



TOWN OF LITTLETON, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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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, 2020 (except for the Electric Light Enterprise Fund, which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Littleton Water Enterprise fund which represents 29 percent, 22 percent, and 12 percent, of the assets and deferred outflows, net position and revenues of the business-type activities, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Littleton Water Enterprise Fund and its effects on the business-type activities, is based solely on the report of the other auditors. Also, we did not audit the financial statements of the Littleton Electric Light Enterprise Fund which represents 70 percent, 78 percent, and 84 percent, of the assets and deferred outflows, net position and revenues of the business-type activities, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the



Littleton Electric Enterprise Fund and its effects on the business-type activities, is based solely on the report of the other auditors. 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. The financial statements of Littleton Electric Light and Water Enterprise Funds, major proprietary funds, were not audited in accordance with Governmental Auditing Standards.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, 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, 2020, (except for the Electric Light Enterprise Fund, which is as of and for the year ended December 31, 2019), 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 March 3, 2021 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.



Merrimack, New Hampshire
March 3, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020.

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 light, water, and park 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 light and water operations, both of which are considered to be major funds, as well as park 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 \$76,906,219, a change of \$7,981,491. Net position in business-type activities was \$44,074,249, a change of \$2,251,490.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$41,430,359, a change of \$9,749,643 in comparison to the prior year. This increase was attributable to bonds issued during the fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,142,422 a change of \$150,720 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 Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 49,640	\$ 38,918	\$ 25,398	\$ 24,610	\$ 75,038	\$ 63,528
Capital assets	<u>86,107</u>	<u>85,716</u>	<u>41,181</u>	<u>38,075</u>	<u>127,288</u>	<u>123,791</u>
Total assets	135,747	124,634	66,579	62,685	202,326	187,319
Deferred outflows of resources	<u>8,364</u>	<u>5,876</u>	<u>2,778</u>	<u>2,864</u>	<u>11,142</u>	<u>8,740</u>
Total assets and deferred outflows of resources	<u>\$ 144,111</u>	<u>\$ 130,510</u>	<u>\$ 69,357</u>	<u>\$ 65,549</u>	<u>\$ 213,468</u>	<u>\$ 196,059</u>
Long-term liabilities outstanding	\$ 58,423	\$ 53,374	\$ 17,826	\$ 17,674	\$ 76,249	\$ 71,048
Other liabilities	<u>6,604</u>	<u>5,936</u>	<u>6,541</u>	<u>5,202</u>	<u>13,145</u>	<u>11,138</u>
Total liabilities	65,027	59,310	24,367	22,876	89,394	82,186
Deferred inflows of resources	2,178	2,275	916	850	3,094	3,125
Net position:						
Net investment in capital assets	66,085	64,392	34,866	32,726	100,951	97,118
Restricted	16,834	14,898	2,744	-	19,578	14,898
Unrestricted	<u>(6,013)</u>	<u>(10,365)</u>	<u>6,464</u>	<u>9,097</u>	<u>451</u>	<u>(1,268)</u>
Total net position	<u>76,906</u>	<u>68,925</u>	<u>44,074</u>	<u>41,823</u>	<u>120,980</u>	<u>110,748</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 144,111</u>	<u>\$ 130,510</u>	<u>\$ 69,357</u>	<u>\$ 65,549</u>	<u>\$ 213,468</u>	<u>\$ 196,059</u>

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

The largest portion of net position \$100,950,387 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 \$19,578,486 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 \$451,595.

CHANGES IN NET POSITION (in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues						
Charges for services	\$ 4,985	\$ 5,387	\$ 35,530	\$ 35,270	\$ 40,515	\$ 40,657
Operating grants and contributions	11,620	10,800	-	-	11,620	10,800
Capital grants and contributions	2,389	58	-	870	2,389	928
General revenues:						
Property taxes	41,544	39,967	-	-	41,544	39,967
Excises	1,768	1,744	-	-	1,768	1,744
Interest and penalties	17	39	-	-	17	39
Payment in lieu of taxes	853	857	-	-	853	857
Grants and contributions not restricted to specific programs	1,397	1,404	96	214	1,493	1,618
Other	<u>-</u>	<u>-</u>	<u>1,199</u>	<u>1,060</u>	<u>1,199</u>	<u>1,060</u>
Total revenues	64,573	60,256	36,825	37,414	101,398	97,670
Expenses*:						
General government	5,741	5,759	-	-	5,741	5,759
Public safety	8,740	8,076	-	-	8,740	8,076
Education	35,790	35,386	-	-	35,790	35,386
Public works	3,490	4,338	-	-	3,490	4,338
Health and human services	624	600	-	-	624	600
Culture and recreation	991	1,052	-	-	991	1,052
Interest on long-term debt	606	544	-	-	606	544
Electric services	-	-	30,466	33,441	30,466	33,441
Water services	-	-	3,760	3,168	3,760	3,168
Parks and recreation	<u>-</u>	<u>-</u>	<u>958</u>	<u>1,034</u>	<u>958</u>	<u>1,034</u>
Total expenses	<u>55,982</u>	<u>55,755</u>	<u>35,184</u>	<u>37,643</u>	<u>91,166</u>	<u>93,398</u>
Change in net position before transfers	8,591	4,501	1,641	(229)	10,232	4,272
Transfers in (out)	<u>(610)</u>	<u>(187)</u>	<u>610</u>	<u>187</u>	<u>-</u>	<u>-</u>
Change in net position	7,981	4,314	2,251	(42)	10,232	4,272
Net position - beginning of year, as restated	<u>68,925</u>	<u>64,611</u>	<u>41,823</u>	<u>41,865</u>	<u>110,748</u>	<u>106,476</u>
Net position - end of year	\$ <u><u>76,906</u></u>	\$ <u><u>68,925</u></u>	\$ <u><u>44,074</u></u>	\$ <u><u>41,823</u></u>	\$ <u><u>120,980</u></u>	\$ <u><u>110,748</u></u>

* 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 \$7,981,491. This increase is primarily driven by the Town's practice of funding capital activity through their operating budget, offset by the net effect of the pension and OPEB liabilities. A brief summary is presented below:

General fund budgetary results	\$ 4,007,532
General fund funding of stabilization fund	1,050,000
General fund funding of capital activity	2,830,972
Increase in net pension liability, net of deferrals	(696,284)
Decrease in net OPEB liability, net of deferrals	919,153
Other	<u>(129,882)</u>
Total	<u>\$ 7,981,491</u>

Business-Type Activities

Business-type activities for the year resulted in an increase in net position of \$2,251,490. The largest reason for this change was the increase in the electric light department's net position of \$1,508,069 or 4.6%. The water department's net position increased by \$674,138 or 7.4%. Finally, the nonmajor park and recreation fund's net position increased by \$69,283. Please refer to the Electric Light Department and Water Department's separately issued Financial Statements for more information regarding this change.

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 a Town's net resources available for spending at the end of the fiscal year.

The change of \$9,749,643 was primarily due to the issuance of bonds totaling \$7,267,000. The expenditures associated with the bonds will occur in subsequent years.

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 \$11,142,422, while total fund balance was \$21,245,472.

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 Law (MGL). Under MGL Chapter 40 Section

5b, this special reserve fund 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, 2020, 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:

<u>General Fund</u>	<u>June 30, 2020</u>	<u>Total</u> <u>Operating Budget</u>	<u>% of Total</u> <u>Operating Budget</u>
Operating Unassigned	\$ 8,725,207	\$ 48,131,056	18.1%
Stabilization fund	<u>2,417,215</u>	48,131,056	5.0%
Total Unassigned	\$ <u><u>11,142,422</u></u>		

Our unassigned fund balance was essentially unchanged from the prior year, increase of \$150,720, as the budgetary surplus of \$4,007,532 was reduced by our use of unassigned fund balance. \$1,050,000 was used to add to the Town's general stabilization fund. Another \$1,378,548 was appropriated to fund the capital stabilization fund. Another \$843,922 was appropriated for fiscal year 2021 capital items.

The total fund balance of the general fund changed by \$2,517,413 during the current fiscal year. The principal underlying reason for the increase in total fund balance was the continued strong collections of property taxes and the spending freeze across all departments on all non-essential expenses (i.e., office supplies, discretionary expenses, conference, etc.) that took place on April 6, 2020.

General Fund Revenues

Total revenues for the general fund were \$53,271,217 in fiscal year 2020. Property taxes made up 77% of the total general fund revenues.

Property tax collections and the collection rate were a large driver in the positive revenue picture for the Town. The Town in fiscal year 2020 continued to add to the overlay account, an additional \$822,570 was added to the account with \$448,835 used. In fiscal year 2020, the town released \$760,000 in overlay surplus and at the end of fiscal year 2020 the Town had an overlay balance of \$1,371,873. The Town continues, as is DOR's recommendation, to estimate revenues conservatively.

General Fund Expenditures

Total expenditures for the general fund were \$49,428,530 in fiscal year 2020. The largest expenditure category for fiscal year 2020 was Education at 48% of total general fund expenditures.

The fiscal year 2020 general fund total expenditures decreased over fiscal year 2019 by 3% or \$1.7 million. As mentioned above, this principal reason for this decrease was the spending freeze across all departments on all non-essential expenses that took place on April 6, 2020. In fiscal

year 2020 the Town continued to adhere to their financial policies transferring \$108,045 to the general stabilization fund, and \$300,000 to the capital stabilization fund.

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 \$6,464,275, a decrease of \$(2,632,581) in comparison with the prior year's unrestricted net position. This decrease is mainly attributable to the electric light unrestricted net position decrease of \$(3,323,364). Other factors include the increase of water's unrestricted net position of \$621,500 and the increase of the park and recreation's unrestricted net position of \$69,283. Factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

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 notable general government, public works, and employee benefits.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$127,288,908 (net of accumulated depreciation), a change of \$3,498,059 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 - \$1,234,889 (added to Construction in Progress)
- Road improvements and repaving - \$1,202,966
- Water treatment facility - \$908,054
- Water well project - \$444,504
- First truck - \$403,000
- High School sidewalk replacement - \$248,819
- 2020 Mack plow truck - \$236,015

Additional information on capital assets can be found in the Notes to the 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 2020 continues to have strong budgetary performance, using the financial policies and practices to ensure the 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 \$27,558,039, 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, 2020 was \$29,161,514.

