



## **TOWN OF LUDLOW, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Ludlow, 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 Ludlow, 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 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that 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 September 30, 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 Town's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Melanson".

Greenfield, Massachusetts  
September 30, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Ludlow (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 Town of Ludlow's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the 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 golf, landfill and sewer 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

### ***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), 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 established fees and charges designed to recover its costs, including capital costs such as depreciation and debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for golf, landfill and sewer operations, which are considered to be major funds.

### ***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

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 \$(72,780,498), a change of \$11,988,404 and net position in business-type activities was \$4,432,837, a change of \$847,668.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$29,884,301, a change of \$19,276,339 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,546,703, a change of \$1,464,162 in comparison to the prior year.

## Government-Wide Financial Analysis

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

NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 45,651,198	\$ 19,996,412	\$ 1,635,595	\$ 1,473,113	\$ 47,286,793	\$ 21,469,525
Capital assets	<u>75,270,271</u>	<u>48,530,409</u>	<u>9,856,212</u>	<u>10,077,575</u>	<u>85,126,483</u>	<u>58,607,984</u>
Total assets	120,921,469	68,526,821	11,491,807	11,550,688	132,413,276	80,077,509
Deferred outflows of resources	16,936,726	14,172,660	392,596	357,377	17,329,322	14,530,037
<b>Liabilities</b>						
Other liabilities	14,327,872	7,541,955	368,965	290,167	14,696,837	7,832,122
Long-term liabilities	<u>181,408,176</u>	<u>143,347,573</u>	<u>6,647,888</u>	<u>7,512,044</u>	<u>188,056,064</u>	<u>150,859,617</u>
Total liabilities	195,736,048	150,889,528	7,016,853	7,802,211	202,752,901	158,691,739
Deferred inflows of resources	14,902,645	16,412,689	434,713	686,851	15,337,358	17,099,540
<b>Net Position</b>						
Net investment in capital assets	54,685,366	39,394,323	6,618,777	6,599,641	61,304,143	45,993,964
Restricted	4,264,086	4,749,150	-	-	4,264,086	4,749,150
Unrestricted	<u>(131,729,950)</u>	<u>(128,746,209)</u>	<u>(2,185,940)</u>	<u>(3,180,638)</u>	<u>(133,915,890)</u>	<u>(131,926,847)</u>
Total net position	\$ <u>(72,780,498)</u>	\$ <u>(84,602,736)</u>	\$ <u>4,432,837</u>	\$ <u>3,419,003</u>	\$ <u>(68,347,661)</u>	\$ <u>(81,183,733)</u>

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. At the close of the most recent fiscal year, total net position was \$(68,347,661), a change of \$12,836,072 in comparison to the prior year.

By far the largest portion of net position, \$61,304,143 reflects our investment in capital assets (e.g., land, buildings, machinery and 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, \$4,264,086 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was a deficit of \$(131,729,950) in governmental activities and \$(2,185,940) in business-type activities caused primarily by unfunded pension and OPEB liabilities.

#### CHANGES IN NET POSITION

	<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>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,541,109	\$ 5,082,611	\$ 2,551,492	\$ 2,477,526	\$ 7,092,601	\$ 7,560,137
Operating grants and contributions	27,449,808	27,730,012	-	-	27,449,808	27,730,012
Capital grants and contributions	15,560,476	2,705,899	-	-	15,560,476	2,705,899
General revenues:						
Property taxes	43,891,165	41,026,983	-	-	43,891,165	41,026,983
Excises	2,756,281	2,794,890	-	-	2,756,281	2,794,890
Penalties, interest on taxes	1,938,794	2,060,471	-	-	1,938,794	2,060,471
Grants and contributions not restricted	3,463,583	3,626,512	-	-	3,463,583	3,626,512
Investment income	185,523	184,530	13,971	19,934	199,494	204,464
Miscellaneous	21,660	54,455	-	-	21,660	54,455
Total revenues	99,808,399	85,266,363	2,565,463	2,497,460	102,373,862	87,763,823
<b>Expenses</b>						
General government	4,884,925	4,409,336	-	-	4,884,925	4,409,336
Public safety	13,123,416	12,845,982	-	-	13,123,416	12,845,982
Education	59,023,017	55,605,049	-	-	59,023,017	55,605,049
Public works	5,632,481	5,734,625	-	-	5,632,481	5,734,625
Health and human services	1,436,189	1,565,559	-	-	1,436,189	1,565,559
Culture and recreation	1,398,099	1,432,201	-	-	1,398,099	1,432,201
Interest on long-term debt	1,085,795	446,220	-	-	1,085,795	446,220
Intergovernmental	1,103,275	912,622	-	-	1,103,275	912,622
Golf operations	-	-	636,216	757,508	636,216	757,508
Landfill operations	-	-	775	7,929	775	7,929
Sewer operations	-	-	1,213,602	1,777,620	1,213,602	1,777,620
Total expenses	87,687,197	82,951,594	1,850,593	2,543,057	89,537,790	85,494,651
Change in net position before transfers	12,121,202	2,314,769	714,870	(45,597)	12,836,072	2,269,172
Transfer in (out)	(132,798)	(105,384)	132,798	105,384	-	-
Change in net position	11,988,404	2,209,385	847,668	59,787	12,836,072	2,269,172
Net Position - beginning of year (as restated)	(84,768,902)	(86,812,121)	3,585,169	3,359,216	(81,183,733)	(83,452,905)
Net Position - end of year	\$ (72,780,498)	\$ (84,602,736)	\$ 4,432,837	\$ 3,419,003	\$ (68,347,661)	\$ (81,183,733)

### ***Governmental Activities***

Governmental activities for the year resulted in a change in net position of \$11,988,404. Key elements of this change are as follows:

General Fund operations	\$ 999,719
Chapin Street School capital project fund results	12,210,036
Senior Center capital project fund results	5,048,033
Radio Systems capital project fund results	(87,528)
Nonmajor governmental funds results	1,106,079
Principal debt service in excess of depreciation expense	(482,950)
Change in net pension liability, net of deferrals	(2,637,417)
Change in net OPEB liability, net of related deferrals	(1,085,745)
Issuance of general obligation bonds	(30,350,000)
Premiums received on issuance of general obligation bonds	(1,316,946)
Issuance of capital lease	(919,282)
Repayments of capital lease	365,022
Capital outlay	29,642,150
Other	<u>(502,767)</u>
Total	\$ <u>11,988,404</u>

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

Business-type activities for the year resulted in a change in net position of \$847,668, primarily relating to the results of operations from the sewer fund. Key elements of this change are as follows:

Golf operations	\$ 11,215
Landfill operations	203
Sewer operations	<u>836,250</u>
Total	\$ <u>847,668</u>

### **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 government's net resources available for spending at the end of the fiscal year.

