for the Electric Light Fund, which is for the year ended December 31, 2020)

(continued)

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Net (Expenses) Revenues from previous page	\$ (32,886,860)	\$ 2,212,820	\$ (30,674,040)
<b>General Revenues</b>			
Property taxes	43,664,988	-	43,664,988
Excise taxes	1,903,352	-	1,903,352
Interest and penalties	40,024	-	40,024
Grants and contributions not restricted to specific programs	1,099,470	-	1,099,470
Other	-	2,092,432	2,092,432
Transfers	<u>373,450</u>	<u>(373,450)</u>	<u>-</u>
<b>Total General Revenues and Transfers</b>	<u>47,081,284</u>	<u>1,718,982</u>	<u>48,800,266</u>
Change in Net Position	14,194,424	3,931,802	18,126,226
<b>Net Position</b>			
Beginning of year, as restated	<u>76,636,098</u>	<u>44,347,490</u>	<u>120,983,588</u>
End of year	<u>\$ 90,830,522</u>	<u>\$ 48,279,292</u>	<u>\$ 139,109,814</u>

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

**TOWN OF LITTLETON, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2021

	General Fund	Library Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 24,055,729	\$ 1,802,947	\$ 15,863,584	\$ 41,722,260
Investments	4,469,804	-	4,497,108	8,966,912
Receivables:				
Property taxes	1,632,920	-	13,268	1,646,188
Excises	386,714	-	-	386,714
Assessments	100,931	-	-	100,931
Intergovernmental	-	-	224,647	224,647
Departmental	900	-	-	900
Total Assets	<u>\$ 30,646,998</u>	<u>\$ 1,802,947</u>	<u>\$ 20,598,607</u>	<u>\$ 53,048,552</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 778,765	\$ -	\$ 175,802	\$ 954,567
Accrued payroll and withholdings	2,313,485	-	41,650	2,355,135
Performance bonds payable	300,304	-	-	300,304
Bond anticipation notes payable	-	7,042,383	-	7,042,383
Other liabilities	14,227	-	-	14,227
Total Liabilities	3,406,781	7,042,383	217,452	10,666,616
Deferred Inflows of Resources:				
Unavailable revenues	<u>2,121,465</u>	<u>-</u>	<u>13,268</u>	<u>2,134,733</u>
Total Deferred Inflows of Resources	<u>2,121,465</u>	<u>-</u>	<u>13,268</u>	<u>2,134,733</u>
Fund Balances:				
Nonspendable	-	-	1,462,267	1,462,267
Restricted	87,671	-	17,985,269	18,072,940
Committed	8,800,046	-	1,386,962	10,187,008
Assigned	706,455	-	-	706,455
Unassigned	15,524,580	(5,239,436)	(466,611)	9,818,533
Total Fund Balances	<u>25,118,752</u>	<u>(5,239,436)</u>	<u>20,367,887</u>	<u>40,247,203</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 30,646,998</u></b>	<b><u>\$ 1,802,947</u></b>	<b><u>\$ 20,598,607</u></b>	<b><u>\$ 53,048,552</u></b>

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

**TOWN OF LITTLETON, MASSACHUSETTS**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
June 30, 2021

<b>Total governmental fund balances</b>	\$ 40,247,203
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	95,111,986
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,134,733
• Long-term liabilities, and related deferred outflows/inflows of resources, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and loans payable	(20,883,342)
Unamortized debt premium	(1,355,356)
Net pension liability	(13,904,794)
Pension related deferred outflows of resources	2,142,298
Pension related deferred inflows of resources	(894,547)
Net OPEB liability	(5,658,575)
OPEB related deferred outflows of resources	5,573,172
OPEB related deferred inflows of resources	(11,237,301)
Compensated absences liability	<u>(444,955)</u>
<b>Net position of governmental activities</b>	<u>\$ 90,830,522</u>

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

**TOWN OF LITTLETON, MASSACHUSETTS**

Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2021

	General Fund	Library Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 42,891,213	\$ -	\$ 341,631	\$ 43,232,844
Excise taxes	1,750,727	-	-	1,750,727
Interest, penalties, and other taxes	95,819	-	107,834	203,653
Licenses and permits	511,877	-	-	511,877
Intergovernmental	7,777,348	-	6,189,308	13,966,656
Charges for services	420,746	-	1,211,278	1,632,024
Investment income	341,650	-	973,458	1,315,108
Departmental revenues	1,648,246	-	710,481	2,358,727
Fines and forfeitures	36,646	-	-	36,646
Contributions	-	-	410,547	410,547
Other	<u>133,943</u>	<u>204,958</u>	<u>57,576</u>	<u>396,477</u>
Total Revenues	55,608,215	204,958	10,002,113	65,815,286
<b>Expenditures</b>				
Current:				
General government	3,800,973	-	2,904,560	6,705,533
Public safety	5,010,103	-	206,020	5,216,123
Education	24,470,974	-	2,931,047	27,402,021
Public works	3,197,661	-	598,358	3,796,019
Health and human services	440,383	-	29,730	470,113
Culture and recreation	731,274	9,316,166	36,284	10,083,724
Employee benefits	9,471,935	-	-	9,471,935
Intergovernmental	1,134,663	-	-	1,134,663
Debt service:				
Principal	2,351,697	-	-	2,351,697
Interest and related costs	<u>896,064</u>	<u>-</u>	<u>-</u>	<u>896,064</u>
Total Expenditures	<u>51,505,727</u>	<u>9,316,166</u>	<u>6,705,999</u>	<u>67,527,892</u>
Excess (deficiency) of revenues over expenditures	4,102,488	(9,111,208)	3,296,114	(1,712,606)
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,149,877	-	1,828,332	3,978,209
Transfers out	<u>(2,379,085)</u>	<u>-</u>	<u>(1,225,674)</u>	<u>(3,604,759)</u>
Total Other Financing Sources (Uses)	<u>(229,208)</u>	<u>-</u>	<u>602,658</u>	<u>373,450</u>
Net change in fund balances	3,873,280	(9,111,208)	3,898,772	(1,339,156)
Fund Balances, at Beginning of Year, as restated	21,245,472	3,871,772	16,469,115	41,586,359
Fund Balances, at End of Year	<u>\$ 25,118,752</u>	<u>\$ (5,239,436)</u>	<u>\$ 20,367,887</u>	<u>\$ 40,247,203</u>

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

**TOWN OF LITTLETON, MASSACHUSETTS**

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2021

<b>Net changes in fund balances - total governmental funds</b>	\$ (1,339,156)
<ul style="list-style-type: none"> <li>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:</li> </ul>	
Capital outlay purchases	13,659,472
Depreciation	(4,502,029)
<ul style="list-style-type: none"> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</li> </ul>	528,975
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., bonds and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</li> </ul>	
Repayments of debt	2,351,697
Bond premium amortization	129,543
<ul style="list-style-type: none"> <li>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.</li> </ul>	
Change in net pension liability	1,938,197
Change in pension-related deferred outflows	(1,058,862)
Change in pension-related deferred inflows	112,754
Change in net OPEB liability	12,091,503
Change in OPEB-related deferred outflows	346,000
Change in OPEB-related deferred inflows	(10,045,695)
Change in compensated absences	<u>(17,975)</u>
<b>Change in net position of governmental activities</b>	<u>\$ 14,194,424</u>

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

**TOWN OF LITTLETON, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2021

(Except for the Electric Light Fund, which is as of December 31, 2020)

	Business-Type Activities				<u>Total</u>	
	Electric Light Fund	Water Fund	Sewer Fund	Nonmajor Park and Recreation Fund		
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>ASSETS</b>						
Current:						
Cash and short-term investments	\$ 4,596,466	\$ 7,057,826	\$ 5,965,718	\$ 423,231	\$ 18,043,241	
Accounts receivable:						
User fees, net of allowance for uncollectibles	3,274,494	729,198	-	-	4,003,692	
Other	14,401	15,423	-	-	29,824	
Prepaid expenses	1,285,428	-	-	-	1,285,428	
Inventory	<u>891,095</u>	<u>91,934</u>	<u>-</u>	<u>-</u>	<u>983,029</u>	
Total current assets	10,061,884	7,894,381	5,965,718	423,231	24,345,214	
Noncurrent:						
Restricted cash	382,744	-	-	-	382,744	
Restricted investments	6,258,001	-	-	-	6,258,001	
Betterments receivable	-	765,600	-	-	765,600	
Capital Assets:						
Nondepreciable capital assets	1,312,676	2,712,903	452,168	-	4,477,747	
Other capital assets, net of accumulated depreciation	<u>30,642,475</u>	<u>14,949,350</u>	<u>-</u>	<u>-</u>	<u>45,591,825</u>	
Total noncurrent assets	<u>38,595,896</u>	<u>18,427,853</u>	<u>452,168</u>	<u>-</u>	<u>57,475,917</u>	
<b>TOTAL ASSETS</b>	<b>48,657,780</b>	<b>26,322,234</b>	<b>6,417,886</b>	<b>423,231</b>	<b>81,821,131</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	847,210	210,105	-	-	1,057,315	
Related to OPEB	<u>844,744</u>	<u>239,339</u>	<u>-</u>	<u>-</u>	<u>1,084,083</u>	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>1,691,954</u></b>	<b><u>449,444</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,141,398</u></b>	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
	<b><u>\$ 50,349,734</u></b>	<b><u>\$ 26,771,678</u></b>	<b><u>\$ 6,417,886</u></b>	<b><u>\$ 423,231</u></b>	<b><u>\$ 83,962,529</u></b>	

(continued)

**TOWN OF LITTLETON, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2021

(Except for the Electric Light Fund, which is as of December 31, 2020)

(continued)

	Business-Type Activities				Nonmajor Park and Recreation Fund	<u>Total</u>		
	Electric Light Fund	Water Fund	Sewer Fund	Enterprise Funds				
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>								
<b>LIABILITIES</b>								
Current:								
Accounts payable	\$ 2,131,552	\$ 490,801	\$ 58,980	\$ 23,330	\$ 2,704,663			
Accrued payroll and withholdings	126,301	56,896	1,984	61,337	246,518			
Bond anticipation notes payable	-	8,504,316	6,281,400	-	14,785,716			
Other liabilities	191,350	53,752	-	-	245,102			
Current portion of long-term liabilities:								
Bonds payable	-	364,464	-	-	364,464			
Compensated absences	<u>54,640</u>	<u>41,011</u>	<u>-</u>	<u>-</u>	<u>95,651</u>			
Total current liabilities	<u>2,503,843</u>	<u>9,511,240</u>	<u>6,342,364</u>	<u>84,667</u>	<u>18,442,114</u>			
Noncurrent:								
Bonds payable, net of current portion	-	3,701,647	-	-	3,701,647			
Net pension liability	7,661,454	1,900,013	-	-	9,561,467			
Net OPEB liability	1,638,568	403,537	-	-	2,042,105			
Compensated absences, net of current portion	<u>95,140</u>	<u>43,975</u>	<u>-</u>	<u>-</u>	<u>139,115</u>			
Total noncurrent liabilities	<u>9,395,162</u>	<u>6,049,172</u>	<u>-</u>	<u>-</u>	<u>15,444,334</u>			
<b>TOTAL LIABILITIES</b>	<b>11,899,005</b>	<b>15,560,412</b>	<b>6,342,364</b>	<b>84,667</b>	<b>33,886,448</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Related to pensions	596,530	177,103	-	-	773,633			
Related to OPEB	<u>549,398</u>	<u>473,758</u>	<u>-</u>	<u>-</u>	<u>1,023,156</u>			
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,145,928</b>	<b>650,861</b>	<b>-</b>	<b>-</b>	<b>1,796,789</b>			
<b>NET POSITION</b>								
Net investment in capital assets	31,955,151	9,428,118	119,919	-	41,503,188			
Restricted for depreciation	2,336,977	-	-	-	2,336,977			
Unrestricted (deficit)	<u>3,012,673</u>	<u>1,132,287</u>	<u>(44,397)</u>	<u>338,564</u>	<u>4,439,127</u>			
<b>TOTAL NET POSITION</b>	<b><u>37,304,801</u></b>	<b><u>10,560,405</u></b>	<b><u>75,522</u></b>	<b><u>338,564</u></b>	<b><u>48,279,292</u></b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 50,349,734</u></b>	<b><u>\$ 26,771,678</u></b>	<b><u>\$ 6,417,886</u></b>	<b><u>\$ 423,231</u></b>	<b><u>\$ 83,962,529</u></b>			