The Town remains committed to funding their OPEB and Pension liabilities. In fiscal year 2020 the Town was 44.06% funded in regard to their OPEB liability, with a net OPEB liability in fiscal year 2020 of \$20,303,319. In fiscal year 2020 the Town was 63% funded in regard to their 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, 2020

(Except for the Electric Light Fund, which is as of December 31, 2019)

	Primary Government		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets and Deferred			
Outflows of Resources			
Assets			
Current:			
Cash and short-term investments	\$ 41,588,967	\$ 9,788,924	\$ 51,377,891
Investments	6,444,942	-	6,444,942
Receivables:			
Property taxes	1,212,136	-	1,212,136
Excises	234,087	-	234,087
User fees	-	3,863,295	3,863,295
Unbilled user fees	-	297,841	297,841
Assessments	159,005	-	159,005
Intergovernmental	-	10,044	10,044
Departmental	500	82,266	82,766
Prepaid expenses	-	195,439	195,439
Inventory	-	995,533	995,533
	<hr/>	<hr/>	<hr/>
Total current assets	49,639,637	15,233,342	64,872,979
Noncurrent:			
Restricted cash	-	512,025	512,025
Restricted investments	-	8,851,708	8,851,708
Betterments, not yet due	-	800,400	800,400
Capital assets:			
Nondepreciable capital assets	18,475,887	4,834,415	23,310,302
Other capital assets, net of accumulated depreciation	67,631,536	36,347,070	103,978,606
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	86,107,423	51,345,618	137,453,041
Total Assets	135,747,060	66,578,960	202,326,020
Deferred Outflows of Resources			
Related to pensions	3,137,077	2,127,799	5,264,876
Related to OPEB	5,227,172	650,411	5,877,583
	<hr/>	<hr/>	<hr/>
Total Deferred Outflows of Resources	8,364,249	2,778,210	11,142,459
Total Assets and Deferred			
Outflows of Resources	\$ <u>144,111,309</u>	\$ <u>69,357,170</u>	\$ <u>213,468,479</u>

(continued)

TOWN OF LITTLETON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(Except for the Electric Light Fund, which is as of December 31, 2019)

(continued)

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current:			
Accounts payable	\$ 1,845,877	\$ 2,682,189	\$ 4,528,066
Accrued payroll and withholdings	2,298,004	56,555	2,354,559
Performance bonds	451,411	-	451,411
Bond anticipation notes	1,994,000	3,492,000	5,486,000
Other liabilities	14,228	310,540	324,768
Current portion of long-term liabilities:			
Bonds and loans payable	2,481,240	375,464	2,856,704
Compensated absences	129,658	152,318	281,976
Total current liabilities	9,214,418	7,069,066	16,283,484
Noncurrent:			
Long-term liabilities:			
Bonds and loans payable	22,238,698	4,066,112	26,304,810
Net pension liability	15,525,832	10,530,780	26,056,612
Net OPEB liability	17,750,078	2,553,241	20,303,319
Compensated absences	297,322	147,811	445,133
Total noncurrent liabilities	55,811,930	17,297,944	73,109,874
Total Liabilities	65,026,348	24,367,010	89,393,358
Deferred Inflows of Resources			
Related to pensions	987,136	669,549	1,656,685
Related to OPEB	1,191,606	232,952	1,424,558
Other	-	13,410	13,410
Total Deferred Inflows of Resources	2,178,742	915,911	3,094,653
Net Position:			
Net investment in capital assets	66,084,694	34,865,693	100,950,387
Restricted for:			
Depreciation	-	2,744,281	2,744,281
Education related services	3,602,280	-	3,602,280
Library building (State grant)	2,344,238	-	2,344,238
Community preservation	1,608,228	-	1,608,228
Ambulance services	765,534	-	765,534
Other purposes	4,697,145	-	4,697,145
Permanent fund:			
Nonexpendable trust	1,583,679	-	1,583,679
Expendable trust	2,233,101	-	2,233,101
Unrestricted (deficit)	(6,012,680)	6,464,275	451,595
Total Net Position	76,906,219	44,074,249	120,980,468
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 144,111,309	\$ 69,357,170	\$ 213,468,479

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

TOWN OF LITTLETON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

(Except for the Electric Light Fund, which is for the Year Ended December 31, 2019)

		Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues</u>
Governmental Activities:					
General government	\$ 5,741,221	\$ 1,592,666	\$ 570,898	\$ 5,248	\$ (3,572,409)
Public safety	8,739,746	1,190,711	42,335	-	(7,506,700)
Education	35,789,128	1,259,485	10,884,806	-	(23,644,837)
Public works	3,489,855	657,572	19,149	39,356	(2,773,778)
Health and human services	624,029	44,551	82,692	-	(496,786)
Culture and recreation	990,524	239,535	20,070	2,344,238	1,613,319
Debt service interest and related costs	<u>606,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(606,225)</u>
Total Governmental Activities	55,980,728	4,984,520	11,619,950	2,388,842	(36,987,416)
Business-Type Activities:					
Electric	30,466,265	31,428,901	75,715	-	1,038,351
Water	3,759,953	3,683,917	20,442	-	(55,594)
Park and Recreation	<u>957,770</u>	<u>417,293</u>	<u>-</u>	<u>-</u>	<u>(540,477)</u>
Total Business-Type Activities	<u>35,183,988</u>	<u>35,530,111</u>	<u>96,157</u>	<u>-</u>	<u>442,280</u>
Total primary government	<u>\$ 91,164,716</u>	<u>\$ 40,514,631</u>	<u>\$ 11,716,107</u>	<u>\$ 2,388,842</u>	<u>\$ (36,545,136)</u>

(continued)

TOWN OF LITTLETON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

(Except for the Electric Light Fund, which is for the year ended December 31, 2019)

(continued)			
	Governmental	Business-	
	<u>Activities</u>	Type <u>Activities</u>	<u>Total</u>
Change in Net Position:			
Net (Expenses) Revenues from previous page	\$ (36,987,416)	\$ 442,280	\$ (36,545,136)
General Revenues			
Property taxes	41,543,776	-	41,543,776
Excise taxes	1,767,811	-	1,767,811
Interest and penalties	17,148	-	17,148
Payment in lieu of taxes	852,588	-	852,588
Grants and contributions not restricted to specific programs	1,397,344	-	1,397,344
Other	-	1,199,450	1,199,450
Transfers	<u>(609,760)</u>	<u>609,760</u>	<u>-</u>
Total General Revenues and Transfers	<u>44,968,907</u>	<u>1,809,210</u>	<u>46,778,117</u>
Change in Net Position	7,981,491	2,251,490	10,232,981
Net Position:			
Beginning of year	<u>68,924,728</u>	<u>41,822,759</u>	<u>110,747,487</u>
End of year	\$ <u><u>76,906,219</u></u>	\$ <u><u>44,074,249</u></u>	\$ <u><u>120,980,468</u></u>

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

TOWN OF LITTLETON, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General <u>Fund</u>	Library Building <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets				
Cash and short-term investments	\$ 22,142,211	\$ 5,834,001	\$ 13,612,755	\$ 41,588,967
Investments	2,797,643	-	3,647,299	6,444,942
Receivables:				
Property taxes	1,204,648	-	7,488	1,212,136
Excises	234,087	-	-	234,087
Assessments	159,005	-	-	159,005
Departmental	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total Assets	\$ <u>26,538,094</u>	\$ <u>5,834,001</u>	\$ <u>17,267,542</u>	\$ <u>49,639,637</u>
Liabilities, Deferred Inflow of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 979,132	\$ 468,229	\$ 398,516	\$ 1,845,877
Accrued payroll and withholdings	2,249,581	-	48,423	2,298,004
Performance bonds payable	451,411	-	-	451,411
Notes payable	-	1,494,000	500,000	1,994,000
Other liabilities	<u>14,228</u>	<u>-</u>	<u>-</u>	<u>14,228</u>
Total Liabilities	3,694,352	1,962,229	946,939	6,603,520
Deferred Inflows of Resources:				
Unavailable revenues	<u>1,598,270</u>	<u>-</u>	<u>7,488</u>	<u>1,605,758</u>
Total Deferred Inflows of Resources	1,598,270	-	7,488	1,605,758
Fund Balances:				
Nonspendable	-	-	1,583,679	1,583,679
Restricted	106,780	3,871,772	15,250,525	19,229,077
Committed	8,649,431	-	463,076	9,112,507
Assigned	1,346,839	-	-	1,346,839
Unassigned	<u>11,142,422</u>	<u>-</u>	<u>(984,165)</u>	<u>10,158,257</u>
Total Fund Balances	<u>21,245,472</u>	<u>3,871,772</u>	<u>16,313,115</u>	<u>41,430,359</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ <u>26,538,094</u>	\$ <u>5,834,001</u>	\$ <u>17,267,542</u>	\$ <u>49,639,637</u>

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, 2020

Total governmental fund balances	\$ 41,430,359
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	86,107,423
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,605,758
• 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	(23,235,040)
Unamortized debt premium	(1,484,898)
Net pension liability	(15,525,832)
Pension related deferred outflows of resources	3,137,077
Pension related deferred inflows of resources	(987,136)
Net OPEB liability	(17,750,078)
OPEB related deferred outflows of resources	5,227,172
OPEB related deferred inflows of resources	(1,191,606)
Compensated absences liability	<u>(426,980)</u>
Net position of governmental activities	<u><u>\$ 76,906,219</u></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, 2020