### *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 \$5,546,703, while total fund balance was \$6,921,045. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Total Unassigned Fund Balance	\$ 5,546,703	\$ 4,082,541	\$ 1,464,162	8.0%
Total Fund Balance	\$ 6,921,045	\$ 5,921,326	\$ 999,719	10.0%

\*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$4,058,617.

The fund balance of the General Fund changed by \$999,719 during the current fiscal year. Key factors in this change are as follows:

Excess tax collections compared to net assessment	\$ (204,832)
Revenues in excess of budget	(211,169)
Expenditures less than budget	1,850,665
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	(69,269)
Use of free cash and debt reserve as a funding source	(1,587,266)
Prior year expenses (snow and ice deficit) raised in the current year	152,185
Other GAAP accruals	(75,375)
Other sources in excess of budget	105,877
Change in stabilization fund	<u>1,038,903</u>
Total	<u>\$ 999,719</u>

Included in the total General Fund balance is the Town's stabilization fund with a balance of \$3,675,887 at the end of the current fiscal year, a change of \$1,038,903 from the prior year.

### ***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 a deficit of \$(2,185,940), a change of \$994,698 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$732,213. All of this increase was funded by free cash and consists of:

Unpaid bills	\$ 2,213
Information technology - internet protocol	40,000
Job classification study	15,000
Police overtime	100,000
Building infrastructure	25,000
Transfer to Stabilization Fund	<u>550,000</u>
	<u>\$ 732,213</u>

## Capital Asset and Debt Administration

### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year end amounted to \$85,126,483 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

Depreciation expense for governmental activities	\$ (2,902,288)
Depreciation expense for business-type activities	(313,435)
Police department vehicles	54,166
Fire truck acquired through capital lease	622,189
Ambulance acquired through capital lease	221,420
Council on aging van acquired through capital lease	75,673
Center Street project - architecture and engineering	10,072
Center Street project - value contributed by MassDOT	1,789,508
Chapin Street School project	22,304,746
Radio communication project	106,988
Senior Center project- construction	3,892,994
Riverside drive project	540,955
Library HVAC improvements	23,439
Sewer infrastructure - various sewer pipes	59,295
Golf greensmaster acquired through capital lease	32,777

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

At the end of the current fiscal year, total bonded debt outstanding was \$40,092,049, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

The Town maintained their AA- rating from S&P Global Ratings for general obligation debt.

## **Requests for Information**

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

Ms. Kimberly Collins  
Town Accountant  
Town of Ludlow  
488 Chapin Street  
Ludlow, Massachusetts 01056

**TOWN OF LUDLOW, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 34,594,756	\$ 1,455,490	\$ 36,050,246
Investments	4,528,517	-	4,528,517
Receivables, net of allowance for uncollectibles:			
Property taxes	710,115	-	710,115
Excises	246,245	-	246,245
User fees	-	180,105	180,105
Departmental and other	393,352	-	393,352
Intergovernmental	4,609,522	-	4,609,522
Due from other funds	<u>81,661</u>	<u>-</u>	<u>81,661</u>
Total Current Assets	45,164,168	1,635,595	46,799,763
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	487,030	-	487,030
Capital assets:			
Land and construction in progress	37,507,653	1,107,900	38,615,553
Capital assets, net of accumulated depreciation	<u>37,762,618</u>	<u>8,748,312</u>	<u>46,510,930</u>
Total Noncurrent Assets	<u>75,757,301</u>	<u>9,856,212</u>	<u>85,613,513</u>
Total Assets	120,921,469	11,491,807	132,413,276
<b>Deferred Outflows of Resources</b>			
Related to pensions	7,392,575	88,518	7,481,093
Related to OPEB	9,524,151	304,078	9,828,229
Other	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Deferred Outflows of Resources	16,936,726	392,596	17,329,322

(continued)

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

**TOWN OF LUDLOW, MASSACHUSETTS**

Statement of Net Position  
June 30, 2020

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants and accounts payable	6,458,416	241,824	6,700,240
Accrued payroll and withholdings	4,426,528	16,199	4,442,727
Accrued interest payable	428,635	29,281	457,916
Notes payable	3,000,000	-	3,000,000
Other current liabilities	14,293	-	14,293
Due to other funds	-	81,661	81,661
Current portion of long-term liabilities:			
Bonds payable	2,450,077	267,009	2,717,086
Capital leases	<u>209,906</u>	<u>10,655</u>	<u>220,561</u>
Total Current Liabilities	16,987,855	646,629	17,634,484
Noncurrent:			
Bonds payable, net of current portion	35,743,534	2,948,375	38,691,909
Capital leases, net of current portion	471,923	11,401	483,324
Net pension liability	53,931,021	626,448	54,557,469
Net OPEB liability	87,198,873	2,784,000	89,982,873
Compensated absences	<u>1,402,842</u>	<u>-</u>	<u>1,402,842</u>
Total Noncurrent Liabilities	<u>178,748,193</u>	<u>6,370,224</u>	<u>185,118,417</u>
Total Liabilities	195,736,048	7,016,853	202,752,901
<b>Deferred Inflows of Resources</b>			
Related to pensions	2,022,741	23,496	2,046,237
Related to OPEB	<u>12,879,904</u>	<u>411,217</u>	<u>13,291,121</u>
Total Deferred Inflows of Resources	14,902,645	434,713	15,337,358
<b>Net Position</b>			
Net investment in capital assets	54,685,366	6,618,777	61,304,143
Restricted for:			
Grants and other statutory restrictions	2,628,721	-	2,628,721
Permanent funds:			
Nonexpendable	1,423,156	-	1,423,156
Expendable	212,209	-	212,209
Unrestricted	<u>(131,729,950)</u>	<u>(2,185,940)</u>	<u>(133,915,890)</u>
Total Net Position	\$ <u><u>(72,780,498)</u></u>	\$ <u><u>4,432,837</u></u>	\$ <u><u>(68,347,661)</u></u>