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

**TOWN OF LITTLETON, MASSACHUSETTS**

**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2021**

(Except for the Electric Light Fund, which is for the year ended December 31, 2020)

	<b>Business-Type Activities</b> <b>Enterprise Funds</b>				
	<b>Electric</b> <b>Light</b> <b>Fund</b>	<b>Water</b> <b>Fund</b>	<b>Sewer</b> <b>Fund</b>	<b>Nonmajor</b> <b>Park and</b> <b>Recreation</b> <b>Fund</b>	<b>Total</b>
<b>Operating Revenues</b>					
Charges for services	\$ 29,550,383	\$ 2,740,598	\$ -	\$ 514,569	\$ 32,805,550
Debt service fees	-	865,554	-	-	865,554
Other	<u>132,251</u>	<u>477,461</u>	-	-	<u>609,712</u>
Total Operating Revenues	29,682,634	4,083,613	-	514,569	34,280,816
<b>Operating Expenses</b>					
Purchase power	19,591,797	-	-	-	19,591,797
Operating	1,452,715	301,208	87,083	740,774	2,581,780
Maintenance	1,065,234	1,448,919	-	-	2,514,153
General and administrative	4,107,531	1,030,306	46,619	-	5,184,456
Depreciation	<u>1,225,934</u>	<u>673,513</u>	-	-	<u>1,899,447</u>
Total Operating Expenses	<u>27,443,211</u>	<u>3,453,946</u>	<u>133,702</u>	<u>740,774</u>	<u>31,771,633</u>
Operating Income (Loss)	2,239,423	629,667	(133,702)	(226,205)	2,509,183
<b>Nonoperating Revenues (Expenses)</b>					
Merchandising and jobbing revenue	218,365	-	-	-	218,365
Earnings on investments	280,211	31,858	78	6,572	318,719
Hurricane disaster areas	(42,898)	-	-	-	(42,898)
Contribution of services to Water Fund	(317,989)	-	-	-	(317,989)
Contribution of services from Electric Fund	-	319,103	-	-	319,103
Contribution to schools and towns	(41,271)	-	-	-	(41,271)
Interest on long term debt	-	(145,091)	(3,817)	-	(148,908)
Cell tower leasing	-	140,185	-	-	140,185
Intergovernmental revenue	54,703	200,000	-	-	254,703
Other	<u>884,374</u>	<u>140,273</u>	<u>71,413</u>	-	<u>1,096,060</u>
Total Nonoperating Revenues (Expenses), Net	<u>1,035,495</u>	<u>686,328</u>	<u>67,674</u>	<u>6,572</u>	<u>1,796,069</u>
Income (Loss) Before Capital Contributions and Transfers	3,274,918	1,315,995	(66,028)	(219,633)	4,305,252
Transfers in	-	-	141,550	245,000	386,550
Transfers out	<u>(760,000)</u>	-	-	-	<u>(760,000)</u>
Net Capital Contributions and Transfers	<u>(760,000)</u>	-	<u>141,550</u>	<u>245,000</u>	<u>(373,450)</u>
Change in Net Position	2,514,918	1,315,995	75,522	25,367	3,931,802
Net Position at Beginning of Year, as restated	<u>34,789,883</u>	<u>9,244,410</u>	-	<u>313,197</u>	<u>44,347,490</u>
Net Position at End of Year	<u>\$ 37,304,801</u>	<u>\$ 10,560,405</u>	<u>\$ 75,522</u>	<u>\$ 338,564</u>	<u>\$ 48,279,292</u>

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

**TOWN OF LITTLETON, MASSACHUSETTS**

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2021

(Except for the Electric Light Fund, which is for the year ended December 31, 2020)

	Business-Type Activities				
	Enterprise Funds				
	Electric Light Fund	Water Fund	Sewer Fund	Nonmajor Park and Recreation Fund	Total
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 30,088,091	\$ 4,215,463	\$ -	\$ 514,569	\$ 34,818,123
Payments of employees and vendors	<u>(27,465,752)</u>	<u>(2,296,737)</u>	<u>(72,738)</u>	<u>(720,600)</u>	<u>(30,555,827)</u>
Net Cash Provided By (Used For) Operating Activities	2,622,339	1,918,726	(72,738)	(206,031)	4,262,296
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers from other funds	-	-	141,550	245,000	386,550
Transfers to other funds	<u>(760,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(760,000)</u>
Other	<u>700,581</u>	<u>140,273</u>	<u>71,413</u>	<u>-</u>	<u>912,267</u>
Net Cash Provided By (Used for) Noncapital Financing Activities	(59,419)	140,273	212,963	245,000	538,817
<b>Cash Flows From Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets	(6,890,104)	(3,445,262)	(296,168)	-	(10,631,534)
Betterments	-	34,800	-	-	34,800
Intergovernmental revenues	54,703	200,000	-	-	254,703
Other income	-	140,185	-	-	140,185
Proceeds from bond anticipation notes	-	5,715,316	5,788,200	-	11,503,516
Payments of bond anticipation notes	-	<u>(703,000)</u>	<u>(6,800)</u>	<u>-</u>	<u>(709,800)</u>
Principal payments on long term debt	-	(359,000)	-	-	(359,000)
Interest expense	<u>-</u>	<u>(161,556)</u>	<u>(3,817)</u>	<u>-</u>	<u>(165,373)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(6,835,401)	1,421,483	5,481,415	-	67,497
<b>Cash Flows From Investing Activities</b>					
Investment income	280,211	31,858	78	6,572	318,719
Sale of investments	<u>2,593,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,593,707</u>
Net Cash Provided By (Used for) Investing Activities	<u>2,873,918</u>	<u>31,858</u>	<u>78</u>	<u>6,572</u>	<u>2,912,426</u>
Net Change in Cash and Short-Term Investments	(1,398,563)	3,512,340	5,621,718	45,541	7,781,036
Cash and Short-Term Investments, Beginning of Year	<u>6,377,773</u>	<u>3,545,486</u>	<u>344,000</u>	<u>377,690</u>	<u>10,644,949</u>
Cash and Short-Term Investments, End of Year	<u>\$ 4,979,210</u>	<u>\$ 7,057,826</u>	<u>\$ 5,965,718</u>	<u>\$ 423,231</u>	<u>\$ 18,425,985</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating income (loss)	\$ 2,239,423	\$ 629,667	\$ (133,702)	\$ (226,205)	\$ 2,509,183
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	1,225,934	673,513	-	-	1,899,447
Contributions of services by Electric Fund	-	319,103	-	-	319,103
Changes in assets, liabilities, and deferred outflows/inflows:					
Accounts receivable	407,182	(187,253)	-	-	219,929
Prepaid expenses and other assets	(1,089,988)	-	-	-	(1,089,988)
Inventory	16,105	(3,601)	-	-	12,504
Deferred outflows of resources	384,016	81,666	-	-	465,682
Accounts payable and accrued liabilities	(369,853)	416,301	60,964	31,119	138,531
Customer deposits	(1,725)	-	-	-	(1,725)
Compensated absences	-	(34,655)	-	(10,945)	(45,600)
Net pension liability	(19,764)	(56,230)	-	-	(75,994)
Net OPEB liability	(91,398)	(419,738)	-	-	(511,136)
Deferred inflows of resources	(446,372)	489,759	-	-	43,387
Other	<u>368,779</u>	<u>10,194</u>	<u>-</u>	<u>-</u>	<u>378,973</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 2,622,339</u>	<u>\$ 1,918,726</u>	<u>\$ (72,738)</u>	<u>\$ (206,031)</u>	<u>\$ 4,262,296</u>

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

**TOWN OF LITTLETON, MASSACHUSETTS**

Statement of Fiduciary Net Position  
June 30, 2021

(Except for the Electric Light Fund Other Post-Employment Benefits Trust, which is as of December 31, 2020)

	Private Purpose <u>Trust Funds</u>	Town Other Post Employment <u>Benefits</u> <u>Trust Fund</u>	Electric Light Other Post Employment <u>Benefits</u> <u>Trust Fund</u>	Custodial <u>Funds</u>
<b>Assets</b>				
Cash and short-term investments	\$ -	\$ 93,099	\$ 160,980	\$ 722,637
Investments:				
Corporate equity	-	-	2,163,318	-
Domestic equity	1,397,763	8,692,860	-	-
Domestic bond	-	5,074,984	-	-
International equity	-	4,470,923	-	-
International bond	-	980,788	-	-
Alternatives	-	2,338,303	-	-
Mutual funds	573,169	-	729,024	-
Total Investments	<u>1,970,932</u>	<u>21,557,858</u>	<u>2,892,342</u>	-
Departmental receivables	-	-	-	31,239
<b>Total Assets</b>	<b><u>\$ 1,970,932</u></b>	<b><u>\$ 21,650,957</u></b>	<b><u>\$ 3,053,322</u></b>	<b><u>\$ 753,876</u></b>
<b>Liabilities and Net Position</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 12,494
Other liabilities	-	-	-	<u>636,107</u>
Total Liabilities	-	-	-	648,601
Net Position Restricted for:				
Scholarships	1,970,932	-	-	-
Other Post Employment Benefits - Town	-	21,650,957	-	-
Other Post Employment Benefits - Light Plant	-	-	3,053,322	-
Students and other organizations	-	-	-	<u>105,275</u>
Total Net Position	<u>1,970,932</u>	<u>21,650,957</u>	<u>3,053,322</u>	<u>105,275</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,970,932</u></b>	<b><u>\$ 21,650,957</u></b>	<b><u>\$ 3,053,322</u></b>	<b><u>\$ 753,876</u></b>

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

**TOWN OF LITTLETON, MASSACHUSETTS**

**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

(Except for the Electric Light Fund Other Post-Employment Benefits Trust,  
which is for the year ended December 31, 2020)

	<u>Private Purpose Trust Funds</u>	<u>Town Other Post Employment Benefits Trust Fund</u>	<u>Electric Light Other Post Employment Benefits Trust Fund</u>	<u>Custodial Funds'</u>
<b>Additions</b>				
Employer contributions	\$ -	\$ 3,839,864	\$ 404,999	\$ -
Net investment income	405,365	4,325,944	369,616	-
Fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,104</u>
Total additions	405,365	8,165,808	774,615	82,104
<b>Deductions</b>				
Benefit payments	-	1,141,254	354,999	-
Scholarships	45,000	-	-	-
Payments on behalf of students and other organizations	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,069</u>
Total deductions	<u>45,000</u>	<u>1,141,254</u>	<u>354,999</u>	<u>85,069</u>
Change in net position	360,365	7,024,554	419,616	(2,965)
<b>Net Position</b>				
Beginning of year	<u>1,610,567</u>	<u>14,626,403</u>	<u>2,633,706</u>	<u>108,240</u>
End of year	<u>\$ 1,970,932</u>	<u>\$ 21,650,957</u>	<u>\$ 3,053,322</u>	<u>\$ 105,275</u>

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

## TOWN OF LITTLETON, MASSACHUSETTS

### Notes to Financial Statements

#### **1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Littleton (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

##### ***Reporting Entity***

The Town is a municipal corporation governed by an elected Select Board. As required by generally accepted accounting principles, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

###### ***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

###### ***Fund Financial Statements***

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

## ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

### ***Government-Wide Financial Statements***

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

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

### ***Fund Financial Statements***

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Library Building Fund* accounts for the construction activity for the new Littleton Public Library.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Electric Light Fund* is used to report the Town's electric enterprise fund operations. For more information on this fund, refer to separately issued financial statements.
- The *Water Fund* is used to report the Town's water enterprise fund operations. For more information on this fund, refer to separately issued financial statements.
- The *Sewer Fund* is used to report the Town's sewer enterprise fund operations.