	General Fund	Library Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 40,852,828	\$ -	\$ 324,835	\$ 41,177,663
Excise taxes	1,744,573	-	-	1,744,573
Interest, penalties, and other taxes	28,521	-	125,641	154,162
Payment in lieu of taxes	852,588	-	-	852,588
Licenses and permits	604,127	-	-	604,127
Intergovernmental	8,099,667	-	4,890,323	12,989,990
Charges for services	375,306	-	2,016,235	2,391,541
Investment income	465,027	-	58,946	523,973
Departmental revenues	173,512	-	784,229	957,741
Fines and forfeitures	37,883	-	-	37,883
Contributions	-	-	359,848	359,848
Other	37,185	-	36,263	73,448
Total Revenues	53,271,217	-	8,596,320	61,867,537
Expenditures:				
Current:				
General government	3,821,487	-	1,130,410	4,951,897
Public safety	4,890,538	-	217,729	5,108,267
Education	23,816,183	-	2,827,631	26,643,814
Public works	2,750,232	-	1,479,539	4,229,771
Health and human services	395,142	-	141,704	536,846
Culture and recreation	698,502	1,234,890	48,980	1,982,372
Employee benefits	8,804,757	-	-	8,804,757
Intergovernmental	1,110,793	-	-	1,110,793
Debt service:				
Principal	2,305,440	-	-	2,305,440
Interest and related costs	835,456	-	79,737	915,193
Total Expenditures	49,428,530	1,234,890	5,925,730	56,589,150
Excess (deficiency) of revenues over expenditures	3,842,687	(1,234,890)	2,670,590	5,278,387
Other Financing Sources (Uses):				
Issuance of bonds	-	4,595,000	-	4,595,000
Issuance of refunding bonds	-	-	2,672,000	2,672,000
Bond premium	-	406,279	502,737	909,016
Payment to refunded bond escrow agent	-	-	(3,095,000)	(3,095,000)
Transfers in	1,505,698	-	2,289,916	3,795,614
Transfers out	(2,830,972)	-	(1,574,402)	(4,405,374)
Total Other Financing Sources (Uses)	(1,325,274)	5,001,279	795,251	4,471,256
Net change in fund balances	2,517,413	3,766,389	3,465,841	9,749,643
Fund Balances, at Beginning of Year, as reclassified	18,728,059	105,383	12,847,274	31,680,716
Fund Balances, at End of Year	\$ 21,245,472	\$ 3,871,772	\$ 16,313,115	\$ 41,430,359

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, 2020

Net changes in fund balances - total governmental funds	\$ 9,749,643
<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> Capital outlay purchases, net of disposals 4,818,863 Depreciation (4,427,657) 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. 74,099 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: <ul style="list-style-type: none"> Issuance of debt (7,267,000) Repayments of debt 2,305,440 Bond premium (909,016) Bond premium amortization 84,089 Deposit to escrow refunding agent 3,095,000 In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 231,212 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. <ul style="list-style-type: none"> Change in net pension liability (151,436) Change in pension-related deferred outflows (450,208) Change in pension-related deferred inflows (94,640) Change in net OPEB liability (2,209,678) Change in OPEB-related deferred outflows 2,938,180 Change in OPEB-related deferred inflows 190,651 Change in compensated absences 3,949 	
Change in net position of governmental activities	\$ <u>7,981,491</u>

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

TOWN OF LITTLETON, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

(Except for the Electric Light Fund, which is as of December 31, 2019)

	Business-Type Activities			
	Enterprise Funds			
	Electric Light Fund	Water Fund	Nonmajor Park and Recreation Fund	Total
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES				
ASSETS				
Current:				
Cash and short-term investments	\$ 5,865,748	\$ 3,545,486	\$ 377,690	\$ 9,788,924
Accounts receivable:				
User fees, net of allowance for uncollectibles	3,627,958	235,337	-	3,863,295
Unbilled user fees	-	297,841	-	297,841
Intergovernmental	4,654	5,390	-	10,044
Other	63,466	18,800	-	82,266
Prepaid expenses	195,439	-	-	195,439
Inventory	907,200	88,333	-	995,533
Total current assets	10,664,465	4,191,187	377,690	15,233,342
Noncurrent:				
Restricted cash	512,025	-	-	512,025
Restricted investments	8,851,708	-	-	8,851,708
Betterments receivable, not yet due	-	800,400	-	800,400
Capital Assets:				
Nondepreciable capital assets	2,991,878	1,842,537	-	4,834,415
Other capital assets, net of accumulated depreciation	23,299,103	13,047,967	-	36,347,070
Total noncurrent assets	35,654,714	15,690,904	-	51,345,618
TOTAL ASSETS	46,319,179	19,882,091	377,690	66,578,960
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	1,719,929	303,046	104,824	2,127,799
Related to OPEB	422,347	228,064	-	650,411
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,142,276	531,110	104,824	2,778,210
TOTAL ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES	\$ 48,461,455	\$ 20,413,201	\$ 482,514	\$ 69,357,170

(continued)

TOWN OF LITTLETON, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

(Except for the Electric Light Fund, which is as of December 31, 2019)

(continued)

(continued)

	Business-Type Activities Enterprise Funds			
	Electric Light Fund	Water Fund	Nonmajor Park and Recreation Fund	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
LIABILITIES				
Current:				
Accounts payable	\$ 2,586,507	\$ 73,396	\$ 22,286	\$ 2,682,189
Accrued payroll	25,293	-	31,262	56,555
Bond anticipation notes	-	3,492,000	-	3,492,000
Other liabilities	208,982	101,558	-	310,540
Current portion of long-term liabilities:				
Bonds payable	-	375,464	-	375,464
Compensated absences	101,726	47,856	2,736	152,318
Total current liabilities	2,922,508	4,090,274	56,284	7,069,066
Noncurrent:				
Bonds payable, net of current portion	-	4,066,112	-	4,066,112
Net pension liability	8,512,174	1,499,819	518,787	10,530,780
Net OPEB liability	1,729,966	823,275	-	2,553,241
Compensated absences, net of current portion	67,817	71,785	8,209	147,811
Total noncurrent liabilities	10,309,957	6,460,991	526,996	17,297,944
TOTAL LIABILITIES	13,232,465	10,551,265	583,280	24,367,010
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	541,206	95,359	32,984	669,549
Related to OPEB	180,619	52,333	-	232,952
Other	-	13,410	-	13,410
TOTAL DEFERRED INFLOWS OF RESOURCES	721,825	161,102	32,984	915,911
NET POSITION				
Net investment in capital assets	26,290,981	8,574,712	-	34,865,693
Restricted for depreciation	2,744,281	-	-	2,744,281
Unrestricted (deficit)	5,471,903	1,126,122	(133,750)	6,464,275
TOTAL NET POSITION	34,507,165	9,700,834	(133,750)	44,074,249
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 48,461,455	\$ 20,413,201	\$ 482,514	\$ 69,357,170

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, 2020

(Except for the Electric Light Fund, which is for the year ended December 31, 2019)

	Business-Type Activities Enterprise Funds			
	Electric Light Fund	Water Fund	Nonmajor Park and Recreation Fund	Total
Operating Revenues:				
Charges for services	\$ 31,428,901	\$ 2,731,745	\$ 417,293	\$ 34,577,939
Debt service fee	-	635,296	-	635,296
Total Operating Revenues	31,428,901	3,367,041	417,293	35,213,235
Operating Expenses:				
Purchase power	22,585,582	-	-	22,585,582
Operating	1,103,063	234,972	957,770	2,295,805
Maintenance	1,200,176	1,612,021	-	2,812,197
General and administrative	4,075,698	1,116,144	-	5,191,842
Depreciation	1,199,122	659,081	-	1,858,203
Total Operating Expenses	30,163,641	3,622,218	957,770	34,743,629
Operating Income (Loss)	1,265,260	(255,177)	(540,477)	469,606
Nonoperating Revenues (Expenses):				
Merchandising and jobbing revenue	236,660	584,983	-	821,643
Earnings on Investments	925,445	27,819	-	953,264
Miscellaneous	233,058	11,753	-	244,811
Hurricane disaster areas	(91,770)	-	-	(91,770)
In lieu of tax payments and indirect cost reimbursements	(760,000)	-	-	(760,000)
Contribution of services to Water department	(309,624)	-	-	(309,624)
Contribution of services from Electric department	-	316,876	-	316,876
Contribution to schools and towns	(66,675)	-	-	(66,675)
Interest on long term debt	-	(165,554)	-	(165,554)
Cell tower leasing	-	132,996	-	132,996
Intergovernmental revenue	75,715	20,442	-	96,157
Total Nonoperating Revenues (Expenses), Net	242,809	929,315	-	1,172,124
Income (Loss) Before Capital Contributions and Transfers	1,508,069	674,138	(540,477)	1,641,730
Transfers in	-	-	665,288	665,288
Transfers out	-	-	(55,528)	(55,528)
Net Capital Contributions and Transfers	-	-	609,760	609,760
Change in Net Position	1,508,069	674,138	69,283	2,251,490
Net Position at Beginning of Year	32,999,096	9,026,696	(203,033)	41,822,759
Net Position at End of Year	\$ 34,507,165	\$ 9,700,834	\$ (133,750)	\$ 44,074,249

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, 2020

(Except for the Electric Light Fund, which is for the year ended December 31, 2019)