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



**TOWN OF LUDLOW, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	
		Services	Grants and	Grants and	Activities	Type	
			Contributions	Contributions		Activities	Total
		Expenses					
<b>Governmental Activities</b>							
General government	\$ 4,884,925	\$ 706,355	\$ 316,436	\$ 545,195	\$ (3,316,939)	\$ -	\$ (3,316,939)
Public safety	13,123,416	2,404,922	142,955	-	(10,575,539)	-	(10,575,539)
Education	59,023,017	700,995	26,844,985	12,651,402	(18,825,635)	-	(18,825,635)
Public works	5,632,481	323,291	8,800	2,363,879	(2,936,511)	-	(2,936,511)
Health and human services	1,436,189	329,137	97,367	-	(1,009,685)	-	(1,009,685)
Culture and recreation	1,398,099	76,409	39,265	-	(1,282,425)	-	(1,282,425)
Interest on long-term debt	1,085,795	-	-	-	(1,085,795)	-	(1,085,795)
Intergovernmental	1,103,275	-	-	-	(1,103,275)	-	(1,103,275)
Total Governmental Activities	87,687,197	4,541,109	27,449,808	15,560,476	(40,135,804)	-	(40,135,804)
<b>Business-Type Activities</b>							
Golf operations	636,216	623,659	-	-	-	(12,557)	(12,557)
Landfill operations	775	-	-	-	-	(775)	(775)
Sewer operations	1,213,602	1,927,833	-	-	-	714,231	714,231
Total Business-Type Activities	1,850,593	2,551,492	-	-	-	700,899	700,899
Total	\$ 89,537,790	\$ 7,092,601	\$ 27,449,808	\$ 15,560,476	(40,135,804)	700,899	(39,434,905)
<b>General Revenues and Transfers</b>							
Property taxes					43,891,165	-	43,891,165
Excises					2,756,281	-	2,756,281
Penalties, interest and other taxes					1,938,794	-	1,938,794
Grants and contributions not restricted to specific programs					3,463,583	-	3,463,583
Investment income					185,523	13,971	199,494
Miscellaneous					21,660	-	21,660
Transfers, net					(132,798)	132,798	-
Total General Revenues and Transfers					52,124,208	146,769	52,270,977
Change in Net Position					11,988,404	847,668	12,836,072
<b>Net Position</b>							
Beginning of Year, as restated					(84,768,902)	3,585,169	(81,183,733)
End of Year					\$ (72,780,498)	\$ 4,432,837	\$ (68,347,661)

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

**TOWN OF LUDLOW, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2020

	<u>General Fund</u>	<u>Chapin Street School Capital Project Fund</u>	<u>Senior Center Capital Project Fund</u>	<u>Radio Systems Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and short-term investments	\$ 8,331,304	\$ 13,211,635	\$ 6,918,464	\$ 2,912,472	\$ 3,220,881	\$ 34,594,756
Investments	3,033,573	-	-	-	1,494,944	4,528,517
Receivables:						
Property taxes	726,868	-	-	-	-	726,868
Tax liens and foreclosures	586,018	-	-	-	-	586,018
Excises	270,933	-	-	-	-	270,933
Departmental and other	358,212	-	-	-	36,653	394,865
Intergovernmental	1,267,756	2,939,398	-	-	402,368	4,609,522
Due from other funds	<u>81,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,661</u>
Total Assets	\$ <u>14,656,325</u>	\$ <u>16,151,033</u>	\$ <u>6,918,464</u>	\$ <u>2,912,472</u>	\$ <u>5,154,846</u>	\$ <u>45,793,140</u>
<b>Liabilities</b>						
Warrants and accounts payable	\$ 1,350,996	\$ 3,534,529	\$ 1,569,035	\$ -	\$ 3,856	\$ 6,458,416
Accrued payroll and withholdings	4,408,567	-	-	-	17,961	4,426,528
Notes payable	-	-	-	3,000,000	-	3,000,000
Other current liabilities	<u>5,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,900</u>	<u>14,293</u>
Total Liabilities	5,764,956	3,534,529	1,569,035	3,000,000	30,717	13,899,237
<b>Deferred Inflows of Resources</b>						
Unavailable revenues	1,970,324	-	-	-	39,278	2,009,602
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	1,423,156	1,423,156
Restricted	-	12,616,504	5,349,429	-	3,613,756	21,579,689
Committed	512,617	-	-	-	47,939	560,556
Assigned	861,725	-	-	-	-	861,725
Unassigned	<u>5,546,703</u>	<u>-</u>	<u>-</u>	<u>(87,528)</u>	<u>-</u>	<u>5,459,175</u>
Total Fund Balances	<u>6,921,045</u>	<u>12,616,504</u>	<u>5,349,429</u>	<u>(87,528)</u>	<u>5,084,851</u>	<u>29,884,301</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>14,656,325</u>	\$ <u>16,151,033</u>	\$ <u>6,918,464</u>	\$ <u>2,912,472</u>	\$ <u>5,154,846</u>	\$ <u>45,793,140</u>

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

**TOWN OF LUDLOW, MASSACHUSETTS**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
June 30, 2020

<b>Total Governmental Fund Balances</b>	\$ 29,884,301
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	75,270,271
• Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.	7,392,575
• Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	9,524,151
• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection.	1,867,660
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(428,635)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(38,193,611)
Capital lease liability	(681,829)
Net pension liability	(53,931,021)
Net OPEB liability	(87,198,873)
Compensated absences	(1,402,842)
• Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.	(2,022,741)
• Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(12,879,904)
• Other.	<u>20,000</u>
<b>Net Position of Governmental Activities</b>	\$ <u><u>(72,780,498)</u></u>