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

The Town reports the following fiduciary funds:

- The *Private-Purpose Trust Funds* are used to account for trust arrangements, other than those properly reported in an OPEB trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Town Other Post-Employment Benefits (OPEB) Trust Fund* was established under Chapter 372 of the Commonwealth of Massachusetts. The Fund is credited with all amounts appropriated or otherwise made available by the Town, including any earnings or interest accruing from the investment of these funds, to offset the anticipated cost of health insurance contributions or other benefits for retired employees, their spouses and eligible dependents and the surviving spouses and eligible dependents of deceased retirees. Amounts in the Town OPEB Trust are expended only for the payment of the costs payable by the Town for other postemployment benefits.
- The *Electric Light Other Post-Employment Benefits (OPEB) Trust Fund* was established under Chapter 372 of the Commonwealth of Massachusetts. The Fund is credited with all amounts appropriated or otherwise made available by the Electric Light Department, including any earnings or interest accruing from the investment of these funds, to offset the anticipated cost of health and life insurance contributions or other benefits for retired employees, their spouses and eligible dependents and the surviving spouses and eligible dependents of deceased retirees. Amounts in the Electric Light OPEB Trust

are expended only for the payment of the costs payable by the Electric Light Department for other postemployment benefits.

- The *Custodial Funds* include funds collected from student and other organizations for various student activities, as well as other miscellaneous activity.

#### ***Deposits and Investments***

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

For the purposes of cash flow statements, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

The Town invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, Certain External Investment Pools and Pool Participants, where investments are valued at amortized cost. This investment type is not rated and any debt related underlying securities have maturity of no more than 397 days. Due to high liquidity of the fund, the deposits are categorized as "cash and short-term investments".

The Town conforms to the municipal finance laws of the Commonwealth of Massachusetts including Massachusetts General Laws chapter 44, Section 54 for investments of trust funds and Section 55 with respect to the Town's public funds on deposit, limitations, and investments.

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

#### ***Property Tax Limitations***

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of \$28,114.

### ***Capital Assets***

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

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

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

Capital assets (non-Electric Light assets) are depreciated using the straight-line method over the following estimated useful lives listed below. The general laws of Massachusetts allow utility plants in service to be depreciated at an annual percentage rate. In order to change this rate, approval must be obtained from the Department of Telecommunications and Energy. Changes in annual depreciation rates may be made for financial factors relating to cash flow rather than for engineering factors relating to estimates of useful lives. The Light Department used a depreciation rate of 3.0% for calendar year 2020.

<u>Assets</u>	<u>Years</u>
Buildings, improvements and infrastructure	20 - 40
Vehicles, machinery and furnishings	5 - 15
Equipment	5 - 10

### ***Compensated Absences***

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### ***Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, net pension liability, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

### ***Fund Equity***

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

### ***Fund Balance***

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

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

### ***Net Position***

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable portion represents accumulated earnings which are available to be spent based on donor restrictions. The remaining net position is reported as unrestricted.

### ***Interfund Transactions***

Interfund receivables/payables are reported for short term cash flow loans and reported as due from/due to other funds. Transfers of resources from a fund receiving revenues to a fund through which revenues are to be expended are separately reported as transfers in the respective funds.

### ***Use of Estimates***

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

## **2. Stewardship, Compliance, and Accountability**

### ***Budgetary Information***

Budget requests are prepared by the various Town departments and submitted to the Select Board and Finance Committee for review during January, February, and March of each year. The Select Board and Finance Committee have until May, which is when the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is sent to the Department of Revenue for approval. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues.

Encumbrance accounting is utilized when purchase orders, contracts, or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations.

Encumbrances do not constitute expenditures or liabilities.

### ***Deficit Fund Equity***

The Town reflects certain special revenue fund deficits, primarily caused by grant expenses occurring in advance of grant reimbursements. The deficits in these funds will be eliminated through future intergovernmental revenues.

## **3. Deposits and Investments**

### ***Town (Excluding the OPEB Trust Funds and Electric Fund)***

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Town deposits may not be returned. The Town's deposit policy requires the due diligence necessary to affirm the financial strength, capital adequacy, and reputation of any financial institution in which the Town places deposits. Due diligence includes reviewing the institution's financial statements and the background of the sales representative on quarterly basis. All deposits

not held directly by the Town are held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer. The Treasurer receives monthly safekeeping reports from the custodian as well as safekeeping receipts detailing each transaction from the account.

As of June 30, 2021, \$18,470,562 of the Town's bank balance of \$50,159,231 was exposed to custodial credit risk as uninsured or uncollateralized. Additionally, \$6,663,251 was invested in a state pool (MMDT), which is not subject to this disclosure.

### ***Investment Summary***

The following is a summary of the Town's investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 1,355,572
Fixed income mutual funds	1,880,979
Government agency	212,993
US Treasury notes	1,342,367
Corporate equities	5,904,148
Market-linked certificates of deposit	241,785
	<hr/>
	\$ <u>10,937,844</u>

### ***Custodial Credit Risk – Investments***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer to a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town's custodial credit risk policy for investments mirrors the custodial credit risk policy for deposits. Further all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

As of June 30, 2021, the Town did not have investments subject to custodial credit exposure as all assets were held in the Town's name.

### ***Credit Risk – Investments in Debt Securities***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investments in fixed income securities, other than trust funds under the direction of the Commissioners of Trust Funds, will be made principally for capital preservation and income potential. Corporate debt must be rated investment grade by either S&P or Moody's rating services. If a security falls below investment grade, the security will be monitored by the Treasurer and advisor, if applicable. The security will be noted as an exception to policy if held in the portfolio. The Treasurer and/or advisor may sell the security if a further decline in value is expected.

As of June 30, 2021, the credit quality ratings, as rated by S&P Global Ratings, of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>AAA - A-</u>	<u>BBB+ - B</u>	<u>&lt; B</u>	<u>Other/Unrated</u>	
<b>Debt related securities:</b>						
Corporate bonds	\$ 1,355,572	\$ 818,951	\$ 536,621	\$ -	\$ -	\$ -
Fixed income mutual funds	1,880,979	862,434	800,285	80,181	138,079	
Government agency	212,993	212,993	-	-	-	
Market-linked certificates of deposit	241,785	-	-	-	241,785	
<b>Total</b>	<b>\$ 3,691,329</b>	<b>\$ 1,894,378</b>	<b>\$ 1,336,906</b>	<b>\$ 80,181</b>	<b>\$ 379,864</b>	

#### ***Concentration of Credit Risk – Investments***

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer.

The Town minimizes concentration of credit risk exposure by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Specific investment amounts and/or issuer limitations are addressed in the policy.

As of June 30, 2021, the Town does not have investments in any one issuer that exceeded 5% of total investments.

#### ***Interest Rate Risk – Investments in Debt Securities***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town will manage interest rate risk by managing duration in the account. The investment policy requires investment of operating funds to have maturity of one year or less from the date of purchase.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (Years)</u>				
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>Thereafter</u>	
<b>Debt-related securities:</b>						
Corporate bonds	\$ 1,355,572	\$ 147,874	\$ 1,207,698	\$ -	\$ -	\$ -
Fixed income mutual funds	1,880,979	63,234	391,363	876,916	549,466	
Government agency	212,993	-	212,993	-	-	
Market-linked certificates of deposit	241,785		241,785			
US Treasury notes	1,342,367	1,072,224	270,143	-	-	
<b>Total</b>	<b>\$ 5,033,696</b>	<b>\$ 1,283,332</b>	<b>\$ 2,323,982</b>	<b>\$ 876,916</b>	<b>\$ 549,466</b>	

### **Foreign Currency Risk - Investments**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy prohibits exposure to foreign currency.

### **Fair Value**

The Town categorizes its fair value measurements within the fair value hierarchy established by *Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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

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

The Town has the following fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using:			
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments by fair value level:					
Debt securities:					
US Treasury notes	\$ 1,342,367	\$ 1,342,367	\$ -	\$ -	
Corporate bonds	1,355,572	-	1,355,572	-	
Fixed income mutual funds	1,880,979	-	1,880,979	-	
Government agency	212,993	-	212,993	-	
Market-linked certificates of deposit	241,785	-	241,785	-	
Equity securities:					
Corporate equities	5,904,148	5,904,148	-	-	
Subtotal	\$ <u>10,937,844</u>	\$ <u>7,246,515</u>	\$ <u>3,691,329</u>	\$ <u>-</u>	

#### 4. Investments - OPEB Trust Fund

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2021. The below notes include the Electric OPEB Trust Fund's investments as of June 30, 2021, which does not agree with the Statement of Fiduciary Net Position that shows investments as of December 31, 2020.

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 18,872,899
Fixed income mutual funds	5,971,579
Total investments	\$ <u>24,844,478</u>

#### ***Custodial Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Trust minimizes credit risk by diversifying the investment portfolio so that the impact of potential losses from any one issuer will be minimized. The Trust purchases investment grade fixed income securities. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or

exchange traded funds. Investments in fixed income securities will be made primarily for income and capital preservation.

As of June 30, 2021, the credit quality ratings, as rated by S&P Global Ratings, of the OPEB Trust's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	Ratings as of Year End				<u>Unrated/Other</u>
		<u>AAA - A</u>	<u>BBB - B</u>	<u>&lt; B</u>		
Fixed income mutual funds	\$ 5,971,579	\$ 2,725,365	\$ 2,529,614	\$ 252,102	\$ 464,498	

#### ***Custodial Credit Risk***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Trust will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Treasurer reviews each financial institution conducting business with the Trust. The intent of this qualification is to limit the Trust's exposure to only those institutions with a proven financial strength, capital adequacy, and overall affirmation reputation in the municipal industry.

As of June 30, 2021, none of the OPEB Trust Fund's total investments were subject to custodial credit risk as all securities are registered solely in the name of the Town.

#### ***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 will minimize any concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from one type of security or issuer will be minimized. Securities of a single corporate issuer do not exceed 5% of the portfolio value.

Investments in mutual funds are excluded from concentration of credit disclosure.

#### ***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. OPEB funds are long-term investments. Given a stated discount rate target, this long-term approach enables the Trust to purchase long-term assets which tend to have high returns over many years, but whose price volatility precludes their use by those with shorter time horizons. This price volatility and resulting market value fluctuations are of secondary importance unless individual assets have permanently impaired values and must be liquidated to preserve remaining value. Varying the duration of investments within the portfolio will help manage the effects of interest rate risk; however, the Town understands the longer-

term nature of these funds and designs a portfolio consistent with the long-term health of the Trust.

Information about the sensitivity of the fair values of the OPEB Trust Fund's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	Investment Maturities (in Years)			
		<u>Less</u>	<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Fixed income mutual funds	\$ 5,971,579	\$ 222,330	\$ 1,268,801	\$ 2,739,065	\$ 1,741,383

### ***Foreign Currency Risk***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The OPEB Trust Fund will not directly invest in any instrument exposed to foreign currency risk. This risk, however, may be inherent in some securities contained within the portfolio such as mutual funds or ETFs.

### ***Fair Value***

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

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

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The OPEB Trust Fund has the following fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:				
Corporate equities	\$ 18,872,899	\$ 18,872,899	\$ -	\$ -
Fixed income mutual funds	<u>5,971,579</u>	<u>-</u>	<u>5,971,579</u>	<u>-</u>
Total	<u>\$ 24,844,478</u>	<u>\$ 18,872,899</u>	<u>\$ 5,971,579</u>	<u>\$ -</u>

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

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

## 5. **Property Taxes and Excises Receivable**

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also, by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements accordingly.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year’s levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 value.