	Business-Type Activities Enterprise Funds			
	Electric Light Fund	Water Fund	Nonmajor Park and Recreation Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 31,233,586	\$ 3,419,821	\$ 417,293	\$ 35,070,700
Payments of employees and vendors	(28,875,472)	(2,416,101)	(948,681)	(32,240,254)
Net Cash Provided By (Used For) Operating Activities	2,358,114	1,003,720	(531,388)	2,830,446
Cash Flows From Noncapital Financing Activities:				
Merchandising and jobbing	197,858	577,790	-	775,648
Other income	212,457	144,749	-	357,206
Grants	-	52,591	-	52,591
Payment in lieu of taxes	(760,000)	-	-	(760,000)
Contribution of services to water department	(309,624)	-	-	(309,624)
Contribution to Schools and Towns	(66,675)	-	-	(66,675)
Hurricane disaster expenses	(91,770)	-	-	(91,770)
Transfers from other funds	-	-	665,288	665,288
Transfers to other funds	-	-	(55,528)	(55,528)
Net Cash Provided By (Used for) Noncapital Financing Activities	(817,754)	775,130	609,760	567,136
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(3,286,274)	(1,678,782)	-	(4,965,056)
Betterments	-	26,100	-	26,100
Other income	233,058	-	-	233,058
Proceeds from bond anticipation notes	-	3,492,000	-	3,492,000
Proceeds from long term debt	-	78,000	-	78,000
Payments of bond anticipation notes	-	(1,994,000)	-	(1,994,000)
Principal payments on long term debt	-	(436,590)	-	(436,590)
Interest expense	-	(189,237)	-	(189,237)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(3,053,216)	(702,509)	-	(3,755,725)
Cash Flows From Investing Activities:				
Investment income	925,445	27,819	-	953,264
Net Cash Provided By (Used for) Investing Activities	925,445	27,819	-	953,264
Net Change in Cash and Short-Term Investments	(587,411)	1,104,160	78,372	595,121
Cash and Short-Term Investments, Beginning of Year	15,816,892	2,441,326	299,318	18,557,536
Cash and Short-Term Investments, End of Year	\$ 15,229,481	\$ 3,545,486	\$ 377,690	\$ 19,152,657
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 1,265,260	\$ (255,177)	\$ (540,477)	\$ 469,606
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,199,122	659,081	-	1,858,203
Contributions of services by light department	-	316,876	-	316,876
Changes in assets, liabilities, and deferred outflows/inflows:				
Accounts receivable	(195,315)	52,780	-	(142,535)
Other assets	(2,285,613)	-	-	(2,285,613)
Deferred outflows of resources	-	(86,812)	10,199	(76,613)
Prepaid expenses	(15,252)	-	-	(15,252)
Accounts payable and accrued payroll	2,389,912	96,143	(33,368)	2,452,687
Compensated absences	-	18,920	2,070	20,990
Net pension liability	-	93,119	25,821	118,940
Net OPEB liability	-	113,155	-	113,155
Deferred inflows of resources	-	(4,365)	4,367	2
Net Cash Provided By (Used For) Operating Activities	\$ 2,358,114	\$ 1,003,720	\$ (531,388)	\$ 2,830,446

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

TOWN OF LITTLETON, MASSACHUSETTS

Statement of Fiduciary Net Position
June 30, 2020

(Except for the Electric Light Other Post-Employment Benefits Trust, which is as of December 31, 2019)

	Private Purpose <u>Trusts</u>	Town Other Post Employment Benefits <u>Trust</u>	Electric Light Other Post Employment Benefits <u>Trust</u>	Agency <u>Fund</u>
Assets				
Cash and short-term investments	\$ 1,918	\$ 80,596	\$ 12,905	\$ 571,187
Investments:				
Domestic equity	1,095,061	5,793,842	955,772	-
Domestic bond	-	3,739,206	482,758	-
International equity	-	3,383,600	635,513	-
International bond	-	701,342	120,624	-
Alternatives	-	927,817	426,134	-
Mutual funds	<u>513,588</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>1,608,649</u>	<u>14,545,807</u>	<u>2,620,801</u>	<u>-</u>
Total Assets	<u>\$ 1,610,567</u>	<u>\$ 14,626,403</u>	<u>\$ 2,633,706</u>	<u>\$ 571,187</u>
Liabilities and Net Position				
Accounts payable	\$ -	\$ -	\$ -	\$ 284,581
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,606</u>
Total Liabilities	-	-	-	<u>\$ 571,187</u>
Net Position				
Restricted for:				
Scholarships	1,610,567	-	-	
Other Post Employment Benefits - Town	-	14,626,403	-	
Other Post Employment Benefits - Light Plant	<u>-</u>	<u>-</u>	<u>2,633,706</u>	
Total Liabilities and Net Position	<u>\$ 1,610,567</u>	<u>\$ 14,626,403</u>	<u>\$ 2,633,706</u>	

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, 2020

(Except for the Electric Light Other Post-Employment Benefits Trust,
which is for the year ended December 31, 2019)

	Private Purpose <u>Trusts</u>	Town Other Post Employment Benefits <u>Trust</u>	Electric Light Other Post Employment Benefits <u>Trust</u>
Additions:			
Employer contributions	\$ -	\$ 3,441,437	\$ 379,482
Net Investment income	<u>18,187</u>	<u>274,805</u>	<u>402,179</u>
Total additions	18,187	3,716,242	781,661
Deductions:			
Benefit payments	-	1,179,063	329,482
Scholarships	<u>71,000</u>	<u>-</u>	<u>-</u>
Total deductions	<u>71,000</u>	<u>1,179,063</u>	<u>329,482</u>
Change in net position	(52,813)	2,537,179	452,179
Net Position			
Beginning of year	<u>1,663,380</u>	<u>12,089,224</u>	<u>2,181,527</u>
End of year	\$ <u><u>1,610,567</u></u>	\$ <u><u>14,626,403</u></u>	\$ <u><u>2,633,706</u></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 Board of Selectmen. 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 2020, 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 is 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 prior to yearend or shortly after. 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 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 Trusts is used to account for trust arrangements, other than those properly reported in the pension 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 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 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 Agency Funds include funds collected from student organizations for various Student Activity Funds. The agency funds account for fiduciary assets held by the Town in custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, therefore, have no measurement focus.

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, and 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 under the capital "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 2020 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 2019.

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Vehicles	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 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 a few 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. The Sewer capital project fund reflects a deficit balance of \$156,000 which will be funded from a general fund appropriation.

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 have 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 consists 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). 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 for 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 detaining each transaction from the account.

As of June 30, 2020, \$12,064,281 of the Littleton's bank balance of \$47,775,304 was exposed to custodial credit risk as uninsured or uncollateralized. Additionally, \$5,172,165 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, 2020:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 773,203
Fixed income mutual funds	1,676,286
Government agency	467,287
US Treasury notes	581,316
Corporate equities	4,144,010
Certificates of deposits - long term	411,489
	<u>\$ 8,053,591</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, 2020, the Town did not have investments subject to custodial credit exposure as all assets were held in the Town's name.

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investment policies related to credit risk are longer term 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 Treasury

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, 2020, 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>AAA - A</u>	<u>Rating as of Year End</u>			<u>Other/Unrated</u>
			<u>BBB - B</u>	<u>< B</u>		
Debt related:						
Corporate bonds	\$ 773,203	\$ 588,539	\$ 184,665	\$ -	\$ -	
Fixed income mutual funds	1,676,286	821,246	653,041	120,394		81,604
Government agency	467,287	467,287	-	-		-
Total	<u>\$ 2,916,776</u>	<u>\$ 1,877,072</u>	<u>\$ 837,706</u>	<u>\$ 120,394</u>	<u>\$ 81,604</u>	

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 minimized Concentration of Credit Risk 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, 2020, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments of 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>
Debt-related securities:					
Corporate bonds	\$ 773,203	\$ 111,410	\$ 661,793	\$ -	\$ -
Fixed income mutual funds	1,676,286	67,593	488,155	675,665	444,873
Government agency	467,287	-	422,217	45,070	-
US Treasury notes	581,316	438,955	142,361	-	-
Total	<u>\$ 3,498,092</u>	<u>\$ 617,958</u>	<u>\$ 1,714,526</u>	<u>\$ 720,735</u>	<u>\$ 444,873</u>

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 was 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, 2020:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment Type	Amount			
Investments by fair value level:				
Debt securities:				
US Treasury notes	\$ 581,316	\$ 581,316	\$ -	\$ -
Corporate bonds	773,203	-	773,203	-
Fixed income mutual funds	1,676,286	-	1,676,286	-
Government agency	467,287	-	467,287	-
Equity securities:				
Corporate equities	<u>4,144,010</u>	<u>4,144,010</u>	<u>-</u>	<u>-</u>
Subtotal	\$ <u>7,642,102</u>	\$ <u>4,725,326</u>	\$ <u>2,916,776</u>	\$ <u>-</u>

4. Investments - OPEB Trust Fund

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2020. The below notes include the Electric OPEB Trust Fund's investments as of June 30, 2020, which does not agree with the Statement of Fiduciary Net Position that shows investments as of December 31, 2019.

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 12,265,989
Fixed income mutual funds	<u>4,830,815</u>
Total investments	<u>\$ 17,096,804</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 funded. Investments in fixed income securities will be made primarily for income and capital preservation.

As of June 30, 2020, 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>	<u>Ratings as of Year End</u>				<u>Unrated/ Other</u>
		<u>AAA - A</u>	<u>BBB - B</u>	<u>< B</u>		
Fixed income mutual funds	\$ 4,830,815	\$ 2,435,346	\$ 1,817,068	\$ 217,373	\$	361,028

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, 2020, 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 does 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>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ 4,830,815	\$ 320,396	\$ 1,474,741	\$ 1,912,024	\$ 1,123,654

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 or liabilities 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, 2020:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Corporate equities	\$ 12,265,989	\$ 12,265,989	\$ -	\$ -
Fixed income mutual funds	<u>4,830,815</u>	<u>-</u>	<u>4,830,815</u>	<u>-</u>
Total	<u>\$ 17,096,804</u>	<u>\$ 12,265,989</u>	<u>\$ 4,830,815</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 was 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, 2020 consist of the following:

<u>Receivables:</u>	<u>Amount</u>
Real estate taxes	\$ 863,266
Personal Property Taxes	
Levy of 2020	20,130
Levy of 2019	17,391
Levy of 2018	3,233
Levy of 2017	2,981
Prior Years	22,814
Community preservation	7,488
Tax liens	<u>274,833</u>
Total property taxes	<u>\$ 1,212,136</u>
Motor vehicle excise	<u>\$ 234,087</u>

6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2020 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Electric Light	\$ 3,667,693	\$ (39,735)	\$ 3,627,958
Water	235,337	-	235,337
Unbilled Water	297,841	-	297,841
Betterments	<u>800,400</u>	<u>-</u>	<u>800,400</u>
Total	<u>\$ 5,001,271</u>	<u>\$ (39,735)</u>	<u>\$ 4,961,536</u>

7. Intergovernmental and Departmental Receivables

Intergovernmental Receivables

Intergovernmental receivables represent reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2020.