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

**TOWN OF LUDLOW, MASSACHUSETTS**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2020

	General Fund	Chapin Street School Capital Project Fund	Senior Center Capital Project Fund	Radio Systems Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 43,798,263	\$ -	\$ -	\$ -	\$ -	\$ 43,798,263
Excises	2,730,494	-	-	-	-	2,730,494
Penalties, interest and other taxes	1,938,794	-	-	-	-	1,938,794
Charges for services	2,391,184	-	-	-	1,811,783	4,202,967
Intergovernmental	22,518,850	12,411,022	-	-	5,217,348	40,147,220
Licenses and permits	474,481	-	-	-	-	474,481
Fines and forfeitures	36,929	-	-	-	-	36,929
Investment income	144,646	-	-	-	40,877	185,523
Miscellaneous	<u>1,584</u>	<u>-</u>	<u>-</u>	<u>19,460</u>	<u>616</u>	<u>21,660</u>
Total Revenues	74,035,225	12,411,022	-	19,460	7,070,624	93,536,331
<b>Expenditures</b>						
Current:						
General government	3,454,026	-	-	-	962,440	4,416,466
Public safety	8,812,612	-	-	106,988	1,461,776	10,381,376
Education	36,268,580	21,688,479	-	-	4,827,003	62,784,062
Public works	3,633,101	-	-	-	573,644	4,206,745
Health and human services	1,108,292	-	3,787,993	-	155,322	5,051,607
Culture and recreation	818,098	-	-	-	54,604	872,702
Employee benefits	14,764,947	-	-	-	-	14,764,947
Debt service:						
Principal	2,419,338	-	-	-	-	2,419,338
Interest	758,316	-	-	-	-	758,316
Intergovernmental	<u>1,103,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,103,275</u>
Total Expenditures	<u>73,140,585</u>	<u>21,688,479</u>	<u>3,787,993</u>	<u>106,988</u>	<u>8,034,789</u>	<u>106,758,834</u>
Excess (Deficiency) of Revenues over Expenditures	894,640	(9,277,457)	(3,787,993)	(87,528)	(964,165)	(13,222,503)
<b>Other Financing Sources (Uses)</b>						
Issuance of bonds	-	20,580,000	8,455,000	-	1,315,000	30,350,000
Bond premiums	-	907,493	381,026	-	73,839	1,362,358
Issuance of capital leases	-	-	-	-	919,282	919,282
Transfers in	240,877	-	-	-	3,000	243,877
Transfers (out)	<u>(135,798)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(240,877)</u>	<u>(376,675)</u>
Total Other Financing Sources (Uses)	<u>105,079</u>	<u>21,487,493</u>	<u>8,836,026</u>	<u>-</u>	<u>2,070,244</u>	<u>32,498,842</u>
Change in Fund Balance	999,719	12,210,036	5,048,033	(87,528)	1,106,079	19,276,339
Fund Balances, at Beginning of Year, as reclassified	<u>5,921,326</u>	<u>406,468</u>	<u>301,396</u>	<u>-</u>	<u>3,978,772</u>	<u>10,607,962</u>
Fund Balances, at End of Year	<u>\$ 6,921,045</u>	<u>\$ 12,616,504</u>	<u>\$ 5,349,429</u>	<u>\$ (87,528)</u>	<u>\$ 5,084,851</u>	<u>\$ 29,884,301</u>

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

# **TOWN OF LUDLOW, 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

<b>Net Change In Fund Balances - Total Governmental Funds</b>	<b>\$ 19,276,339</b>																								
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay</td><td style="text-align: right;">29,642,150</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(2,902,288)</td></tr> </table> </li> <li>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and changes in other long-term liabilities consumes the financial resources of governmental funds. Neither transaction, however, has an effect on net assets: <table> <tr> <td>Issuance of general obligation bonds</td><td style="text-align: right;">(30,350,000)</td></tr> <tr> <td>Premiums received on issuance of general obligation bonds</td><td style="text-align: right;">(1,362,358)</td></tr> <tr> <td>Repayment of general obligation bonds</td><td style="text-align: right;">2,419,338</td></tr> <tr> <td>Issuance of capital leases</td><td style="text-align: right;">(919,282)</td></tr> <tr> <td>Repayment of capital leases</td><td style="text-align: right;">365,022</td></tr> </table> </li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue, net of change in allowance for doubtful accounts. <div style="text-align: right;">(54,579)</div> </li> <li>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Change in net pension liability and related deferred outflows and inflows</td><td style="text-align: right;">(2,637,417)</td></tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td><td style="text-align: right;">(1,085,745)</td></tr> <tr> <td>Change in accrued employee benefits</td><td style="text-align: right;">(75,297)</td></tr> <tr> <td>Bond premium amortization</td><td style="text-align: right;">45,412</td></tr> <tr> <td>Change in accrued interest on bonds payable</td><td style="text-align: right;">(352,891)</td></tr> </table> </li> <li>Other differences. <div style="text-align: right;">(20,000)</div> </li> </ul>	Capital outlay	29,642,150	Depreciation	(2,902,288)	Issuance of general obligation bonds	(30,350,000)	Premiums received on issuance of general obligation bonds	(1,362,358)	Repayment of general obligation bonds	2,419,338	Issuance of capital leases	(919,282)	Repayment of capital leases	365,022	Change in net pension liability and related deferred outflows and inflows	(2,637,417)	Change in net OPEB liability and related deferred outflows and inflows	(1,085,745)	Change in accrued employee benefits	(75,297)	Bond premium amortization	45,412	Change in accrued interest on bonds payable	(352,891)	
Capital outlay	29,642,150																								
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Change in accrued employee benefits	(75,297)																								
Bond premium amortization	45,412																								
Change in accrued interest on bonds payable	(352,891)																								
<b>Change In Net Position of Governmental Activities</b>	<b>\$ <u>11,988,404</u></b>																								

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

**TOWN OF LUDLOW, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2020

	Business-Type Activities Enterprise Funds			
	<u>Golf Fund</u>	<u>Landfill Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>				
Current:				
Cash and short-term investments	\$ 21,441	\$ 49,686	\$ 1,384,363	\$ 1,455,490
User fee receivable	<u>-</u>	<u>-</u>	<u>180,105</u>	<u>180,105</u>
Total Current Assets	21,441	49,686	1,564,468	1,635,595
Noncurrent:				
Land	1,107,900	-	-	1,107,900
Capital assets, net of accumulated depreciation	<u>466,861</u>	<u>-</u>	<u>8,281,451</u>	<u>8,748,312</u>
Total Noncurrent Assets	<u>1,574,761</u>	<u>-</u>	<u>8,281,451</u>	<u>9,856,212</u>
Total Assets	1,596,202	49,686	9,845,919	11,491,807
<b>Deferred Outflows of Resources</b>				
Related to pensions	70,853	-	17,665	88,518
Related to OPEB	<u>29,133</u>	<u>-</u>	<u>274,945</u>	<u>304,078</u>
Total Deferred Outflows of Resources	99,986	-	292,610	392,596
<b>Liabilities</b>				
Current:				
Accounts payable	-	-	241,824	241,824
Accrued payroll	4,385	-	11,814	16,199
Accrued interest payable	-	-	29,281	29,281
Due to other funds	81,661	-	-	81,661
Bonds payable	-	-	267,009	267,009
Capital leases	<u>10,655</u>	<u>-</u>	<u>-</u>	<u>10,655</u>
Total Current Liabilities	96,701	-	549,928	646,629
Noncurrent:				
Bonds payable, net of current portion	-	-	2,948,375	2,948,375
Capital leases, net of current portion	11,401	-	-	11,401
Net pension liability	501,431	-	125,017	626,448
Net OPEB liability	<u>266,728</u>	<u>-</u>	<u>2,517,272</u>	<u>2,784,000</u>
Total Noncurrent Liabilities	<u>779,560</u>	<u>-</u>	<u>5,590,664</u>	<u>6,370,224</u>
Total Liabilities	876,261	-	6,140,592	7,016,853
<b>Deferred Inflows of Resources</b>				
Related to pensions	18,807	-	4,689	23,496
Related to OPEB	<u>39,398</u>	<u>-</u>	<u>371,819</u>	<u>411,217</u>
Total Deferred Inflows of Resources	58,205	-	376,508	434,713
<b>Net Position</b>				
Net investment in capital assets	1,552,710	-	5,066,067	6,618,777
Unrestricted	<u>(790,988)</u>	<u>49,686</u>	<u>(1,444,638)</u>	<u>(2,185,940)</u>
<b>Total Net Position</b>	\$ <u>761,722</u>	\$ <u>49,686</u>	\$ <u>3,621,429</u>	\$ <u>4,432,837</u>