Property taxes and excise receivable at June 30, 2021 consist of the following:

<u>Receivables:</u>	<u>Amount</u>
Real estate taxes	\$ 1,213,844
Personal property taxes	
Levy of 2020	12,470
Levy of 2019	17,336
Levy of 2018	3,233
Levy of 2017	2,981
Prior Years	110,580
Community preservation	13,268
Tax liens	<u>272,476</u>
Total property taxes	\$ <u>1,646,188</u>
Motor vehicle excise	\$ <u>386,714</u>

## 6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2021 consist of the following:

		<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
		<u>Amount</u>	<u>for Doubtful</u>	<u>Amount</u>
Electric Light	\$ 3,574,879	\$ (300,385)	\$ 3,274,494	
Water	729,198	-		729,198
Betterments	<u>765,600</u>	<u>-</u>		<u>765,600</u>
Total	\$ <u>5,069,677</u>	\$ <u>(300,385)</u>		\$ <u>4,769,292</u>

## **7. Intergovernmental and Departmental Receivables**

### ***Intergovernmental Receivables***

Intergovernmental receivables represent reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2021.

### ***Departmental Receivables***

Town departmental receivables primarily comprise of ambulance receivables.

## **8. Interfund Accounts**

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes.

The following is an analysis of interfund transfers made in fiscal year 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General fund	\$ 2,149,877	\$ 2,379,085
<u>Nonmajor funds:</u>		
Special revenue funds:		
SBA wastewater settlement	-	17,274
Ambulance service	-	650,000
Oak Hill cell tower	-	29,206
Newtown Hill cell tower	-	33,773
Wetland fees	-	8,000
Cemetery lot sales	-	30,897
Building inspections	-	125,000
Lakes FD	20,550	66,000
Various other special revenue funds	5,600	86,388
Capital project funds:		
Capital article fund	1,762,182	-
Tahattawan fund	15,000	-
Permanent funds	<u>25,000</u>	<u>179,136</u>
Subtotal nonmajor funds	<u>1,828,332</u>	<u>1,225,674</u>
<u>Business-type Activities:</u>		
Electric light fund	-	760,000
Sewer fund	141,550	-
Park and recreation fund	<u>245,000</u>	-
Subtotal Business-type activities	<u>386,550</u>	<u>760,000</u>
Grand Total	<u><u>\$ 4,364,759</u></u>	<u><u>\$ 4,364,759</u></u>

The transfers into the general fund include \$650,000 in annual Town ambulance revolving fund revenues and various other amounts from School and Town revolving funds to offset general fund expenditures. The transfers into the general fund include \$760,000 payment in lieu of taxes from Electric light fund.

Transfers out of the general fund primarily represent \$1,762,182 of capital articles and \$245,000 going into the park and recreation fund representing the enterprise subsidy.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2021 (Electric Light is as of December 31, 2020) was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings	\$ 88,122,180	\$ 63,654	\$ -	\$ 88,185,834
Improvements other than buildings	1,319,042	-	-	1,319,042
Machinery, equipment, and furnishings	5,192,997	639,362	-	5,832,359
Vehicles	7,426,067	48,074	-	7,474,141
Infrastructure	31,304,135	1,454,032	-	32,758,167
Total capital assets, being depreciated	133,364,421	2,205,122	-	135,569,543
Less accumulated depreciation for:				
Buildings	(40,512,197)	(2,783,599)	-	(43,295,796)
Improvements other than buildings	(415,078)	(77,939)	-	(493,017)
Machinery, equipment, and furnishings	(3,524,467)	(370,850)	-	(3,895,317)
Vehicles	(5,042,659)	(825,449)	-	(5,868,108)
Infrastructure	(16,391,364)	(444,192)	-	(16,835,556)
Total accumulated depreciation	(65,885,765)	(4,502,029)	-	(70,387,794)
Total capital assets, being depreciated, net	67,478,656	(2,296,907)	-	65,181,749
Capital assets, not being depreciated:				
Land	13,178,317	1,245,148	-	14,423,465
Construction in progress	5,297,570	10,209,202	-	15,506,772
Total capital assets, not being depreciated	18,475,887	11,454,350	-	29,930,237
Governmental activities capital assets, net	\$ 85,954,543	\$ 9,157,443	\$ -	\$ 95,111,986
 <b>Business-type Activities:</b>				
Capital assets, being depreciated:				
Other depreciable assets	\$ 63,578,002	\$ 11,144,202	\$ (732,701)	\$ 73,989,503
Total capital assets, being depreciated	63,578,002	11,144,202	(732,701)	73,989,503
Less accumulated depreciation for:				
Other depreciable assets	(27,230,932)	(1,899,447)	732,701	(28,397,678)
Total accumulated depreciation	(27,230,932)	(1,899,447)	732,701	(28,397,678)
Total capital assets, being depreciated, net	36,347,070	9,244,755	-	45,591,825
Capital assets, not being depreciated:				
Land	2,246,904	21,301	-	2,268,205
Construction in progress	2,743,511	1,145,233	(1,679,202)	2,209,542
Total capital assets, not being depreciated	4,990,415	1,166,534	(1,679,202)	4,477,747
Business-type capital assets, net	\$ 41,337,485	\$ 10,411,289	\$ (1,679,202)	\$ 50,069,572

Depreciation expense was charged to functions of the Town as follows:

<b>Governmental Activities:</b>	
General government	\$ 163,789
Public safety	1,497,708
Education	2,052,399
Public works	733,425
Health and human Services	8,220
Culture and recreation	<u>46,488</u>
Total depreciation expense - governmental activities	\$ <u>4,502,029</u>
<b>Business-type Activities:</b>	
Water	\$ 673,513
Electric Light	<u>1,225,934</u>
Total depreciation expense - business-type activities	\$ <u>1,899,447</u>

## **10. Deferred Outflows of Resources**

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

## **11. Accounts Payable**

Accounts payable represent fiscal year 2021 expenditures paid subsequent to year end.

## 12. Bond Anticipation Notes

The Town had the following notes outstanding at June 30, 2021:

### Governmental activities

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Library planning	1.75%	11/20/2020	\$ 1,494,000	\$ -	\$ (1,494,000)	\$ -
Library Planning / Construction	2.00%	11/20/2021	\$ -	\$ 7,042,383	\$ -	\$ 7,042,383
Total Governmental activities			\$ 1,494,000	\$ 7,042,383	\$ (1,494,000)	\$ 7,042,383

### Business-type activities

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Sewer design	1.20%	11/20/2020	\$ 500,000	\$ -	\$ (500,000)	\$ -
Whitcomb avenue wells	1.75%	11/20/2020	\$ 1,993,000	\$ -	\$ (1,993,000)	\$ -
Water treatment	1.75%	11/20/2020	\$ 1,499,000	\$ -	\$ (1,499,000)	\$ -
Well fields, Water Treatment	2.00%	11/20/2021	\$ -	\$ 1,965,900	\$ -	\$ 1,965,900
Water Treatment	2.00%	11/20/2021	\$ -	\$ 823,100	\$ -	\$ 823,100
Cedar Hill Water Tank	1.50%	6/24/2022	\$ -	\$ 2,968,300	\$ -	\$ 2,968,300
Well Field/Treatment Plant	1.50%	6/24/2022	\$ -	\$ 1,088,400	\$ -	\$ 1,088,400
Water Treatment	1.50%	6/24/2022	\$ -	\$ 989,500	\$ -	\$ 989,500
Sewer Design	2.00%	11/20/2021	\$ -	\$ 493,200	\$ -	\$ 493,200
Land Acquisition	1.50%	6/24/2022	\$ -	\$ 1,632,600	\$ -	\$ 1,632,600
Common Smart Sewer Design	1.50%	6/24/2022	\$ -	\$ 1,682,000	\$ -	\$ 1,682,000
Common Smart Sewer Construction	1.50%	6/24/2022	\$ -	\$ 2,473,600	\$ -	\$ 2,473,600
Clean Water Trust Drinking Water - DW-20-07	0.00%	6/30/2023	\$ -	\$ 669,116	\$ -	\$ 669,116
Total Business-type activities			\$ 3,992,000	\$ 14,785,716	\$ (3,992,000)	\$ 14,785,716

Clean Water Trust loan was not fully drawn at June 30, 2021. The remaining balance available is \$230,212.

## 13. Long-Term Debt

### ***Bonds and Loans***

The Town issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds and loans (direct borrowings) currently outstanding are as follows:

**Governmental Activities:**

		Original <u>Issue</u>	Serial <u>Maturities Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding <u>as of 6/30/21</u>
<b><u>General Obligation Bonds - Public Offerings</u></b>					
Land Acquisition - Lucy's Land	\$ 150,000	2029	3.33%	\$ 34,000	
Building Remodeling - Houghton Roof	195,000	2029	3.48%	69,000	
Architectural Services Police Station Design	300,000	2028	3.38%	92,000	
Police Station Construction	6,023,303	2029	3.49%	2,171,000	
Architectural Services - RSS Design	232,800	2031	3.55%	100,000	
Land Acquisition - Cobbs Land - CPA	323,955	2031	3.56%	150,000	
Water Mains - Goldsmith St	1,094,400	2031	3.58%	540,000	
School Project - RSS Construction	5,428,845	2031	3.59%	2,700,000	
Police Land - Refunding	228,000	2022	1.21%	20,000	
High School - Refunding	3,883,000	2023	1.14%	330,000	
Athletic Facility	2,355,000	2028	2.00 - 4.00%	1,655,000	
Land Acquisition	300,000	2028	2.00 - 4.00%	210,000	
Sewer (WW Treatment Plant)	566,000	2025	2.00 - 4.00%	320,000	
Land Acquisition - Prouty - Refunding	144,000	2024	2.00 - 4.00%	70,000	
Land Acquisition - Hartwell - Refunding	145,000	2023	2.00 - 4.00%	60,000	
Building Construction School	3,235,000	2027	2.00 - 4.00%	2,115,000	
Building Construction - Fire Station	5,650,100	2038	3.00 - 5.00%	4,795,000	
Library Construction	4,595,000	2040	2.00 - 5.00%	4,360,000	
Total general obligation bonds - public offerings					19,791,000
<b><u>Loans - Direct Borrowings</u></b>					
Middle School - low Interest Loan	2,142,297	2029	2.00%	856,920	
Septic Loan Program	282,674	2037	2.00%	235,422	
Total loans - direct borrowings					1,092,342
Total governmental-activities					\$ 20,883,342

**Business-type activities:**

		Original <u>Issue</u>	Serial <u>Maturities Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding <u>as of 6/30/21</u>
<b><u>General Obligation Bonds - Public Offerings</u></b>					
Water tank - refunding - Oak Hill	\$ 652,000	2023	1.31%	\$ 110,000	
Water capital improvement	274,200	2035	3.00 - 3.25%	185,000	
Well redevelopment	3,720,000	2035	3.00 - 3.25%	2,590,000	
Water Cobbs well	178,800	2032	3.00%	110,000	
Water capital improvement well #2	118,300	2027	3.00%	60,000	
Well #2 design	194,700	2034	3.00 - 3.25%	130,000	
Land acquisition - Nashoba rd - water	87,000	2023	2.00 - 4.00%	30,000	
Route 119 bond	803,900	2038	3.00 - 5.00%	680,000	
Water Mains - Capital (Refunding Issue)	191,088	2029	3.49%	69,000	
Total general obligation bonds - public offerings					3,964,000

### ***Future Debt Service***

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2021 are as follows:

#### Governmental Activities:

<u>General Obligation Bonds (public offerings)</u>					
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2022	\$	2,147,000	\$ 773,315	\$ 2,920,315	
2023		2,082,000	684,490	2,766,490	
2024		1,907,000	604,415	2,511,415	
2025		1,881,000	520,840	2,401,840	
2026		1,801,000	437,440	2,238,440	
2027-2031		5,988,000	1,156,750	7,144,750	
2032-2036		2,525,000	392,050	2,917,050	
2037-2040		1,460,000	77,924	1,537,924	
Total	\$	<u>19,791,000</u>	<u>4,647,224</u>	<u>\$ 24,438,224</u>	