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 2020:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General fund	\$ 1,505,698	\$ 2,830,972
Nonmajor funds:		
Special revenue funds:		
SBA wastewater settlement	-	17,274
Ambulance service	-	650,000
Oak Hill cell tower	-	30,238
Newtown Hill cell tower	-	35,010
Wetland fees	-	8,000
Graves opening	-	18,897
Cemetery lot sales	-	12,000
Building inspections	-	125,000
Lakes FD	-	126,200
Various other special revenue funds	-	128,804
Capital project funds:		
Capital article fund	1,718,455	-
Roadway fund	400,000	-
Fire station fund	-	184,584
Alumni field fund	-	181,141
FY20 Capital article fund	-	1,254
Permanent funds	<u>171,461</u>	<u>56,000</u>
Subtotal nonmajor funds	2,289,916	1,574,402
<u>Business-type Activities:</u>		
Park and recreation fund	<u>665,288</u>	<u>55,528</u>
Subtotal Business-type activities	<u>665,288</u>	<u>55,528</u>
Grand Total	<u>\$ 4,460,902</u>	<u>\$ 4,460,902</u>

The transfers into the general fund include \$650,000 in annual Town ambulance revolving fund revenues, \$274,204 from the Littleton Community Television (LCTV) fund, and various other amounts from School and Town revolving funds to offset general fund expenditures.

Transfers out of the general fund represent \$1,718,455 of capital articles, \$400,000 going into the roadway capital project fund (represent general fund revenues appropriated for capital costs) and \$663,851 going into the park and recreation fund representing the enterprise subsidy.

The transfers into the Town and School capital project fund represent the Town's practice of funding certain capital activities from the general fund and revolving funds as described above. Additional minor transfers are done in and out of funds for various other purposes.

9. Capital Assets

Capital asset activity for the year ended June 30, 2020 (Electric Light is as of December 31, 2019) was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 87,592,935	\$ 529,245	\$ -	\$ 88,122,180
Improvements other than buildings	1,252,512	66,530	-	1,319,042
Machinery, equipment, and furnishings	4,881,861	311,136	-	5,192,997
Vehicles	6,725,257	811,810	(111,000)	7,426,067
Infrastructure	<u>29,766,527</u>	<u>1,693,608</u>	<u>-</u>	<u>31,460,135</u>
Total capital assets, being depreciated	130,219,092	3,412,329	(111,000)	133,520,421
Less accumulated depreciation for:				
Buildings	(37,735,790)	(2,776,407)	-	(40,512,197)
Improvements other than buildings	(337,139)	(77,939)	-	(415,078)
Machinery, equipment, and furnishings	(3,191,387)	(333,080)	-	(3,524,467)
Vehicles	(4,292,482)	(861,177)	111,000	(5,042,659)
Infrastructure	<u>(16,015,430)</u>	<u>(379,054)</u>	<u>-</u>	<u>(16,394,484)</u>
Total accumulated depreciation	<u>(61,572,228)</u>	<u>(4,427,657)</u>	<u>111,000</u>	<u>(65,888,885)</u>
Total capital assets, being depreciated, net	68,646,864	(1,015,328)	-	67,631,536
Capital assets, not being depreciated:				
Land	13,178,317	-	-	13,178,317
Construction in progress	<u>3,891,036</u>	<u>1,406,534</u>	<u>-</u>	<u>5,297,570</u>
Total capital assets, not being depreciated	<u>17,069,353</u>	<u>1,406,534</u>	<u>-</u>	<u>18,475,887</u>
Governmental activities capital assets, net	<u>\$ 85,716,217</u>	<u>\$ 391,206</u>	<u>\$ -</u>	<u>\$ 86,107,423</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<u>Water</u>				
Capital assets, being depreciated:				
Other depreciable assets	\$ 21,990,657	\$ 1,301,023	\$ (579,006)	\$ 22,712,674
Total capital assets, being depreciated	21,990,657	1,301,023	(579,006)	22,712,674
Less accumulated depreciation for:				
Other depreciable assets	(9,054,082)	(659,081)	48,456	(9,664,707)
Total accumulated depreciation	(9,054,082)	(659,081)	48,456	(9,664,707)
Total capital assets, being depreciated, net	12,936,575	641,942	(530,550)	13,047,967
Capital assets, not being depreciated:				
Land	934,228	908,309	-	1,842,537
Total capital assets, not being depreciated	934,228	908,309	-	1,842,537
Water capital assets, net	\$ 13,870,803	\$ 1,550,251	\$ (530,550)	\$ 14,890,504
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<u>Electric Light</u>				
Capital assets, being depreciated:				
Other depreciable assets	\$ 40,164,477	\$ 1,607,072	\$ (906,221)	\$ 40,865,328
Total capital assets, being depreciated	40,164,477	1,607,072	(906,221)	40,865,328
Less accumulated depreciation for:				
Other depreciable assets	(17,273,324)	(1,199,122)	906,221	(17,566,225)
Total accumulated depreciation	(17,273,324)	(1,199,122)	906,221	(17,566,225)
Total capital assets, being depreciated, net	22,891,153	407,950	-	23,299,103
Capital assets, not being depreciated:				
Land	1,312,676	1,679,202	-	2,991,878
Total capital assets, not being depreciated	1,312,676	1,679,202	-	2,991,878
Electric light capital assets, net	\$ 24,203,829	\$ 2,087,152	\$ -	\$ 26,290,981

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

Governmental Activities:	
General government	\$ 166,228
Public safety	1,517,914
Education	1,997,902
Public works	690,457
Health and Human Services	8,220
Culture and recreation	46,936
Total depreciation expense - governmental activities	\$ 4,427,657

Business-type Activities:

Water	\$ 659,081
Electric Light	<u>1,199,122</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,858,203</u></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 2020 expenditures paid subsequent to year end.

12. Bond Anticipation Notes

The Town had the following notes outstanding at June 30, 2020:

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>
Roadway improvements	2.55%	8/31/2109	\$ 400,000	\$ -	\$ (400,000)	\$ -
Library design bond	2.50%	5/22/2020	1,495,000	-	(1,495,000)	-
Library planning	1.75%	11/20/2020	-	1,494,000	-	1,494,000
Sewer design	1.20%	11/20/2020	-	500,000	-	500,000
Total Governmental activities			<u>\$ 1,895,000</u>	<u>\$ 1,994,000</u>	<u>\$ (1,895,000)</u>	<u>\$ 1,994,000</u>

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>
Whitcomb avenue wells	1.75%	11/20/2020	\$ 1,994,000	\$ 1,993,000	\$ (1,994,000)	\$ 1,993,000
Water treatment	1.75%	11/20/2020	-	1,499,000	-	1,499,000
Total Business-type activities			<u>\$ 1,994,000</u>	<u>\$ 3,492,000</u>	<u>\$ (1,994,000)</u>	<u>\$ 3,492,000</u>

13. Long-Term Debt

Long-Term Debt Supporting Activities

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 Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/20
<u>General Obligation Bonds - Public Offerings</u>				
Land Acquisition - Lucy's Land	\$ 150,000	2029	3.33%	\$ 44,000
Building Remodeling - Houghton Roof	195,000	2029	3.48%	78,000
Architectural Services Police Station Design	300,000	2028	3.38%	105,000
Police Station Construction	6,023,303	2029	3.49%	2,445,000
Architectural Services - RSS Design	232,800	2031	3.55%	110,000
Land Acquisition - Cobbs Land - CPA	323,955	2031	3.56%	165,000
Water Mains - Goldsmith St	1,094,400	2031	3.58%	595,000
School Project - RSS Construction	5,428,845	2031	3.59%	2,970,000
Police Land - Refunding	228,000	2022	1.21%	45,000
High School - Refunding	3,883,000	2023	1.14%	580,000
Athletic Facility	2,355,000	2028	2.00 - 4.00%	1,890,000
Land Acquisition	300,000	2028	2.00 - 4.00%	240,000
Sewer (WW Treatment Plant)	566,000	2025	2.00 - 4.00%	400,000
Land Acquisition - Prouty - Refunding	144,000	2024	2.00 - 4.00%	95,000
Land Acquisition - Hartwell - Refunding	145,000	2023	2.00 - 4.00%	90,000
Building Construction School	3,235,000	2027	2.00 - 4.00%	2,485,000
Building Construction - Fire Station	5,650,100	2038	3.00 - 5.00%	5,080,000
Library Construction	4,595,000	2040	2.00 - 5.00%	4,595,000
Total general obligation bonds - public offerings				22,012,000
<u>Loans - Direct Borrowings</u>				
Septic Loan #2	\$ 189,474	2021	4.83%	\$ 11,387
Middle School - low Interest Loan	2,142,297	2029	2.00%	964,032
Septic Loan Program	282,674	2037	2.00%	247,620
Total loans - direct borrowings				1,223,039
Total governmental-activities				\$ 23,235,039

Business-type activities:

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/20
<u>General Obligation Bonds - Public Offerings</u>				
Water tank - refunding - Oak Hill	\$ 652,000	2023	1.31%	\$ 170,000
Water capital improvement	274,200	2035	3.00 - 3.25%	200,000
Well redevelopment	3,720,000	2035	3.00 - 3.25%	2,775,000
Water Cobbs well	178,800	2032	3.00%	120,000
Water capital improvement well #2	118,300	2027	3.00%	70,000
Well #2 design	194,700	2034	3.00 - 3.25%	140,000
Land acquisition - Nashoba rd - water	87,000	2023	2.00 - 4.00%	50,000
Route 119 bond	803,900	2038	3.00 - 5.00%	720,000
Water Mains - Capital (Refunding Issue)	191,088	2029	3.49%	78,000
Total general obligation bonds - public offerings				\$ 4,323,000

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

Governmental Activities:

	<u>General Obligation Bonds (public offerings)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,221,000	\$ 1,121,452	\$ 3,342,452
2022	2,147,000	773,318	2,920,318
2023	2,082,000	684,492	2,766,492
2024	1,907,000	604,416	2,511,416
2025	1,881,000	520,840	2,401,840
2026-2030	6,939,000	1,458,500	8,397,500
2031-2035	2,870,000	475,690	3,345,690
2036-2040	1,965,000	129,974	2,094,974
Total	\$ 22,012,000	\$ 5,768,682	\$ 27,780,682

	<u>Loans Payable (direct borrowings)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 130,698	\$ 24,518	\$ 155,216
2022	119,576	21,846	141,422
2023	119,847	19,456	139,303
2024	120,124	17,058	137,182
2025	120,407	14,656	135,063
2026-2030	499,376	37,040	536,416
2031-2035	78,969	8,210	87,179
2036-2040	34,042	1,024	35,066
Total	\$ 1,223,039	\$ 143,808	\$ 1,366,847

Business-type Activities:

	<u>General Obligation Bonds (public offerings)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 359,000	\$ 134,555	\$ 493,555
2022	348,000	123,432	471,432
2023	348,000	112,433	460,433
2024	278,000	101,582	379,582
2025	279,000	92,283	371,283
2026-2030	1,356,000	323,312	1,679,312
2031-2035	1,235,000	119,414	1,354,414
2036-2039	120,000	7,840	127,840
	<u>\$ 4,323,000</u>	<u>\$ 1,014,851</u>	<u>\$ 5,337,851</u>

Changes in General Long-Term Liabilities

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

	Total Balance 7/1/19	Additions	Refunding	Reductions	Total Balance 6/30/20	Less Current Portion	Equals Long-Term Portion 6/30/20
<u>Governmental Activities</u>							
GO Bonds (public offerings)	\$ 20,015,000	\$ 7,267,000	\$ (3,095,000)	\$ (2,175,000)	\$ 22,012,000	\$ (2,221,000)	\$ 19,791,000
Loans payable (direct borrowing)	1,353,479	-	-	(130,440)	1,223,039	(130,698)	1,092,341
Unamortized debt premiums	659,972	909,016	-	(84,089)	1,484,899	(129,542)	1,355,357
Bonds and loans payable	22,028,451	8,176,016	(3,095,000)	(2,389,529)	24,719,938	(2,481,240)	22,238,698
Net pension liability	15,374,396	151,436	-	-	15,525,832	-	15,525,832
Net OPEB liability	15,540,400	2,209,678	-	-	17,750,078	-	17,750,078
Accrued employee benefits	430,929	487,440	-	(491,389)	426,980	(129,658)	297,322
Totals	<u>\$ 53,374,176</u>	<u>\$ 11,024,570</u>	<u>\$ (3,095,000)</u>	<u>\$ (2,880,918)</u>	<u>\$ 58,422,828</u>	<u>\$ (2,610,898)</u>	<u>\$ 55,811,930</u>

	Total Balance 7/1/19	Additions	Refunding	Reductions	Total Balance 6/30/20	Less Current Portion	Equals Long-Term Portion 6/30/20
<u>Business-Type Activities</u>							
GO Bonds (public offerings)	\$ 4,695,000	\$ 78,000	\$ (90,000)	\$ (360,000)	\$ 4,323,000	\$ (359,000)	\$ 3,964,000
Unamortized debt premiums	138,772	1,721	-	(21,917)	118,576	(16,464)	102,112
Bonds and loans payable	4,833,772	79,721	(90,000)	(381,917)	4,441,576	(375,464)	4,066,112
Net pension liability	9,957,854	1,133,451	-	(560,525)	10,530,780	-	10,530,780
Net OPEB liability	2,573,386	698,240	-	(718,385)	2,553,241	-	2,553,241
Accrued employee benefits	309,313	159,898	-	(169,082)	300,129	(152,318)	147,811
Totals	<u>\$ 17,674,325</u>	<u>\$ 2,071,310</u>	<u>\$ (90,000)</u>	<u>\$ (1,829,909)</u>	<u>\$ 17,825,726</u>	<u>\$ (527,782)</u>	<u>\$ 17,297,944</u>

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 the general fund, electric light fund, water fund, and park and recreation fund.

Refunding on Long-term Debt

Current Year Refunding

On May 22, 2020, the Town issued general obligation bonds in the amount of \$7,345,000 (\$4,595,000 of the \$7,345,000 was not related to the refunding) with a variable interest rate ranging from 2.25% to 5.00% to advance refund \$3,818,800 of term bonds with an

interest rate ranging from 3.00% to 4.00%. The term bonds mature on June 30, 2029. The general obligation bonds were issued at 4.00% and, after paying issuance costs of \$70,425, the net proceeds were \$3,185,000. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on June 22, 2020. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the refunding, the Town reduced its total debt service cash flow requirements by \$391,321. The net present benefit as a result of the refunding issue is \$379,556.

Prior Year Refunding

On December 7, 2012, the Town issued general obligation bonds in the amount of \$5,437,000 with an average interest rate of 1.43% and utilized those proceeds along with \$8,169,365 from the Massachusetts School Building Authority to advance refund \$13,485,000 of debt that had an average interest rate of 4.91%. After paying issuance costs and other costs, the net proceeds were used to purchase U.S. Government securities and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are matured in January 2023. The advance refunding met the requirements of an in-substance debt defeasance and the refunded term bonds were removed from the Town's financial statements. As of June 30, 2020, the amount of defeased debt outstanding, but removed from the governmental activities Statement of Net Position was \$823,900.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are 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 is 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, 2020 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, 2020:

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 and general stabilization fund and deficit funds.

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

	General <u>Fund</u>	Library Building <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:				
Nonspendable permanent funds:				
Perpetual care	\$ -	\$ -	\$ 286,804	\$ 286,804
Education	-	-	609,121	609,121
Library	-	-	487,897	487,897
Culture and recreation	-	-	199,857	199,857
Total Nonspendable	-	-	1,583,679	1,583,679
Restricted:				
Bond premium for debt service	106,780	-	-	106,780
Town special revenue funds:				
Library building state grant	-	-	2,344,238	2,344,238
Ambulance	-	-	765,534	765,534
CPC annual fund	-	-	649,781	649,781
Library building gift fund	-	-	581,007	581,007
Affordable housing trust	-	-	519,163	519,163
Littleton cable television	-	-	481,529	481,529
Recreation reserve	-	-	459,360	459,360
Open space reserve	-	-	368,481	368,481
IOD Police and Fire	-	-	350,000	350,000
Lakes FD	-	-	348,241	348,241
School special revenue funds:				
School choice	-	-	1,845,662	1,845,662
Circuit breaker	-	-	812,369	812,369
Tiger's den	-	-	706,363	706,363
Full day kindergarten	-	-	237,886	237,886
Various other special revenue funds	-	-	2,546,805	2,546,805
Capital project funds:				
Library building fund	-	3,871,772	-	3,871,772
Fire station	-	-	1,006	1,006
Expendable permanent funds				
Perpetual care	-	-	266,657	266,657
Education	-	-	962,061	962,061
Library	-	-	834,392	834,392
Culture and recreation	-	-	169,990	169,990
Total Restricted	106,780	3,871,772	15,250,525	19,229,077
Committed:				
Capital stabilization	462,047	-	-	462,047
Debt exclusion stabilization	413,118	-	-	413,118
Senior Center stabilization	3,039,313	-	-	3,039,313
Capital articles appropriated	914,667	-	-	914,667
2021 Annual Town Meeting Articles for:				
Capital stabilization fund	1,378,548	-	-	1,378,548
Stabilization fund	1,050,000	-	-	1,050,000
Fiscal year 2021 capital items	843,922	-	-	843,922
Fiscal year 2021 operating budget	547,816	-	-	547,816
Capital project funds:				
Fiscal year 2020 capital articles	-	-	463,076	463,076
Total Committed	8,649,431	-	463,076	9,112,507
Assigned:				
Encumbered for:				
General government	401,590	-	-	401,590
Public safety	124,048	-	-	124,048
Education	207,217	-	-	207,217
Public works	467,176	-	-	467,176
Other	146,808	-	-	146,808
Total Assigned	1,346,839	-	-	1,346,839
Unassigned:				
General fund	8,725,207	-	-	8,725,207
Stabilization*	2,417,215	-	-	2,417,215
Nonmajor fund deficits	-	-	(984,165)	(984,165)
Total Unassigned	11,142,422	-	(984,165)	10,158,257
Total Fund Balance	\$ 21,245,472	\$ 3,871,772	\$ 16,313,115	\$ 41,430,359

* Established by Massachusetts General Law 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.

Participants' 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:

<u>Membership Date</u>	<u>Percentage of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to June 30, 1996	8% of regular compensation
July 1, 1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

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

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.

If a participant was a member prior to February 2012 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.

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.

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 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, 2020 was \$3,086,111. In fiscal year 2020, the Town contributed \$879,164 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, 2020, the Town reported a liability of \$26,056,612 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town's proportion was 1.63% percent. For the year ended June 30, 2020, the Town recognized a pension expense of \$4,642,460.