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

**TOWN OF LUDLOW, MASSACHUSETTS**

Proprietary Funds  
Statement Of Revenues, Expenses And Changes In Fund Net Position  
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds			
	<u>Golf Fund</u>	<u>Landfill Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for services	\$ 623,659	\$ -	\$ 1,927,833	\$ 2,551,492
Total Operating Revenues	623,659	-	1,927,833	2,551,492
<b>Operating Expenses</b>				
Salaries and operating expenses	557,962	-	768,235	1,326,197
Depreciation	43,498	-	269,937	313,435
Administration	33,500	-	97,500	131,000
Other	<u>1,256</u>	<u>775</u>	<u>4,955</u>	<u>6,986</u>
Total Operating Expenses	<u>636,216</u>	<u>775</u>	<u>1,140,627</u>	<u>1,777,618</u>
Operating Income (Loss)	(12,557)	(775)	787,206	773,874
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	2,531	978	10,462	13,971
Interest expense	<u>-</u>	<u>-</u>	<u>(72,975)</u>	<u>(72,975)</u>
Total Nonoperating Revenues (Expenses), Net	<u>2,531</u>	<u>978</u>	<u>(62,513)</u>	<u>(59,004)</u>
Income (Loss) Before Transfers	(10,026)	203	724,693	714,870
Transfer in	<u>21,241</u>	<u>-</u>	<u>111,557</u>	<u>132,798</u>
Change in Net Position	11,215	203	836,250	847,668
Net Position, at Beginning of Year, as restated	<u>750,507</u>	<u>49,483</u>	<u>2,785,179</u>	<u>3,585,169</u>
Net Position, at End of Year	\$ <u><u>761,722</u></u>	\$ <u><u>49,686</u></u>	\$ <u><u>3,621,429</u></u>	\$ <u><u>4,432,837</u></u>

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

**TOWN OF LUDLOW, MASSACHUSETTS**

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds			
	<u>Golf Fund</u>	<u>Landfill Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 623,659	\$ -	\$ 1,886,883	\$ 2,510,542
Payments to vendors and employees	(691,631)	(775)	(1,683,670)	(2,376,076)
Receipts from interfund services provided	<u>76,362</u>	<u>-</u>	<u>-</u>	<u>76,362</u>
Net Cash Provided By (Used for) Operating Activities	8,390	(775)	203,213	210,828
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers in	<u>21,241</u>	<u>-</u>	<u>111,557</u>	<u>132,798</u>
Net Cash Provided By Noncapital Financing Activities	21,241	-	111,557	132,798
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition of capital assets	-	-	(59,295)	(59,295)
Principal payments on bonds	-	-	(262,554)	(262,554)
Interest paid	-	-	(69,661)	(69,661)
Principal payments on capital lease	<u>(10,721)</u>	<u>-</u>	<u>-</u>	<u>(10,721)</u>
Net Cash (Used For) Capital and Related Financing Activities	(10,721)	-	(391,510)	(402,231)
<b>Cash Flows From Investing Activities</b>				
Investment income	<u>2,531</u>	<u>978</u>	<u>10,462</u>	<u>13,971</u>
Net Cash Provided By Investing Activities	<u>2,531</u>	<u>978</u>	<u>10,462</u>	<u>13,971</u>
Net Change in Cash and Short-Term Investments	21,441	203	(66,278)	(44,634)
Cash and Short Term Investments, Beginning of Year	<u>-</u>	<u>49,483</u>	<u>1,450,641</u>	<u>1,500,124</u>
Cash and Short Term Investments, End of Year	\$ <u><u>21,441</u></u>	\$ <u><u>49,686</u></u>	\$ <u><u>1,384,363</u></u>	\$ <u><u>1,455,490</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities</b>				
Operating income (loss)	\$ (12,557)	\$ (775)	\$ 787,206	\$ 773,874
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	43,498	-	269,937	313,435
Changes in assets, liabilities and deferred outflows/inflows:				
Deferred outflows - related to pensions	(2,224)	-	724	(1,500)
Deferred outflows - related to OPEB	2,904	-	(36,623)	(33,719)
User fee receivables	-	-	(40,950)	(40,950)
Accounts payable and accrued liabilities	(10,547)	-	9,669	(878)
Due to other funds	76,362	-	-	76,362
Net pension liability	6,765	-	1,687	8,452
Net OPEB liability	(79,856)	-	(552,254)	(632,110)
Deferred inflows - related to pensions	13,682	-	3,411	17,093
Deferred inflows - related to OPEB	<u>(29,637)</u>	<u>-</u>	<u>(239,594)</u>	<u>(269,231)</u>
Net Cash Provided By (Used for) Operating Activities	\$ <u><u>8,390</u></u>	\$ <u><u>(775)</u></u>	\$ <u><u>203,213</u></u>	\$ <u><u>210,828</u></u>

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



**TOWN OF LUDLOW, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2020

	Agency Funds	Other Post Employment Benefits Trust Fund
<b>Assets</b>		
Cash and short-term investments	\$ 217,255	\$ 1,876
Investments in:		
Bond mutual funds	-	135,106
Corporate equities	<u>-</u>	<u>232,139</u>
Total Investments	<u>-</u>	<u>367,245</u>
Total Assets	217,255	369,121
<b>Liabilities</b>		
Deposits held in custody	116,901	-
Student activity funds	82,814	-
Other liabilities	<u>17,540</u>	<u>-</u>
Total Liabilities	\$ <u>217,255</u>	-
<b>Net Position</b>		
Restricted for OPEB purposes		<u>369,121</u>
Total Net Position		\$ <u>369,121</u>

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

**TOWN OF LUDLOW MASSACHUSETTS**  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2020

	Other Post Employment Benefits <u>Trust Fund</u>
<b>Additions</b>	
Contributions:	
Employers	\$ 2,712,475
Other systems	<u>50,000</u>
Total Contributions	2,762,475
Investment Income	<u>7,968</u>
Total Additions	2,770,443
 <b>Deductions</b>	
Benefit payments to plan members, beneficiaries and other systems	<u>2,712,475</u>
Total Deductions	<u>2,712,475</u>
 Net Increase	57,968
 <b>Net position restricted for other purposes</b>	
Beginning of Year	<u>311,153</u>
End of Year	\$ <u><u>369,121</u></u>

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

## Town of Ludlow, Massachusetts

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Ludlow (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 GAAP, these financial statements present the government and applicable component units for which the government 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

###### *Fund Financial Statements*

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 and excises.