#### Loans Payable (direct borrowings)

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	119,576	\$ 21,847	\$ 141,423
2023		119,847	19,455	139,302
2024		120,124	17,058	137,182
2025		120,407	14,656	135,063
2026		120,696	12,248	132,944
2027-2031		393,803	27,053	420,856
2032-2036		80,685	6,631	87,316
2037-2041		17,204	344	17,548
Total	\$	<u>1,092,342</u>	<u>119,292</u>	<u>\$ 1,211,634</u>

#### Business-type Activities:

<u>General Obligation Bonds (public offerings)</u>					
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2022	\$	348,000	\$ 123,433	\$ 471,433	
2023		348,000	112,433	460,433	
2024		278,000	101,583	379,583	
2025		279,000	92,283	371,283	
2026		279,000	82,933	361,933	
2027-2031		1,332,000	279,738	1,611,738	
2032-2036		1,020,000	83,956	1,103,956	
2037-2040		80,000	3,940	83,940	
	\$	<u>3,964,000</u>	<u>880,299</u>	<u>\$ 4,844,299</u>	

### ***Changes in General Long-Term Liabilities***

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Total Balance 7/1/20	Additions	Reductions	Total Balance 6/30/21	Less Current Portion	Equals Long-Term Portion 6/30/21
<b><u>Governmental Activities</u></b>						
GO Bonds (public offerings)	\$ 22,012,000	\$ -	\$ (2,221,000)	\$ 19,791,000	\$ (2,147,000)	\$ 17,644,000
Loans payable (direct borrowing)	1,223,039	-	(130,697)	1,092,342	(119,576)	972,766
Unamortized debt premiums	<u>1,484,899</u>	<u>-</u>	<u>(129,543)</u>	<u>1,355,356</u>	<u>(129,542)</u>	<u>1,225,814</u>
Bonds and loans payable	24,719,938	-	(2,481,240)	22,238,698	(2,396,118)	19,842,580
Net pension liability	* 15,842,991	-	(1,938,197)	13,904,794	-	13,904,794
Net OPEB liability	17,750,078	-	(12,091,503)	5,658,575	-	5,658,575
Accrued employee benefits	426,980	48,230	(30,255)	444,955	(111,239)	333,716
<b>Totals</b>	<b><u>\$ 58,739,987</u></b>	<b><u>\$ 48,230</u></b>	<b><u>\$ (16,541,195)</u></b>	<b><u>\$ 42,247,022</u></b>	<b><u>\$ (2,507,357)</u></b>	<b><u>\$ 39,739,665</u></b>

	Total Balance 7/1/20	Additions	Reductions	Total Balance 6/30/21	Less Current Portion	Equals Long-Term Portion 6/30/21
<b><u>Business-Type Activities</u></b>						
GO Bonds (public offerings)	\$ 4,323,000	\$ -	\$ (359,000)	\$ 3,964,000	\$ (348,000)	\$ 3,616,000
Unamortized debt premiums	<u>118,576</u>	<u>-</u>	<u>(16,465)</u>	<u>102,111</u>	<u>(16,464)</u>	<u>85,647</u>
Bonds and loans payable	4,441,576	-	(375,465)	4,066,111	(364,464)	3,701,647
Net pension liability	10,213,621	-	(652,154)	9,561,467	-	9,561,467
Net OPEB liability	2,553,241	-	(511,136)	2,042,105	-	2,042,105
Accrued employee benefits	300,129	-	(65,363)	234,766	(95,651)	139,115
<b>Totals</b>	<b><u>\$ 17,508,567</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (1,604,118)</u></b>	<b><u>\$ 15,904,449</u></b>	<b><u>\$ (460,115)</u></b>	<b><u>\$ 15,444,334</u></b>

The Town's general fund is the only governmental fund that has liquidated pension and OPEB liabilities. Compensated absences are repaid from the funds that the costs relate to, including the general fund, electric light fund, water fund, and parks and recreation fund.

### **14. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of net position by the Town that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports deferred inflows of resources attributable to pension and OPEB on the statement of net position and unavailable revenues arising from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds.

Deferred inflows of resources related to pension and OPEB will offset pension and OPEB expense in future years and are more fully described in the corresponding pension and OPEB notes.

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2021 receivable balances, except real and personal property taxes that were collected within 60 days of year end. Other governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

## **15. Governmental Fund Balances**

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

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

The following types of fund balances are reported at June 30, 2021:

### ***Nonspendable***

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

### ***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

***Committed***

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting resolution, special purpose stabilization funds, and various special revenue funds.

***Assigned***

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

***Unassigned***

Represents amounts that are available to be spent in future periods, general stabilization fund and deficit funds.

The following is a breakdown of the Town's governmental fund balances at year-end:

	<u>General Fund</u>	<u>Library Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Nonspendable permanent funds:				
Education	\$ -	\$ -	\$ 576,545	\$ 576,545
Library	-	-	492,375	492,375
Perpetual care	-	-	310,528	310,528
Culture and recreation	-	-	82,819	82,819
Total Nonspendable	-	-	1,462,267	1,462,267
Restricted:				
Bond premium for debt service	87,671	-	-	87,671
Town special revenue funds:				
Library building state grant	-	-	3,517,995	3,517,995
Library building gift fund	-	-	907,173	907,173
Ambulance	-	-	704,570	704,570
Recreation reserve	-	-	530,583	530,583
Lakes FD	-	-	487,887	487,887
Open space reserve	-	-	476,357	476,357
Littleton cable television	-	-	460,551	460,551
Affordable housing trust	-	-	364,510	364,510
IOD Police and Fire	-	-	350,000	350,000
CPC annual fund	-	-	303,078	303,078
School special revenue funds:				
School choice	-	-	2,154,339	2,154,339
Circuit breaker	-	-	921,913	921,913
Tiger's den	-	-	387,372	387,372
Full day kindergarten	-	-	231,314	231,314
Various other special revenue funds	-	-	2,734,591	2,734,591
Capital project funds:				
Tahattawan fund	-	-	329,095	329,095
Fire station	-	-	1,006	1,006
Expendable permanent funds:				
Education	-	-	1,345,255	1,345,255
Library	-	-	1,128,764	1,128,764
Perpetual care	-	-	411,611	411,611
Culture and recreation	-	-	237,305	237,305
Total Restricted	87,671	-	17,985,269	18,072,940
Committed:				
Senior Center stabilization	3,044,315	-	-	3,044,315
Capital stabilization	1,362,884	-	-	1,362,884
Capital articles appropriated	566,836	-	-	566,836
Debt exclusion stabilization	250,446	-	-	250,446
2022 Annual Town Meeting Articles for:				
Fiscal year 2022 capital items	1,334,500	-	-	1,334,500
Host Community Agreement with Northbridge	1,110,000	-	-	1,110,000
Fiscal year 2022 operating budget	650,000	-	-	650,000
Capital stabilization fund	308,500	-	-	308,500
Stabilization fund	150,000	-	-	150,000
Highway Chapter 90 deficit	22,565	-	-	22,565
Capital project funds:				
Capital articles	-	-	1,386,962	1,386,962
Total Committed	8,800,046	-	1,386,962	10,187,008
Assigned:				
Encumbered for:				
Education	398,199	-	-	398,199
General government	170,220	-	-	170,220
Public works	134,881	-	-	134,881
Public safety	3,155	-	-	3,155
Total Assigned	706,455	-	-	706,455
Unassigned:				
General fund	11,867,600	-	-	11,867,600
Stabilization*	3,656,980	-	-	3,656,980
Library building fund	-	(5,239,436)	-	(5,239,436)
Nonmajor fund deficits	-	-	(466,611)	(466,611)
Total Unassigned	15,524,580	(5,239,436)	(466,611)	9,818,533
Total Fund Balance	\$ 25,118,752	\$ (5,239,436)	\$ 20,367,887	\$ 40,247,203

\* Established by Massachusetts General Laws Chapter 40, Section 5B.

## **16. Retirement System**

The Town follows the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

### ***Plan Description***

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Middlesex County Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865. Reports are also available on the System's website at [www.middlesexretirement.org](http://www.middlesexretirement.org).

### ***Participant Contributions***

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The employee's individual contribution percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

### ***Participant Retirement Benefits***

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the

pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

### ***Methods of Payment***

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

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

### ***Participants Refunds***

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

### ***Employer Contributions***

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

The Town's contribution to the System for the year ended June 30, 2021 was \$3,281,774. In fiscal year 2021, the Town contributed \$926,600 in excess of its actuarially determined contribution.

### ***Summary of Significant Accounting Policies***

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

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the Town reported a liability of \$23,466,261 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 employers, actuarially determined. At December 31, 2020, the Town's proportion was 1.53% percent. For the year ended June 30, 2021, the Town recognized a pension expense of \$5,194,979. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,330,268)
Difference between expected and actual experience	429,189	(27,770)
Change in assumptions	895,794	-
Change in proportion	1,320,076	(310,142)
Contributions subsequent to measurement date	<u>554,554</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 3,199,613</u></b>	<b><u>\$ (1,668,180)</u></b>

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

		<u>Net Deferred Outflows/(Inflows) of Resources</u>
Year ended June 30:		
2022	\$ 585,195	
2023	712,148	
2024	(49,317)	
2025	<u>(271,147)</u>	
Total	<u>\$ 976,879</u>	

### ***Actuarial Assumptions***

The total pension liability in the Middlesex County Retirement System actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method:	Entry Age Normal Cost Method
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
Inflation	2.10%
Wage Inflation:	3.25%
Discount Rate / Investment Rate of Return:	7.30%
Cost of Living Adjustments	3.00% of first \$16,000
Mortality Rates:	<p><i>Pre-Retirement</i> : RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017</p> <p><i>Healthy Retiree</i> : RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017</p> <p><i>Disabled Retiree</i> : RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.</p>

The assumptions above are based on the experience of the Plan and are reevaluated as follows:

- The discount rate / investment rate of return - annually
- Projected salary increases – biennially
- Mortality rates – to the extent the new mortality tables are available. The numbers of expected death, terminations, disabilities, and retirements are compared to the actual numbers biennially.

### ***Target Allocation***

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	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 fund, GTAA, risk parity	10.00%	2.35%
Private equity	14.00%	10.11%
Total	<u>100.0%</u>	

### ***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 that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the current discount rate of 7.30%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower and 1 percentage-point higher than the current rate:

For the Year Ended	1% Decrease	Current Discount Rate	1% Increase
	(6.30%)	(7.30%)	(8.30%)
June 30, 2021	\$ 29,241,488	\$ 23,466,261	\$ 18,607,451

***Pension Plan Fiduciary Net Position***

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

**17. Massachusetts Teachers' Retirement System (MTRS)**

***Plan Description***

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

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

***Benefits Provided***

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's

highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

### ***Contributions***

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

### ***Significant Actuarial Assumptions***

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.

- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

### ***Target Allocations***

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.0%	4.8%
Core fixed income	15.0%	0.7%
Private equity	13.0%	8.2%
Portfolio completion strategies	11.0%	3.2%
Real estate	10.0%	3.5%
Value added fixed income	8.0%	4.2%
Timber/natural resources	4.0%	1.1%
<b>Total</b>	<b><u>100.0%</u></b>	

### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution

rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### ***Sensitivity Analysis***

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2020. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

Current Discount		
1% Decrease	Rate	1% Increase
(6.15%)	(7.15%)	(8.15%)
\$ 35,411,955	\$ 28,544,844	\$ 22,908,510

### ***Special Funding Situation***

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by *GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

### ***Town Proportions***

In fiscal year 2020 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$46,908,114 and \$5,793,824 respectively, based on a proportionate share of 0.1643%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense as both a revenue and expense in the governmental activities.