No contributions were made between January 1, 2020 to June 30, 2020. The Town reported deferred outflows of resources and deferred (inflows) of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (676,167)
Difference between expected and actual experience	634,013	(59,012)
Change in assumptions	1,794,417	-
Change in proportion	<u>2,836,446</u>	<u>(921,506)</u>
Total	\$ <u><u>5,264,876</u></u>	\$ <u><u>(1,656,685)</u></u>

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

Year ended June 30:	Net Deferred Outflows/(Inflows) of Resources
2021	\$ 1,494,286
2022	881,183
2023	1,009,987
2024	<u>222,735</u>
Total	<u>\$ 3,608,191</u>

Actuarial Assumptions

The total pension liability in the Middlesex County Retirement System actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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
Wage Inflation	3.25% (previously, 3.50%)
Inflation	2.00%, used to develop the expected return assumptions
Net investment return	7.30% (previously, 7.50%)
Cost of living adjustments	3.00% of first \$16,000 (previously, 3.00% of first \$14,000)
Remaining amortization period	17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI, 2 years from July 1, 2018 for 2003 ERI, and 4 years from July 1, 2018 for 2010 ERI

Mortality rates were based on the following:

- Pre-Retirement – The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
- Healthy Retiree – The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
- Disabled Retiree – The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

Actuarial Assumptions are re-evaluated as follows:

- Investment rate of return and inflation – annually

- Projected salary increases – biennially
- Mortality rates -to the extent the new mortality tables are available, but 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	21.00%	6.15%
International developed markets equity	13.00%	6.78%
International emerging markets equity	5.00%	8.65%
Core fixed income	15.00%	1.11%
High-yield fixed income	8.00%	3.51%
Real estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge fund, GTAA, risk parity	11.00%	3.19%
Private equity	13.00%	9.99%
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 (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
June 30, 2020	\$ 32,021,511	\$ 26,056,612	\$ 21,037,301

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, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) 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 RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale MP-2016 (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, 2019 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%	4.9%
Core fixed income	15.0%	1.3%
Private equity	13.0%	8.2%
Portfolio completion strategies	11.0%	3.9%
Real estate	10.0%	3.6%
Value added fixed income	8.0%	4.7%
Timber/natural resources	4.0%	4.1%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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, 2019. 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:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

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 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$40,994,283 and \$4,971,268 respectively, based on a proportionate share of 0.1626%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's 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 *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 *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The 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 Department 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, 2020.

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	161
Active employees	<u>373</u>
Total	<u><u>534</u></u>

Investments

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

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.11% (prior was 6.73%). 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, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Payroll growth	3.5% per year
Long-Term expected rate of return	6.75%, compounded annually, net of fees
Municipal bond rate	2.21%, based on the Bond Buyer 20-Bond GO Index published on June 30, 2020
Discount rate	6.75%, net of investment expenses, including inflation (prior: 7.50%)
Healthcare cost trend rates	8.00% decreasing 0.50% annually to 5.50%
Retirees' share of benefit-related costs	26 - 50 %
Participation rates	<u>Medical</u> - 85% 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) – reflects RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D.
- Post-retirement (General and Public Safety employees) – reflects RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D.
- Pre-retirement (Teachers) – RP-2014 White Collar Mortality Table, base year 2014, project with generational mortality improvement using scale MP-2016.
- Post-retirement (Teachers) – RP-2014 White Collar Mortality Table, base year 2014, project with generational mortality improvement using scale MP-2016.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the years 2006 through 2011 updated as of January 1, 2015.

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, 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%	5.92%
International Equity	20.00%	2.73%
Domestic Bond	20.00%	3.69%
Alternatives	20.00%	3.50%
International Fixed Income	5.00%	3.80%
Cash and equivalents	0.00%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 6.75%. 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, 2020, were as follows:

Total OPEB liability	\$	33,199,756
Plan fiduciary net position		<u>14,626,403</u>
Net OPEB liability	\$	<u>18,573,353</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)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 28,339,744	\$ 12,089,224	\$ 16,250,520
Changes for the year:			
Service cost	1,022,757	-	1,022,757
Interest	2,157,973	-	2,157,973
Changes of benefit terms	(406,443)	-	(406,443)
Contributions - employer	-	3,441,437	(3,441,437)
Net investment income	-	274,805	(274,805)
Change in assumptions	3,264,788	-	3,264,788
Benefit payments	(1,179,063)	(1,179,063)	-
Net Changes	4,860,012	2,537,179	2,322,833
Balances, end of year	\$ <u>33,199,756</u>	\$ <u>14,626,403</u>	\$ <u>18,573,353</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:

1% Decrease	Current Discount Rate	1% Increase
\$ 18,573,553	\$ 18,573,353	\$ 14,459,545

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:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 13,534,297	\$ 18,573,353	\$ 25,003,218

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$2,505,387. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 4,798,212	\$ -
Change in experience	-	(1,243,939)
Net difference between projected and actual OPEB investment earnings	657,024	-
Total	<u>\$ 5,455,236</u>	<u>\$ (1,243,939)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ 708,071
2022	708,072
2023	683,057
2024	667,971
2025	527,537
Thereafter	916,589
Total	<u>\$ 4,211,297</u>

Electric Light OPEB Plan

All the following OPEB disclosures are based on a measurement date of December 31, 2019.

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. For the year ended December 31, 2019, the Department's average contribution rate was 14.22% of covered payroll.

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 December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	30
Active employees	28
Total	<u>58</u>

Investments

The plan's policy 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, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 18.40% (negative 5.38% 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, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Investment Rate of Return	6.85%, net of investment expense, including inflation
Discount Rate	6.85%, per year
Health Cost Trend Rates	8.0% decreasing by 0.5% per year to 5.50% per year, then graduating down to an ultimate trend rate of 3.8%. The ultimate medical inflation rate is reached in 2075.

Mortality rates were based on:

- Pre-retirement – reflects RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D.
- Post-retirement – reflects RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D.

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, 2019 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%	5.92%
Domestic Bond	20.00%	3.69%
International Equity	20.00%	2.73%
International Bond	5.00%	3.80%
Cash and equivalents	0.00%	0.00%
Other	20.00%	3.50%
Total	<u>100.00%</u>	

Discount Rate

As of December 31, 2019, 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, 2019, were as follows:

Total OPEB liability	\$	4,363,672
Plan fiduciary net position		<u>(2,633,706)</u>
Net OPEB liability	\$	<u><u>1,729,966</u></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)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 4,044,793	\$ 2,181,527	\$ 1,863,266
Changes for the year:			
Service cost	73,224	-	73,224
Interest	296,496	-	296,496
Contributions - employer	-	379,482	(379,482)
Changes of Benefit Terms	(35,012)		(35,012)
Net investment income	-	402,179	(402,179)
Change in experience			-
Change in assumptions	313,653	-	313,653
Benefit payments	<u>(329,482)</u>	<u>(329,482)</u>	<u>-</u>
Net Changes	<u>318,879</u>	<u>452,179</u>	<u>(133,300)</u>
Balances, end of year	\$ <u><u>4,363,672</u></u>	\$ <u><u>2,633,706</u></u>	\$ <u><u>1,729,966</u></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:

1% Decrease	Current Discount Rate	1% Increase
\$ 2,300,709	\$ 1,729,966	\$ 1,263,149

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:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 1,163,341	\$ 1,729,966	\$ 2,435,469

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 \$227,659. At December 31, 2019, the Electric Light Department reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 422,347	\$ -
Change in experience	-	(164,849)
Net difference between projected and actual OPEB investment earnings	-	(15,770)
Total	\$ <u>422,347</u>	\$ <u>(180,619)</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:

2020	\$	56,868
2021		56,868
2022		56,867
2023		(1,413)
2024		47,083
Thereafter		<u>25,455</u>
Total	\$	<u><u>241,728</u></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 <u>Liability</u>	Total Deferred Outflows of <u>Resources</u>	Total Deferred (Inflows) of <u>Resources</u>	Total OPEB <u>Expense</u>
Town OPEB Plan	\$ 18,573,353	\$ 5,455,236	\$ (1,243,939)	\$ 2,505,387
Electric Light OPEB Plan	<u>1,729,966</u>	<u>422,347</u>	<u>(180,619)</u>	<u>227,069</u>
Total	\$ <u><u>20,303,319</u></u>	\$ <u><u>5,877,583</u></u>	\$ <u><u>(1,424,558)</u></u>	\$ <u><u>2,732,456</u></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, 2020, the company received a tax abatement of \$577,932.

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, 2020, the company received a tax abatement of \$7,599.

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, 2020, the company received a tax abatement of \$37,729.

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, 2020, the company received a tax abatement of \$17,200.

20. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is a considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain development, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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.

A claim was filed against the Littleton Electric Light Department seeking approximately \$444,000. The litigation is in its very early stages. The Littleton Electric Light Department intends to vigorously oppose the claim.

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 \$1,346,839 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 collected 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 years ended December 31, 2019 and 2018 can be found in the Littleton Electric separately issued Financial Statements.

21. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 84, Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

22. Subsequent Events

Management has evaluated subsequent events through March 3, 2021, which is the date the financial statements were available to be issued.

Issuance of Debt

On November 20, 2020, the Town issued \$10,423,000 in General Obligation Bond Anticipation Notes to fund various capital projects within the Town. The maturity date of the notes is November 19, 2021. The interest rate on the notes is 2.00%.

23. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2020, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

Fund Basis Financial Statements:

	Library <u>Building</u> <u>Fund</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ -	\$ 12,952,657
Reclass to a major fund	<u>105,383</u>	<u>(105,383)</u>
As reclassified	\$ <u><u>105,383</u></u>	\$ <u><u>12,847,274</u></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, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues				
Property taxes, net	\$ 40,668,050	\$ 40,668,050	\$ 40,852,828	\$ 184,778
Excise and other taxes	1,961,116	1,961,116	1,744,446	(216,670)
Penalties and interest	73,000	73,000	28,521	(44,479)
In-lieu payments	750,000	750,000	852,588	102,588
Intergovernmental	5,238,154	5,238,154	5,752,407	514,253
Departmental fees and charges	410,000	410,000	548,818	138,818
Licenses and permits	300,000	300,000	604,127	304,127
Special assessments	60,000	60,000	-	(60,000)
Fines and forfeitures	40,000	40,000	37,883	(2,117)
Investment income	150,000	150,000	384,513	234,513
Other	-	-	37,996	37,996
Total Revenues	49,650,320	49,650,320	50,844,127	1,193,807
Expenditures				
Town Meeting/Reports	14,325	22,229	22,229	-
Moderator	100	100	-	100
Selectmen Office	108,889	174,214	123,297	50,917
Town Administrator	351,598	371,709	364,656	7,053
Finance committee	1,300	1,300	574	726
Reserve fund	150,000	101,000	-	101,000
Accounting	267,701	315,757	305,448	10,309
Audit	40,000	54,000	53,631	369
Assessing	210,075	237,685	230,603	7,082
Treasurer	305,506	305,506	290,992	14,514
Collector	118,032	118,032	116,985	1,047
Town Counsel	255,508	255,508	233,957	21,551
Information systems	625,490	625,490	597,039	28,451
Tax Title	10,000	10,000	4,058	5,942
Town clerk	132,308	134,608	128,654	5,954
Elections/Registrations	12,200	12,200	11,577	623
Conservation	46,055	46,055	45,293	762
Planning board	117,087	117,087	112,835	4,252
Zoning Board of Appeals	5,920	5,920	5,352	568
Permanent Municipal Bldgs.	344,340	344,339	233,750	110,589
Public Buildings	540,142	540,142	436,254	103,888
Property & Liability Insurance	400,000	376,000	317,046	58,954
Littleton Cable Television	239,455	21,600	21,599	1
Central Communications	105,000	109,370	106,783	2,587
Police Department	1,878,915	1,888,915	1,857,957	30,958
Crossing Guards	5,000	5,000	4,550	450
Fire Department	1,995,145	1,995,420	1,882,135	113,285
Dispatch	484,155	484,155	484,155	-
Building Inspection	306,130	306,130	282,367	23,763
Civil Preparedness Agency	1,000	1,000	-	1,000
Canine Control	34,000	34,000	30,297	3,703
Regular Education	8,301,232	8,212,412	8,465,240	(252,828)
Special Education	6,468,394	6,281,314	5,945,848	335,466
Student & Support Staff	1,023,276	1,050,676	1,274,689	(224,013)
Other Instruction	271,424	285,424	400,414	(114,990)
System Administration	1,324,707	1,321,207	1,213,606	107,601
School Administration	1,119,264	1,121,264	1,133,607	(12,343)
Transportation and Busing	1,178,832	1,178,832	1,136,028	42,804
Facility and Maintenance	1,415,063	1,666,752	1,545,439	121,313
School Capital Plan	16,461	16,461	16,438	23
Technical Schools	486,821	502,080	502,080	-

(continued)

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, 2020

(continued)	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual	Final Budget
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	Positive (Negative)
Highway and Streets	920,484	920,484	869,057	51,427
Construction and Maintenance	923,112	923,112	922,227	885
Snow and Ice	404,869	404,869	328,341	76,528
Street lighting	25,000	25,000	16,787	8,213
Field maintenance	216,415	216,415	195,333	21,082
Transfer station	402,952	427,347	383,024	44,323
Wastewater/Stormwater	133,777	140,277	134,475	5,802
Clean Lakes	125,516	125,516	124,684	832
B&M crossing	2,809	2,809	2,806	3
Cemetery	135,600	135,600	130,497	5,103
Health	24,707	24,707	22,750	1,957
Nashoba Associated	26,250	27,274	23,078	4,196
Animal Inspector	2,450	2,450	-	2,450
Nursing Services	9,975	9,975	12,023	(2,048)
Mental Health	16,500	17,000	17,000	-
Council on Aging	230,863	231,295	204,404	26,891
Veterans Services	9,410	9,410	8,672	738
Veterans Benefits	195,000	195,000	128,255	66,745
Library	648,925	648,925	628,470	20,455
MVLC	36,600	36,600	36,588	12
Historical Commission	753	6,753	6,753	-
Memorial Day	750	750	270	480
Patriots Day	50	50	-	50
Debt Principal	2,305,441	2,305,441	2,305,440	1
Debt Interest	789,068	789,068	788,679	389
Other Debt Service	1,010,200	1,010,200	446,777	563,423
Intergovernmental	1,314,426	1,314,426	1,110,793	203,633
Employee Benefits	7,599,036	7,500,930	6,683,389	817,541
Fuel	135,000	135,000	114,412	20,588
Tax Title	20,000	20,000	-	20,000
Other	26,603	138,595	-	138,595
Total Expenditures	<u>48,403,391</u>	<u>48,396,171</u>	<u>45,582,446</u>	<u>2,813,725</u>
Excess (deficiency) of revenues over expenditures	1,246,929	1,254,149	5,261,681	4,007,532
Other Financing Sources (Uses)				
Use of free cash:				
For capital projects	939,978	939,978	-	(939,978)
Transfer to stabilization fund	108,045	108,045	-	(108,045)
Transfer to capital stabilization fund	300,000	300,000	-	(300,000)
Transfer to park and recreation fund	-	433,851	-	(433,851)
Transfer to trust funds	-	149,615	-	(149,615)
Other	-	5,030	-	(5,030)
Use of prior year encumbrances	846,323	846,323	-	(846,323)
Bond premium	23,315	23,315	23,315	-
Transfers from other funds	1,321,838	1,321,838	1,824,776	502,938
Transfers to other funds	<u>(4,786,428)</u>	<u>(5,382,144)</u>	<u>(5,519,891)</u>	<u>(137,747)</u>
Total Other Financing Sources (Uses)	<u>(1,246,929)</u>	<u>(1,254,149)</u>	<u>(3,671,800)</u>	<u>(2,417,651)</u>
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,589,881</u>	\$ <u>1,589,881</u>

See Notes to the Required Supplementary Information

See Independent Auditors' 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, 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 Associated with the Town</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, 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 Independent Auditors' Report.

TOWN OF LITTLETON, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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 Independent Auditors' Report.

TOWN OF LITTLETON, MASSACHUSETTS

Required Supplementary Information

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

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

LITTLETON ELECTRIC LIGHT DEPARTMENT

Required Supplementary Information

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

	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
Total OPEB Liability			
Service cost	\$ 73,224	\$ 72,190	\$ 69,247
Interest	296,496	294,181	289,872
Changes of benefit terms	(35,012)	-	-
Differences between expected and actual experience	-	(237,629)	-
Changes of assumptions	313,653	225,921	-
Benefit payments, including refunds of member contributions	<u>(329,482)</u>	<u>(320,182)</u>	<u>(289,069)</u>
Net change in total OPEB liability	318,879	34,481	70,050
Total OPEB liability - beginning	<u>4,044,793</u>	<u>4,010,312</u>	<u>3,940,262</u>
Total OPEB liability - ending (a)	\$ <u>4,363,672</u>	\$ <u>4,044,793</u>	\$ <u>4,010,312</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 379,482	\$ 370,182	\$ 539,069
Contributions - member	-	-	-
Net investment income	402,179	(121,795)	235,555
Benefit payments, including refunds of member contributions	(329,482)	(320,182)	(289,069)
Administrative expense	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	452,179	(71,795)	485,555
Plan fiduciary net position - beginning	<u>2,181,527</u>	<u>2,253,322</u>	<u>1,767,767</u>
Plan fiduciary net position - ending (b)	<u>2,633,706</u>	<u>2,181,527</u>	<u>2,253,322</u>
Net OPEB liability - ending (a-b)	\$ <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 Auditors' 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, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB liability	\$ 33,199,756	\$ 28,339,744	\$ 25,609,877	\$ 23,823,488
Plan fiduciary net position	<u>14,626,403</u>	<u>12,089,224</u>	<u>9,003,920</u>	<u>7,109,137</u>
Net OPEB liability	<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	44.06%	42.66%	35.16%	29.84%

Schedule of Contributions

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

Schedule of Investment Returns

	<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	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 Independent Auditors' Report.

LITTLETON ELECTRIC LIGHT DEPARTMENT

Required Supplementary Information

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

	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 4,363,672	\$ 4,044,793	\$ 4,010,312
Plan fiduciary net position	<u>2,633,706</u>	<u>2,181,527</u>	<u>2,253,322</u>
Net OPEB liability	<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	60.36%	53.93%	56.19%
	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 251,092	\$ 237,533	\$ 279,074
Contributions in relation to the actuarially determined contribution	<u>379,482</u>	<u>370,182</u>	<u>539,069</u>
Contribution deficiency (excess)	<u>\$ (128,390)</u>	<u>\$ (132,649)</u>	<u>\$ (259,995)</u>
	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	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 Auditors' 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)	\$ 53,271,217	\$ 49,428,530	\$ (1,325,274)
Various stabilization funds investment income	(80,514)	-	-
Net down of capital stabilization transfer	-	-	(2,369,841)
Reverse capital article expenditures	-	(976,876)	-
Other Post Employment Benefits shown as an expenditure for GAAP purposes	-	(2,212,374)	-
Add end-of-year appropriation carryforwards from expenditures	-	1,346,839	-
To record use of bond premium as a funding source	-	-	23,315
Reverse the effect of non-budgeted state contributions for teachers retirement	(2,347,260)	(2,347,260)	-
Reverse other nonbudgeted activity and transfer net downs	684	343,587	-
Budgetary Basis	<u>\$ 50,844,127</u>	<u>\$ 45,582,446</u>	<u>\$ (3,671,800)</u>



**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 AUDITORS' 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 and the aggregate remaining fund information of the Town of Littleton, Massachusetts (the Town), as of and for the year ended June 30, 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 March 3, 2021.

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
March 3, 2021