#### ***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 government. 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 *Chapin Street School Capital Project Fund* is used to account for costs related to the construction of the new Chapin Street school, which is funded through bonding and the Massachusetts School Business Authority (MSBA).
- The *Senior Center Capital Project Fund* is used to account for costs related to the construction of the new senior center, which is funded through bonding.
- The *Radio Systems Capital Project Fund* is used to account for costs related to the radio communication upgrades for the police department. This project is funded through bonding.

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 non-operating 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 *Golf Fund* is used to account for operations of the Town's municipal golf course.
- The *Landfill Fund* represents the residual balance of bond proceeds and other revenues which were used to close the Town's landfill in prior years. The fund accumulates interest which is used to fund monitoring costs. Any remaining balance is anticipated to be used for future projects related to the Town's transfer station.
- The *Sewer Fund* is used to account for activity related to the Town's sewer operations.

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

The Town reports the following fiduciary funds:

- The *Agency Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.
- The *Other Post-Employment Benefits trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.

### ***Cash 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, certificates of deposits, savings accounts, and money market 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 purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The Town's investments 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, which approximates the net asset value of \$1 per share.

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

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

Legislation known as "Proposition 2 ½" limits 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% (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$11,338.

#### ***Interfund Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

#### ***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 government as assets with an initial individual cost of more than \$20,000 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	10 - 20
Vehicles	3 - 5 - 10
Office equipment	3 - 5 - 10
Computer equipment	3 - 5
Infrastructure	50

### ***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 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 and current liabilities. 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. The General Fund is the only fund that reports a positive unassigned fund balance.

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, consists 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. The remaining net position is reported as unrestricted.

#### *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*

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. 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. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.



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

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

***Excess of Expenditures Over Appropriations***

Snow and ice expenditures exceeded appropriations during the current fiscal year by \$(13,428). This deficit is being funded through taxation in fiscal year 2021.

***Deficit Fund Equity***

Certain individual funds reflected deficit balances as of June 30, 2020.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

**3. Deposits and Investments – Town**

State statutes Massachusetts General Law (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 a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board (GASB) 79. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, none, of the Town's bank balance of \$36,334,782 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$59,140 was invested in 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>
Asset backed securities	\$ 6,347
Corporate bonds	1,749,515
Corporate equities	290,055
Federal agency securities	931,197
Market-linked certificate of deposits	811,693
U.S. Treasury notes	<u>739,710</u>
Total Investments	<u>\$ 4,528,517</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 investment or collateral securities that are in possession of another party.

As of June 30, 2020, the Town did not have investments subject to custodial credit risk 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 does not have formal investment policies related to credit risk.

As of June 30, 2020, the credit quality ratings, as rated by Moody's Investors Service, Inc. of the Town's debt securities are as follows (U.S. Treasury notes have an implied rating of AAA):

		<u>Rating as of Year End</u>					
<u>Investment Type</u>	<u>Amount</u>	<u>AAA</u>	<u>A1</u>	<u>A2</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Unrated</u>
Corporate bonds	\$ 1,749,515	\$ -	\$ 488,120	\$ 463,808	\$ 374,683	\$ 422,904	\$ -
Federal agency securities	931,197	931,197	-	-	-	-	-
Market-linked certificate of deposits	<u>811,693</u>	-	-	-	-	-	<u>811,693</u>
Total	<u>\$ 3,492,405</u>	<u>\$ 931,197</u>	<u>\$ 488,120</u>	<u>\$ 463,808</u>	<u>\$ 374,683</u>	<u>\$ 422,904</u>	<u>\$ 811,693</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's policies related to concentration of credit risk exposure limits investments (other than U.S. Treasury/Agency obligations and State pool – MMDT) as follows:

#### ***Market-linked certificates of deposit***

No limit if fully collateralized through a third-party agreement; otherwise limited to each institution's insurance coverage (FDIC, DIFM, etc.)

*Other unsecured bank deposits*

deposits that do not fit in another category are limited to 5% of the institution's assets and no more than 10% of the government's cash. The credit worthiness of the institution is evaluated by monitoring established bank credit reporting systems.

*Trust fund investments*

Not more than 15% may be invested in bank stock and insurance company stock and no more than 1.5% of these funds may be invested in any one bank or insurance company.

As of June 30, 2020, the Town does not have an investment in one issuer greater than 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 does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 (in Years)</u>		
		Less <u>Than 1</u>	<u>1-5</u>	<u>Thereafter</u>
Asset backed securities	\$ 6,347	\$ -	\$ 4,328	\$ 2,019
Corporate bonds	1,749,515	202,468	1,547,047	-
Federal agency securities	931,197	-	826,036	105,161
Market-linked certificates of deposit	811,693	564,097	247,596	-
U.S. Treasury notes	<u>739,710</u>	<u>461,824</u>	<u>277,886</u>	<u>-</u>
Total	\$ <u>4,238,462</u>	\$ <u>1,228,389</u>	\$ <u>2,902,893</u>	\$ <u>107,180</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 does not have formal investment policies related to foreign currency risk.

***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). 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 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:				
Asset backed securities	\$ 6,347	\$ -	\$ 6,347	\$ -
Corporate bonds	1,749,515	-	1,749,515	-
Corporate equities	290,055	290,055	-	-
Federal agency securities	931,197	-	931,197	-
U.S. Treasury notes	<u>739,710</u>	-	739,710	-
Total	<u>\$ 3,716,824</u>			

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.

#### 4. Investments – OPEB Trust Fund

Generally, the Town’s OPEB investment policies mirror that of the Town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund’s investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Fixed income mutual funds	\$ 135,106
Corporate equities	<u>232,139</u>
Total Investments	<u>\$ 367,245</u>

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

As of June 30, 2020, none of the OPEB Trust Fund’s total investments were subject to custodial credit risk exposure because all assets were held in the OPEB Trust Fund’s name.