## **18. Other Post-Employment Benefits (OPEB)**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaced the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. Several years ago, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaced the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The Electric Light Department's Other Post-Employment Benefits Trust fund is separately stated from the Town's Trust fund (in the fiduciary fund statements) because the Electric Light Fund is established under a separate section of Massachusetts General Laws. In addition, the Electric Light Department has its own actuarial valuation and the accompanying notes to the financial statements and required supplementary information display separate disclosures for the Electric Light Department.

### **Town OPEB Plan**

All the following OPEB disclosures are based on a measurement date of June 30, 2021.

#### *General Information about the OPEB Plan*

##### Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32B of the Massachusetts General Laws.

##### Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

##### Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

##### Plan Membership

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	168
Active employees	360
Total	528

## Investments

The OPEB trust fund assets consist of equities, bonds, and alternatives.

### Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 26.99% (prior was 2.11%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Actuarial Assumptions and Other Inputs*

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Payroll growth	3.5% per year
Long-Term expected rate of return	6.5%, compounded annually, net of fees
Municipal bond rate	2.16%, based on the Bond Buyer 20-Bond GO Index published on June 30, 2021
Discount rate	6.5%, net of investment expenses, including inflation (prior: 6.75%)
Healthcare cost trend rates	7.00% decreasing annually to 4.00%
Retirees' share of benefit-related costs	26 - 50 %
Participation rates	<u>Medical</u> - 80% of eligible retired employees will elect to participate. <u>Dental</u> - Not offered to retired employees. <u>Life</u> - 80% of eligible retirees will elect to participate. <u>Medicare</u> - all retired employees are assumed to enroll in Medicare at age 65.

Mortality rates were based on:

- Pre-retirement (General and Public Safety employees) – RP-2014 Blue Collar Employee Mortality Table projected with generational mortality improvement using scale MP-2017.
- Post-retirement (General and Public Safety employees) – RP-2014 Blue Collar Healthy Annuitant Mortality Table projected with generational mortality improvement using scale MP-2017.
- Pre-retirement (Teachers) – PUB-2010 Teachers Headcount-Weighted Employee Mortality Table base year 2010, projected with generational mortality using Scale MP-2020.

- Post-retirement (Teachers) – PUB-2010 Teachers Headcount-Weighted Employee Mortality Table base year 2010, projected with generational mortality using Scale MP-2020.

#### *Target Allocations*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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, netting with investment expense and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.00%	5.34%
International Equity	20.00%	6.10%
Domestic Bond	20.00%	1.62%
Alternative	20.00%	4.21%
International Bond	5.00%	1.26%
Cash and equivalents	0.00%	0.00%
<b>Total</b>	<b><u>100.00%</u></b>	

#### *Discount Rate*

The discount rate used to measure the net OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

#### *Net OPEB Liability*

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 27,713,069
Plan fiduciary net position	<u>21,650,957</u>
Net OPEB liability	\$ <u>6,062,112</u>

Plan fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

*Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Plan		
	Total OPEB Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 33,199,756	\$ 14,626,403	\$ 18,573,353
Changes for the year:			
Service cost	1,225,955	-	1,225,955
Interest	2,285,218	-	2,285,218
Difference between expected and actual experience	(9,876,472)	-	(9,876,472)
Contributions - employer	-	3,839,864	(3,839,864)
Net investment income	-	4,325,944	(4,325,944)
Change in assumptions	2,019,866	-	2,019,866
Benefit payments	(1,141,254)	(1,141,254)	-
Net Changes	<u>(5,486,687)</u>	<u>7,024,554</u>	<u>(12,511,241)</u>
Balances, end of year	<u>\$ 27,713,069</u>	<u>\$ 21,650,957</u>	<u>\$ 6,062,112</u>

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	\$ 10,264,525	\$ 6,062,112	\$ 2,676,668

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	\$ 2,152,119	\$ 6,062,112	\$ 11,021,889

*OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB*

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$1,438,468. At June 30, 2021, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 5,812,511	\$ -
Change in experience	-	9,594,833
Net difference between projected and actual OPEB investment earnings	-	2,116,226
Total	<u>\$ 5,812,511</u>	<u>\$ 11,711,059</u>

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

Year Ended June 30:

2022	\$ (987,655)
2023	(1,012,670)
2024	(1,027,756)
2025	(1,168,190)
2026	(524,705)
Thereafter	<u>(1,177,572)</u>
Total	<u>\$ (5,898,548)</u>

**Electric Light OPEB Plan**

All the following OPEB disclosures are based on a measurement date of December 31, 2020.

*General Information about the OPEB Plan*

Plan Description

The Electric Light Department provides post-employment healthcare benefits for retired employees through the Electric Light's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32B of the Massachusetts General Laws. The Department's Board of Commissioners has the authority to establish and amend benefit terms.

### Benefits Provided

The Electric Light Department provides retired employees and their spouses and dependents with payments for a portion of their health care, dental care, and life insurance benefits. Benefits are provided through a third-party insurer.

### Contributions

The Electric Light Department pay 70% of the total premiums for health insurance and 70% of the premiums for a \$5,000 life insurance policy for employees hired prior to July 1, 2010 (50% for employees hired on or after July 1, 2010). The contribution requirements of plan members and the Electric Light Department are established by union agreements and may be amended by amended form time-to-time.

### Funding Policy

The Electric Light Department's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

### Plan Membership

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	28
Active employees	<u>26</u>
Total	<u><u>54</u></u>

### Investments

The plan's policy is in regard to the allocation of invested assets is approved and may be amended by the Treasurer with the approval of the Commissioners. The policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

### Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 13.99% (18.40% in the prior year). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Actuarial Assumptions and Other Inputs*

The net OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20% per year
Salary increases	3.50% per year
Investment rate of return	6.50%, net of investment expenses, including inflation
Discount Rate	6.50% per year (previously 6.85%)
Health Cost Trend Rates	7.0% decreasing by 0.4% per year to 5.4% per year then graduating down to an ultimate trend rate of 4.0%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medial inflation rate is reached in 2075.
Participation rate	80%

Mortality rates were based on:

- Pre-retirement – RP-2014 Blue Collar Employee Mortality Table projected with generational mortality improvement using scale MP-2017.
- Post-retirement – RP-2014 Blue Collar Employee Mortality Table projected with generational mortality improvement using scale MP-2017

### *Target Allocations*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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, netting with investment expense and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.00%	5.34%
Domestic Bond	20.00%	1.62%
International Equity	20.00%	6.10%
International Bond	5.00%	1.26%
Alternatives	20.00%	4.21%
Total	<u><u>100.00%</u></u>	

#### *Discount Rate*

As of December 31, 2020, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Projected benefit payments are discounted to their actuarial present value using a single discount rate of 6.85%.

#### *Net OPEB Liability*

The components of the net OPEB liability, measured as of December 31, 2020, were as follows:

Total OPEB liability	\$ 4,691,890
Plan fiduciary net position	<u>3,053,322</u>
Net OPEB liability	\$ <u>1,638,568</u>
Plan fiduciary net position as a percentage of the total OPEB liability	65.08%

Plan fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### *Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 4,363,672	\$ 2,633,706	\$ 1,729,966
Changes for the year:			
Service cost	85,486	-	85,486
Interest	292,609	-	292,609
Contributions - employer	-	404,999	(404,999)
Net investment income	-	369,616	(369,616)
Change in experience	(284,358)	-	(284,358)
Change in assumptions	589,480	-	589,480
Benefit payments	(354,999)	(354,999)	-
Net Changes	<u>328,218</u>	<u>419,616</u>	<u>(91,398)</u>
Balances, end of year	\$ <u>4,691,890</u>	\$ <u>3,053,322</u>	\$ <u>1,638,568</u>

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
\$	2,290,845	\$ 1,638,568
\$	1,108,231	

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Current	
1%	Healthcare	1%
Decrease	Cost Trend	Increase
\$	1,021,959	\$ 1,638,568
\$	2,415,237	

*OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB*

For the year ended June 30, 2019, the Electric Light Department recognized an OPEB expense of \$259,983. At December 31, 2019, the Electric Light Department reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred	Deferred
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Change in assumptions	\$ 844,744	\$ -
Change in experience	-	372,078
Net difference between projected and actual OPEB investment earnings	-	177,320
Total	<u>\$ 844,744</u>	<u>\$ 549,398</u>

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

Year Ended December 31:

2021	\$ 62,852
2022	62,851
2023	4,570
2024	53,066
2025	69,169
Thereafter	<u>42,838</u>
Total	\$ <u>295,346</u>

***Consolidation of Total OPEB Liabilities and Related Deferred Outflows and (Inflows)***

The following consolidates the Town's total OPEB liability and related deferred outflows/(inflows) and OPEB expense, and the Electric Light Department's total OPEB liability, related deferred outflows/(inflows) and OPEB expense:

	Total OPEB Liability	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources	Total OPEB Expense
Town OPEB Plan	\$ 6,062,112	\$ 5,812,511	\$ 11,711,059	\$ 1,438,468
Electric Light OPEB Plan	1,638,568	844,744	549,398	259,983
Total	\$ <u>7,700,680</u>	\$ <u>6,657,255</u>	\$ <u>12,260,457</u>	\$ <u>1,698,451</u>

**19. Tax Abatement Agreements**

In accordance with GASB Statement No. 77, *Tax Abatement Disclosures*, the Town is required to disclose certain information related to tax agreement programs.

The Town entered into property tax abatement agreements subject to Massachusetts General Laws Chapter 23A, Section 3A-3F. The Economic Development Incentive program is designed to promote increased business development and expansion throughout the Commonwealth. It allows municipalities to negotiate agreements that provide enhancements to properties and/or assist in job creation and retention.

***Multi-Brand Retailer***

The recipient of the agreement agreed to invest approximately \$35 million in soft and hard construction development costs and \$14 million for personal property and other investment expenses. In addition, the company agreed to create and retain 130 full time employees within seven years. Consideration to hiring town residents and vendors will be subject to applicable laws and equal qualifications. In addition, the recipient will relocate

227 current employees to the project. The tax abatement agreement is a twelve-year agreement. The abatement is granted by reducing the company's real estate taxation by 62.1% year one with reductions in the percentages to a 33.9% reduction in year twelve.

The company is required to provide the Town with an annual report. The report shall provide specific information that will allow the Town to verify that the agreed to conditions have been met. If the company fails to meet the obligations specified in the agreement, the Town may request decertification of the agreement by the Massachusetts Economic Assistance Coordinating Council. If the agreement is decertified, the Town may revoke the remainder of the agreement.

For the fiscal year ended June 30, 2021, the company received a tax abatement of \$560,965.

***Gas Containment Equipment and Services***

The recipient of the agreement agreed to invest approximately \$3.5 million in capital improvements and \$7.5 million for capital equipment to be located on the site. In addition, the company agreed to create and retain 67 full time employees. Consideration to hiring town residents will be subject to applicable laws and equal qualifications. The tax abatement agreement is a twenty-year agreement. The abatement is granted by reducing the company's real estate taxation by 25% in year one with reductions in the percentages to a 5% reduction in year 5 and the remaining years of the agreement.

The company is required to provide the Town with an annual report. The report shall provide specific information that will allow the Town to verify that the agreed to conditions have been met. If the company fails to meet the obligations specified in the agreement, the Town may request decertification of the agreement by the Massachusetts Economic Assistance Coordinating Council. If the agreement is decertified, the Town may revoke the remainder of the agreement.

For the fiscal year ended June 30, 2021, the company received a tax abatement of \$8,261.

***Information Technology***

The recipient of the agreement agreed to invest approximately \$43 million in capital improvements and \$20 million for capital equipment to be located on the site. In addition, the company agreed to create and retain 43 full time employees. Consideration to hiring town residents will be subject to applicable laws and equal qualifications. The tax abatement agreement is a twenty-year agreement. The abatement is granted by reducing the company's real estate taxation by 25% in year one with reductions in the percentages to a 5% reduction in year 5 and the remaining years of the agreement.