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

As of June 30, 2020, the credit quality ratings as rated by Moody’s Investors Service, Inc. of the Town’s debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>					
		<u>AAA</u>	<u>AA2</u>	<u>A2</u>	<u>Baa2</u>	<u>Ba2/B2</u>	<u>Unrated</u>
Fixed income mutual funds	\$ <u>135,106</u>	\$ <u>31,756</u>	\$ <u>14,733</u>	\$ <u>21,030</u>	\$ <u>35,694</u>	\$ <u>15,614</u>	\$ <u>16,279</u>

##### ***Concentration of Credit Risk***

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2020, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

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

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	\$ <u>135,106</u>	\$ <u>4,621</u>	\$ <u>67,364</u>	\$ <u>45,463</u>	\$ <u>17,658</u>

### *Fair Value*

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)
Investment Type	Amount			
Investments by fair value level:				
Corporate equities	\$ 232,139	\$ 232,139	\$ -	\$ -
Fixed income mutual funds	<u>135,106</u>	-	135,106	-
Total	<u>\$ 367,245</u>			

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.

## **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 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2020 consists of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 702,933	\$ (11,141)	\$ 691,792	\$ -
Personal property taxes	23,935	(5,612)	18,323	-
Tax liens	<u>586,018</u>	<u>(98,988)</u>	<u>-</u>	<u>487,030</u>
Total Property Taxes	<u>\$ 1,312,886</u>	<u>\$ (115,741)</u>	<u>\$ 710,115</u>	<u>\$ 487,030</u>
Motor vehicle excise	\$ 270,553	\$ (24,688)	\$ 245,865	\$ -
Boat excise	<u>380</u>	<u>-</u>	<u>380</u>	<u>-</u>
Total Excises	<u>\$ 270,933</u>	<u>\$ (24,688)</u>	<u>\$ 246,245</u>	<u>\$ -</u>
Departmental - ambulance	\$ 327,955	\$ -	\$ 327,955	
Departmental - police outside detail	36,653	-	36,653	
Departmental - other	<u>30,257</u>	<u>(1,513)</u>	<u>28,744</u>	
Total Departmental	<u>\$ 394,865</u>	<u>\$ (1,513)</u>	<u>\$ 393,352</u>	

## 6. Intergovernmental Receivables

The balance reported in the general fund primarily represents late State aid, which was received in early July 2020. The balance reported in nonmajor governmental funds primarily represents reimbursement requested from Federal and State agencies for expenditures incurred in fiscal 2020.

## 7. Capital Assets

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

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
<b>Governmental Activities</b>					
Capital assets, being depreciated:					
Land improvements	\$ 3,543,725	\$ -	\$ -	\$ -	\$ 3,543,725
Buildings and improvements	54,233,446	23,439	-	23,508	54,280,393
Machinery, equipment, and furnishings	9,284,571	-	-	-	9,284,571
Vehicles	3,542,200	973,447	(204,282)	-	4,311,365
Infrastructure	<u>31,273,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,273,386</u>
Total Capital Assets, Being Depreciated	101,877,328	996,886	(204,282)	23,508	102,693,440
Less accumulated depreciation for:					
Land improvements	(2,396,413)	(173,417)	-	-	(2,569,830)
Buildings and improvements	(24,344,788)	(1,443,699)	-	-	(25,788,487)
Machinery, equipment, and furnishings	(8,624,980)	(171,369)	-	-	(8,796,349)
Vehicles	(2,985,686)	(398,919)	204,282	-	(3,180,323)
Infrastructure	<u>(23,880,949)</u>	<u>(714,884)</u>	<u>-</u>	<u>-</u>	<u>(24,595,833)</u>
Total Accumulated Depreciation	<u>(62,232,816)</u>	<u>(2,902,288)</u>	<u>204,282</u>	<u>-</u>	<u>(64,930,822)</u>
Total Capital Assets, Being Depreciated, Net	39,644,512	(1,905,402)	-	23,508	37,762,618
Capital assets, not being depreciated:					
Land	2,328,529	-	-	-	2,328,529
Construction in progress (CIP)	<u>6,557,368</u>	<u>28,645,264</u>	<u>-</u>	<u>(23,508)</u>	<u>35,179,124</u>
Total Capital Assets, Not Being Depreciated	<u>8,885,897</u>	<u>28,645,264</u>	<u>-</u>	<u>(23,508)</u>	<u>37,507,653</u>
Governmental Activities Capital Assets, Net	<u>\$ 48,530,409</u>	<u>\$ 26,739,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,270,271</u>
<b>Business-Type Activities</b>					
Capital assets, being depreciated:					
Land improvements	\$ 174,565	\$ -	\$ -	\$ -	\$ 174,565
Buildings and improvements	481,602	-	-	-	481,602
Machinery, equipment, and furnishings	1,090,908	32,777	-	-	1,123,685
Vehicles	579,325	-	-	-	579,325
Infrastructure	<u>11,666,386</u>	<u>59,295</u>	<u>-</u>	<u>-</u>	<u>11,725,681</u>
Total Capital Assets, Being Depreciated	13,992,786	92,072	-	-	14,084,858
Less accumulated depreciation for:					
Land improvements	(155,869)	(2,918)	-	-	(158,787)
Buildings and improvements	(407,409)	(5,847)	-	-	(413,256)
Machinery, equipment, and furnishings	(994,386)	(25,779)	-	-	(1,020,165)
Vehicles	(542,538)	(12,263)	-	-	(554,801)
Infrastructure	<u>(2,922,909)</u>	<u>(266,628)</u>	<u>-</u>	<u>-</u>	<u>(3,189,537)</u>
Total Accumulated Depreciation	<u>(5,023,111)</u>	<u>(313,435)</u>	<u>-</u>	<u>-</u>	<u>(5,336,546)</u>
Total Capital Assets, Being Depreciated, Net	8,969,675	(221,363)	-	-	8,748,312
Capital assets, not being depreciated:					
Land	<u>1,107,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,107,900</u>
Total Capital Assets, Not Being Depreciated	<u>1,107,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,107,900</u>
Business-Type Activities Capital Assets, Net	<u>\$ 10,077,575</u>	<u>\$ (221,363)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,856,212</u>



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

<b>Governmental Activities</b>	
General government	\$ 88,173
Public safety	334,496
Education	1,203,473
Public works	979,435
Human services	32,754
Culture and recreation	<u>263,957</u>
Total - Governmental Activities	\$ <u>2,902,288</u>
<b>Business-Type Activities</b>	
Golf	\$ 43,498
Sewer	<u>269,937</u>
Total - Business-Type Activities	\$ <u>313,435</u>

## 8. Deferred Outflow 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 formally discussed in the corresponding pension and OPEB notes.

Other deferred outflows of resources consist of the unamortized portion of a deferred loss on debt refunding.

## 9. Warrants and Accounts Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020 as permitted by law. Accounts payable represent additional 2020 expenditures paid after July 15, 2020.