The company is required to provide the Town with an annual report. The report shall provide specific information that will allow the Town to verify that the agreed to conditions have been met. If the company fails to meet the obligations specified in the agreement, the Town may request decertification of the agreement by the Massachusetts Economic Assistance Coordinating Council. If the agreement is decertified, the Town may revoke the remainder of the agreement.

For the fiscal year ended June 30, 2021, the company received a tax abatement of \$36,622.

***Patriot Beverage Company***

The recipient of the agreement agreed to invest approximately \$12 million in soft and hard construction and development costs. In addition, the company agreed to create and retain 50 full time employees. Consideration to hiring town residents will be subject to applicable laws and equal qualifications. The tax abatement agreement is a seven-year agreement. The abatement is granted by reducing the company's real estate taxation by 10% in year one with reductions in the percentages to a 7.5% reduction in year 3 and 5% reduction in year 5 and the remaining years of the agreement.

The company is required to provide the Town with an annual report. The report shall provide specific information that will allow the Town to verify that the agreed to conditions have been met. If the company fails to meet the obligations specified in the agreement, the Town may request decertification of the agreement by the Massachusetts Economic Assistance Coordinating Council. If the agreement is decertified, the Town may revoke the remainder of the agreement.

For the fiscal year ended June 30, 2021, the company received a tax abatement of \$23,370.

**20. Commitments and Contingencies**

***Outstanding Legal Issues***

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

***Grants***

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

### ***Encumbrances***

At year-end the Town's general fund has \$706,455 in encumbrances that will be honored in the next fiscal year.

### ***Massachusetts Municipal Wholesale Electric Company (MMWEC)***

The Town of Littleton acting through its Light Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and the stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. Among other things, the PSAs require each Project Participation to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due other Project Participants of the Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

As of July 1, 2019, MMWEC has no debt service obligations outstanding relating to the Projects. MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel, and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department's Project Capability of the Projects in which it participates for the year ended December 31, 2020 can be found in the Littleton Electric separately issued Financial Statements.

## **21. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 87, Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. Management has not yet evaluated the impact on the financial statements.

## **22. Subsequent Events**

Management has evaluated subsequent events through June 17, 2022, which is the date the financial statements were available to be issued.

### ***Issuance of Debt***

On November 3, 2021, the Town issued a General Obligation Municipal Purpose Bond of \$5,205,000 with interest rates ranging from 2.00 to 5.00% and payments due November 15, 2022 through 2041.

On November 3, 2021, the Town issued a Bond Anticipation Note of \$6,469,000 at interest rate of 2.00% maturing November 18, 2022.

### 23. Beginning Fund Balance / Net Position Restatement

The Town's beginning fund balance / net position required restatements. Accordingly, the following reconciliation is provided:

Fund Basis Financial Statements:

	Nonmajor Governmental <u>Funds</u>	Electric Fund	Water Fund	Nonmajor Park and Recreation <u>Fund</u>
As previously reported	\$ 16,313,115	\$ 34,507,165	\$ 9,700,834	\$ (133,750)
Sewer capital project	156,000	-	-	
Pension related restatement	-	282,718	(456,424)	446,947
As restated	<u>\$ 16,469,115</u>	<u>\$ 34,789,883</u>	<u>\$ 9,244,410</u>	<u>\$ 313,197</u>

Government-Wide Financial Statements:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
As previously reported	\$ 76,906,219	\$ 44,074,249
Depreciation of sewer assets	3,120	-
Pension related reclassification	(273,241)	273,241
As restated	<u>\$ 76,636,098</u>	<u>\$ 44,347,490</u>

**TOWN OF LITTLETON, MASSACHUSETTS**

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Other Financing  
 Sources and Uses - Budget and Actual - General Fund

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Property taxes, net	\$ 42,448,832	\$ 42,448,832	\$ 42,891,213	\$ 442,381
Intergovernmental	4,979,474	4,979,474	5,224,571	245,097
Excise and other taxes	1,211,138	1,211,138	1,750,727	539,589
Penalties and interest	80,000	80,000	95,819	15,819
Payments in lieu of taxes	800,000	800,000	856,043	56,043
Departmental fees and charges	494,964	494,964	2,068,992	1,574,028
Licenses and permits	150,000	150,000	511,877	361,877
Fines and forfeitures	25,000	25,000	36,646	11,646
Investment income	125,000	125,000	143,931	18,931
Other	-	-	37,852	37,852
<b>Total Revenues</b>	<b>50,314,408</b>	<b>50,314,408</b>	<b>53,617,671</b>	<b>3,303,263</b>
<b>Expenditures</b>				
Town Meeting/Reports	16,000	26,000	24,436	1,564
Moderator	100	100	20	80
Selectmen Office	42,300	101,263	88,251	13,012
Town Administrator	339,371	419,371	405,086	14,285
Finance committee	1,300	1,650	1,185	465
Reserve fund	311,893	149,855	-	149,855
Accounting	210,101	227,239	224,537	2,702
Audit	45,000	45,000	43,725	1,275
Assessing	234,944	231,794	189,081	42,713
Treasurer	342,233	342,233	297,918	44,315
Collector	124,734	127,570	113,873	13,697
Town Counsel	250,000	251,973	245,415	6,558
Human Resources	120,956	120,956	105,556	15,400
Information systems	637,364	637,716	595,044	42,672
Tax Title	16,000	16,000	1,790	14,210
Town clerk	136,215	142,282	141,841	441
Elections/Registrations	19,200	22,600	22,600	-
Conservation	49,309	50,009	49,944	65
Planning board	118,683	118,683	114,618	4,065
Zoning Board of Appeals	6,120	6,220	6,160	60
Permanent Municipal Bldgs.	30,000	30,000	507	29,493
Public Buildings	439,031	495,804	455,483	40,321
Property & Liability Insurance	420,000	420,000	349,721	70,279
Central Communications	115,000	114,980	103,162	11,818
Police Department	2,234,413	2,235,032	2,030,352	204,680
Crossing Guards	25,000	25,000	15,191	9,809
Fire Department	2,107,710	2,224,639	2,054,383	170,256
Dispatch	559,774	559,774	559,141	633
Building Inspection	304,260	306,660	290,094	16,566
Civil Preparedness Agency	6,458	6,458	6,186	272
Canine Control	34,000	34,000	30,445	3,555
Education	22,605,878	22,804,707	22,315,112	489,595

(continued)

**TOWN OF LITTLETON, MASSACHUSETTS**

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Other Financing  
 Sources and Uses - Budget and Actual - General Fund - Unaudited  
 For the Year Ended June 30, 2021

(continued)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Highway and Streets	902,398	896,701	842,474	54,227
Construction and Maintenance	826,800	1,083,950	1,062,818	21,132
Snow and Ice	200,000	200,000	424,067	(224,067)
Street lighting	18,200	18,200	16,182	2,018
Field maintenance	265,666	265,666	229,511	36,155
Transfer station	479,995	633,622	527,096	106,526
Clean Lakes	66,000	66,000	58,797	7,203
B&M crossing	2,825	2,825	2,806	19
Cemetery	144,410	144,410	138,517	5,893
Health	26,569	26,569	24,034	2,535
Nashoba Associated	27,562	27,562	25,307	2,255
Nursing Services	11,497	11,497	11,497	-
Mental Health	16,500	33,280	29,780	3,500
Council on Aging	254,528	260,288	241,109	19,179
Veterans Services	9,917	9,917	8,105	1,812
Veterans Benefits	200,000	200,086	98,222	101,864
Library	679,968	679,968	661,890	18,078
MVLC	36,700	36,700	33,707	2,993
Historical Commission	4,480	6,839	147	6,692
Memorial Day	750	750	575	175
Cultural Council	5,600	5,600	5,600	-
Disability Commission	1,200	1,200	-	1,200
Shade Tree Commission	5,000	5,000	4,943	57
Debt Principal	2,382,699	2,395,699	2,351,699	44,000
Debt Interest	875,080	875,080	871,631	3,449
Other Debt Service	319,365	306,365	24,433	281,932
Intergovernmental	1,216,540	1,061,272	1,134,663	(73,391)
Employee Benefits	7,208,297	7,427,816	6,865,325	562,491
Fuel	135,000	148,191	113,323	34,868
<b>Total Expenditures</b>	<b>48,226,893</b>	<b>49,126,621</b>	<b>46,689,115</b>	<b>2,437,506</b>
Excess (deficiency) of revenues over expenditures	2,087,515	1,187,787	6,928,556	5,740,769
<b>Other Financing Sources (Uses)</b>				
Use of free cash	3,855,892	3,855,892	-	(3,855,892)
Use of prior year encumbrances	-	1,346,968	-	(1,346,968)
Transfers from other funds	1,051,378	1,051,378	1,389,877	338,499
Transfers to other funds	(6,850,444)	(7,297,684)	(7,297,684)	-
Other uses	(144,341)	(144,341)	-	144,341
<b>Total Other Financing Sources (Uses)</b>	<b>(2,087,515)</b>	<b>(1,187,787)</b>	<b>(5,907,807)</b>	<b>(4,720,020)</b>
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	\$ <u>      </u> -	\$ <u>      </u> -	\$ <u>1,020,749</u>	\$ <u>1,020,749</u>

See Notes to the Required Supplementary Information

See Independent Auditor's Report

**TOWN OF LITTLETON, MASSACHUSETTS**

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

**Middlesex County Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	December 31, 2020	1.532648%	\$ 23,466,261	\$ 13,885,800	168.99%	53.42%
June 30, 2020	December 31, 2019	1.628481%	\$ 26,056,612	\$ 13,118,371	198.63%	49.45%
June 30, 2019	December 31, 2018	1.624418%	\$ 25,332,249	\$ 12,191,742	207.78%	46.40%
June 30, 2018	December 31, 2017	1.510218%	\$ 21,432,789	\$ 11,686,136	183.40%	49.27%
June 30, 2017	December 31, 2016	1.690981%	\$ 23,959,114	\$ 11,081,928	216.20%	45.49%
June 30, 2016	December 31, 2015	1.658682%	\$ 21,397,309	\$ 10,782,598	198.44%	46.13%
June 30, 2015	December 31, 2014	1.583397%	\$ 19,021,595	\$ 10,367,883	183.47%	47.65%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>	
June 30, 2021	June 30, 2020	0.164331%	\$ -	\$ 46,908,114	\$ 46,908,114	\$ 11,765,988	0%	50.67%
June 30, 2020	June 30, 2019	0.162585%	\$ -	\$ 40,994,283	\$ 40,994,283	\$ 11,453,523	0%	53.95%
June 30, 2019	June 30, 2018	0.160546%	\$ -	\$ 38,067,628	\$ 38,067,628	\$ 11,274,930	0%	54.84%
June 30, 2018	June 30, 2017	0.159076%	\$ -	\$ 36,405,133	\$ 36,405,133	\$ 10,802,005	0%	54.25%
June 30, 2017	June 30, 2016	0.158316%	\$ -	\$ 35,396,068	\$ 35,396,068	\$ 10,413,480	0%	52.73%
June 30, 2016	June 30, 2015	0.158065%	\$ -	\$ 32,386,865	\$ 32,386,865	\$ 10,019,563	0%	55.38%
June 30, 2015	June 30, 2014	0.154567%	\$ -	\$ 24,570,481	\$ 24,570,481	\$ 9,477,266	0%	61.64%

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

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**TOWN OF LITTLETON, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

**Middlesex County Retirement System**

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the						Contributions as a Percentage of <u>Covered Payroll</u>
		Actuarially Determined	Actuarially Determined	Contribution Deficiency (Excess)	Covered Payroll			
June 30, 2021	December 31, 2020	\$ 2,355,174	\$ 3,281,774	\$ (926,600)	\$ 13,713,395			23.93%
June 30, 2020	December 31, 2019	\$ 2,206,947	\$ 3,086,111	\$ (879,164)	\$ 13,885,800			22.22%
June 30, 2019	December 31, 2018	\$ 2,185,944	\$ 2,185,944	\$ -	\$ 12,191,742			17.93%
June 30, 2018	December 31, 2017	\$ 2,054,283	\$ 3,555,064	\$ (1,500,781)	\$ 11,686,136			30.42%
June 30, 2017	December 31, 2016	\$ 1,875,271	\$ 2,575,271	\$ (700,000)	\$ 11,081,928			23.24%
June 30, 2016	December 31, 2015	\$ 1,762,316	\$ 1,762,316	\$ -	\$ 10,782,598			16.34%
June 30, 2015	December 31, 2014	\$ 1,711,410	\$ 1,711,410	\$ -	\$ 10,367,883			16.51%

**Massachusetts Teachers' Retirement System**

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the						Contributions as a Percentage of <u>Covered Payroll</u>
		Actuarially Determined Contribution Provided by <u>Commonwealth</u>	Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll			
June 30, 2021	June 30, 2020	\$ 2,552,777	\$ 2,552,777	\$ -	N/A			N/A
June 30, 2020	June 30, 2019	\$ 2,347,260	\$ 2,347,260	\$ -	N/A			N/A
June 30, 2019	June 30, 2018	\$ 2,110,837	\$ 2,110,837	\$ -	N/A			N/A
June 30, 2018	June 30, 2017	\$ 3,799,710	\$ 3,799,710	\$ -	N/A			N/A
June 30, 2017	June 30, 2016	\$ 3,610,631	\$ 3,610,631	\$ -	N/A			N/A
June 30, 2016	June 30, 2015	\$ 2,626,863	\$ 2,626,863	\$ -	N/A			N/A
June 30, 2015	June 30, 2014	\$ 1,707,029	\$ 1,707,029	\$ -	N/A			N/A

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

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**TOWN OF LITTLETON, MASSACHUSETTS**

Required Supplementary Information

Town Schedule of Changes in the Net OPEB Liability  
(Unaudited)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 1,225,955	\$ 1,022,757	\$ 923,015	\$ 887,514	\$ 853,379
Interest on total OPEB liability	2,285,218	2,157,973	1,949,574	1,818,827	1,690,414
Changes of benefit terms	-	(406,443)	-	-	-
Differences between expected and actual experience	(9,876,472)	-	(1,661,369)	-	-
Changes of assumptions	2,019,866	3,264,788	2,595,779	-	-
Benefit payments, including refunds of member contributions	(1,141,254)	(1,179,063)	(1,077,132)	(919,952)	(811,562)
Net change in total OPEB liability	(5,486,687)	4,860,012	2,729,867	1,786,389	1,732,231
Total OPEB liability - beginning	<u>33,199,756</u>	<u>28,339,744</u>	<u>25,609,877</u>	<u>23,823,488</u>	<u>22,091,257</u>
<b>Total OPEB liability - ending (a)</b>	<b><u>\$ 27,713,069</u></b>	<b><u>\$ 33,199,756</u></b>	<b><u>\$ 28,339,744</u></b>	<b><u>\$ 25,609,877</u></b>	<b><u>\$ 23,823,488</u></b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 3,839,864	\$ 3,441,437	\$ 3,498,393	\$ 2,352,890	\$ 1,959,853
Contributions - member	-	-	-	-	-
Net investment income	4,325,944	274,805	664,043	461,845	541,215
Benefit payments, including refunds of member contributions	(1,141,254)	(1,179,063)	(1,077,132)	(919,952)	(811,562)
Administrative expense	-	-	-	-	-
Other	-	-	-	-	-
Net change in plan fiduciary net position	7,024,554	2,537,179	3,085,304	1,894,783	1,689,506
Plan fiduciary net position - beginning	<u>14,626,403</u>	<u>12,089,224</u>	<u>9,003,920</u>	<u>7,109,137</u>	<u>5,419,631</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 21,650,957</u></b>	<b><u>\$ 14,626,403</u></b>	<b><u>\$ 12,089,224</u></b>	<b><u>\$ 9,003,920</u></b>	<b><u>\$ 7,109,137</u></b>
<b>Net OPEB liability - ending (a-b)</b>	<b><u>\$ 6,062,112</u></b>	<b><u>\$ 18,573,353</u></b>	<b><u>\$ 16,250,520</u></b>	<b><u>\$ 16,605,957</u></b>	<b><u>\$ 16,714,351</u></b>
Covered employee payroll	\$ 22,079,971	\$ 23,272,636	\$ 21,401,305	\$ 19,528,449	\$ 20,907,161
Net OPEB liability as a percentage of covered employee payroll	27.46%	79.81%	75.93%	85.03%	79.95%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See stand-alone OPEB financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**TOWN OF LITTLETON, MASSACHUSETTS**  
**MUNICIPAL LIGHT DEPARTMENT**

Required Supplementary Information

Electric Light Schedule of Changes in Net OPEB Liability  
 (Unaudited)

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
<b>Total OPEB Liability</b>				
Service cost	\$ 85,486	\$ 73,224	\$ 72,190	\$ 69,247
Interest	292,609	296,496	294,181	289,872
Changes of benefit terms	-	(35,012)	-	-
Differences between expected and actual experience	(284,358)	-	(237,629)	-
Changes of assumptions	589,480	313,653	225,921	-
Benefit payments, including refunds of member contributions	<u>(354,999)</u>	<u>(329,482)</u>	<u>(320,182)</u>	<u>(289,069)</u>
Net change in total OPEB liability	328,218	318,879	34,481	70,050
Total OPEB liability - beginning	<u>4,363,672</u>	<u>4,044,793</u>	<u>4,010,312</u>	<u>3,940,262</u>
Total OPEB liability - ending (a)	<u>\$ 4,691,890</u>	<u>\$ 4,363,672</u>	<u>\$ 4,044,793</u>	<u>\$ 4,010,312</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 404,999	\$ 379,482	\$ 370,182	\$ 539,069
Contributions - member	-	-	-	-
Net investment income	369,616	402,179	(121,795)	235,555
Benefit payments, including refunds of member contributions	<u>(354,999)</u>	<u>(329,482)</u>	<u>(320,182)</u>	<u>(289,069)</u>
Net change in plan fiduciary net position	419,616	452,179	(71,795)	485,555
Plan fiduciary net position - beginning	<u>2,633,706</u>	<u>2,181,527</u>	<u>2,253,322</u>	<u>1,767,767</u>
Plan fiduciary net position - ending (b)	<u>3,053,322</u>	<u>2,633,706</u>	<u>2,181,527</u>	<u>2,253,322</u>
Net OPEB liability - ending (a-b)	<u>\$ 1,638,568</u>	<u>\$ 1,729,966</u>	<u>\$ 1,863,266</u>	<u>\$ 1,756,990</u>

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**TOWN OF LITTLETON, MASSACHUSETTS**

Required Supplementary Information

Town Schedules of Net OPEB Liability, Contributions, and Investment Returns  
(Unaudited)

**Schedule of Net OPEB Liability**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB liability	\$ 27,713,069	\$ 33,199,756	\$ 28,339,744	\$ 25,609,877	\$ 23,823,488
Plan fiduciary net position	<u>21,650,957</u>	<u>14,626,403</u>	<u>12,089,224</u>	<u>9,003,920</u>	<u>7,109,137</u>
Net OPEB liability	<u>\$ 6,062,112</u>	<u>\$ 18,573,353</u>	<u>\$ 16,250,520</u>	<u>\$ 16,605,957</u>	<u>\$ 16,714,351</u>
Plan fiduciary net position as a percentage of the total OPEB liability	78.13%	44.06%	42.66%	35.16%	29.84%

**Schedule of Contributions**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarially determined contribution	\$ 2,843,309	\$ 2,519,732	\$ 2,657,431	\$ 2,383,507	\$ 2,602,241
Contributions in relation to the actuarially determined contribution	<u>3,839,864</u>	<u>3,441,437</u>	<u>3,498,393</u>	<u>2,352,890</u>	<u>1,959,853</u>
Contribution deficiency (excess)	<u>\$ (996,555)</u>	<u>\$ (921,705)</u>	<u>\$ (840,962)</u>	<u>\$ 30,617</u>	<u>\$ 642,388</u>

**Schedule of Investment Returns**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money weighted rate of return, net of investment expense	26.99%	2.11%	6.73%	5.90%	8.66%

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

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**TOWN OF LITTLETON, MASSACHUSETTS**  
**MUNICIPAL LIGHT DEPARTMENT**

Required Supplementary Information

Schedules of Net OPEB Liability, Contributions, and Investment Returns  
 (Unaudited)

	December 31, <u>2020</u>	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
<b>Schedule of Net OPEB Liability</b>				
Total OPEB liability	\$ 4,691,890	\$ 4,363,672	\$ 4,044,793	\$ 4,010,312
Plan fiduciary net position	<u>3,053,322</u>	<u>2,633,706</u>	<u>2,181,527</u>	<u>2,253,322</u>
Net OPEB liability	<u>\$ 1,638,568</u>	<u>\$ 1,729,966</u>	<u>\$ 1,863,266</u>	<u>\$ 1,756,990</u>
Plan fiduciary net position as a percentage of the total OPEB liability	65.08%	60.36%	53.93%	56.19%
Covered employee payroll	\$ 2,724,512	\$ 2,668,751	\$ 2,298,919	\$ 2,238,651
Participating employer net OPEB liability as a percentage of covered employee payroll	60.14%	64.82%	81.05%	78.48%
	December 31, <u>2020</u>	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
<b>Schedule of Contributions</b>				
Actuarially determined contribution	\$ 245,767	\$ 251,092	\$ 237,533	\$ 279,074
Contributions in relation to the actuarially determined contribution	<u>404,999</u>	<u>379,482</u>	<u>370,182</u>	<u>539,069</u>
Contribution deficiency (excess)	<u>\$ (159,232)</u>	<u>\$ (128,390)</u>	<u>\$ (132,649)</u>	<u>\$ (259,995)</u>
Covered employee payroll	\$ 2,724,512	\$ 2,668,751	\$ 2,298,919	\$ 2,238,651
Contributions as a percentage of covered employee payroll	14.87%	14.22%	16.10%	24.08%
	December 31, <u>2020</u>	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
<b>Schedule of Investment Returns</b>				
Annual money weighted rate of return, net of investment expense	13.99%	18.40%	-5.38%	12.89%

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

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**Notes to the Required Supplementary Information  
for General Fund Budget**

**Budgetary Basis**

The general fund final appropriation appearing on the “Budget and Actual” page of the Required Supplementary Information represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**Budget/GAAP Reconciliation**

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/Expenditures/Transfers (GAAP Basis)	\$ 55,608,215	\$ 51,505,727	\$ (229,208)
Various stabilization funds investment income	(197,767)	-	-
Net down of stabilization transfers	-	-	(2,428,548)
Reverse capital article expenditures	-	(321,680)	-
Other Post Employment Benefits shown as an expenditure for GAAP purposes	-	(2,648,610)	(2,648,610)
Add end-of-year appropriation carryforwards from expenditures	-	706,455	-
To reclass payment in lieu of taxes classified as transfer	760,000	-	(760,000)
Reverse the effect of non-budgeted state contributions for teachers retirement	(2,552,777)	(2,552,777)	-
Reverse other nonbudgeted activity	-	-	158,559
<b>Budgetary Basis</b>	<b>\$ 53,617,671</b>	<b>\$ 46,689,115</b>	<b>\$ (5,907,807)</b>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Select Board  
Town of Littleton, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Littleton, Massachusetts (the Town), as of and for the year ended June 30, 2021 (except for Electric Light Fund, which is as of the year ended December 31, 2020), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 17, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination



of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Merrimack, New Hampshire  
June 17, 2022