## 10. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 06/30/20</u>
Bond anticipation	2.25%	9/26/2019	9/25/2020	\$ <u>3,000,000</u>

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ <u>1,515,000</u>	\$ <u>3,000,000</u>	\$ <u>(1,515,000)</u>	\$ <u>3,000,000</u>

## 11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2024. Future minimum lease payments under the governmental capital lease consisted of the following as of June 30, 2020:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2021	\$ 237,453
2022	237,453
2023	133,938
2024	<u>133,938</u>
Total payments	742,782
Less amounts representing interest	<u>(60,953)</u>
Present Value of Minimum Lease Payments	\$ <u>681,829</u>

The Town is also the lessee of a Toro Greensmaster for the Golf enterprise fund. The future minimum lease payments total \$22,056.

The following is an analysis for the leased assets included in capital assets at June 30, 2020:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Vehicles	\$ 1,353,631	\$ 32,777
Less: accumulated depreciation	<u>(378,913)</u>	<u>(6,555)</u>
Equipment under capital leases, net	\$ <u>974,718</u>	\$ <u>26,222</u>

## 12. Long-Term Debt

### ***General Obligation Bonds***

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 currently outstanding are as follows:

	Original	Serial	Interest	Amount
<b>Governmental Activities</b>		Maturities		Outstanding
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Through</u>	<u>Rate(s) %</u>	<u>as of</u>
Direct Placements:				<u>June 30, 2020</u>
2018 refunding of 2002 multi purpose bonds	\$ 113,973	08/15/20	2.00 - 5.00	\$ 333,665
School renovations (refunding bond)	4,800,000	06/15/21	4.08	1,125,000
Center St Design	345,000	08/15/21	2.00 - 5.00	170,000
2018 refunding of 2007 multi purpose bonds	375,000	08/15/22	2.00 - 5.00	228,000
2018 refunding of 2004 multi purpose bonds	240,000	08/15/24	2.00 - 5.00	155,000
Center St Land	485,000	08/15/27	2.00 - 5.00	445,000
Roofs	1,310,000	08/15/30	2.00 - 5.00	1,210,000
2019 multi-purpose	4,000,000	02/01/43	3.00 - 4.00	3,460,000
General obligation multi-purpose bond	30,350,000	02/01/49	5.00 - 3.00	31,066,946
Total Governmental Activities				<u>\$ 38,193,611</u>
<b>Business-Type Activities</b>				
<u>General Obligation Bonds</u>				
Direct Placements:				
2018 refunding of 2002 multi purpose bonds	\$ 37,500	08/15/20	2.00 - 5.00	\$ 11,335
2018 refunding of 2007 multi purpose bonds	100,000	08/15/22	2.00 - 5.00	57,000
<u>Direct Borrowings:</u>				
Sewer construction (MWPAT 08-05)	3,480,685	07/15/30	2.00	2,084,967 *
Sewer construction (MWPAT 08-05)	921,027	07/15/32	2.00	642,598
Sewer construction (MWPAT 08-05-A)	503,676	07/15/36	2.00	419,484
Total Business-Type Activities				<u>\$ 3,215,384</u>

\*13% of this debt is being paid by the general fund to reflect the portion of project costs that benefited the Town's general infrastructure.

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

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

<b>Governmental</b>	<b>Bonds - Direct Placements</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,450,077	\$ 1,309,420	\$ 3,759,497
2022	1,151,412	1,185,344	2,336,756
2023	1,206,412	1,156,469	2,362,881
2024	1,020,412	1,099,119	2,119,531
2025	1,005,412	1,052,719	2,058,131
2026 - 2030	5,422,060	2,263,223	7,685,283
2031 - 2035	5,872,060	3,559,713	9,431,773
Thereafter	20,065,766	4,533,475	24,599,241
Total Governmental	<u>\$ 38,193,611</u>	<u>\$ 16,159,482</u>	<u>\$ 54,353,093</u>

Business-Type	Bonds - Direct Placements		Bonds - Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	\$ 30,335	\$ 2,658	\$ 236,674	\$ 61,728	\$ 298,402
2022	19,000	1,425	241,556	56,885	298,441
2023	19,000	475	246,539	51,941	298,480
2024	-	-	251,622	46,896	298,518
2025	-	-	256,813	41,748	298,561
2026 - 2030	-	-	1,365,751	127,697	1,493,448
2031 - 2035	-	-	517,439	19,265	536,704
Thereafter	-	-	30,655	613	31,268
Total Business-Type	\$ <u>68,335</u>	\$ <u>4,558</u>	\$ <u>3,147,049</u>	\$ <u>406,773</u>	\$ <u>3,553,822</u>

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

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

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
<b>Governmental Activities</b>						
Bonds payable:						
Direct placements	\$ 8,946	\$ 30,350	\$ (2,419)	\$ 36,877	\$ (2,405)	\$ 34,472
Unamortized premium	-	1,362	(45)	1,317	(45)	1,272
Subtotal	8,946	31,712	(2,464)	38,194	(2,450)	35,744
Capital leases	127	919	(364)	682	(210)	472
Net pension liability	53,322	609	-	53,931	-	53,931
Net OPEB liability	79,791	7,408	-	87,199	-	87,199
Compensated absences	1,328	75	-	1,403	-	1,403
Total Governmental	\$ <u>143,514</u>	\$ <u>40,723</u>	\$ <u>(2,828)</u>	\$ <u>181,409</u>	\$ <u>(2,660)</u>	\$ <u>178,749</u>
<b>Business-Type Activities</b>						
Bonds payable:						
Direct placements	\$ 99	\$ -	\$ (31)	\$ 68	\$ (30)	\$ 38
Direct borrowings	3,379	-	(232)	3,147	(237)	2,910
Capital lease	-	33	(11)	22	(11)	11
Net pension liability	618	8	-	626	-	626
Net OPEB liability	3,250	-	(466)	2,784	-	2,784
Total Business-Type	\$ <u>7,346</u>	\$ <u>41</u>	\$ <u>(740)</u>	\$ <u>6,647</u>	\$ <u>(278)</u>	\$ <u>6,369</u>

### ***Long-Term Debt Supporting Governmental and Business-Type Activities***

General obligation bonds and direct borrowings, issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost related to, primarily the general fund and enterprise fund.

### 13. 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. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

### 14. Transfers

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:

<b>Governmental Funds</b>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 240,877	\$ 135,798
Nonmajor funds:		
Special revenue funds	<u>3,000</u>	<u>240,877</u>
Subtotal Nonmajor funds	3,000	240,877
<b>Business-Type Funds</b>		
Sewer fund	111,557	-
Golf fund	<u>21,241</u>	<u>-</u>
Total	\$ <u>376,675</u>	\$ <u>376,675</u>

### 15. Governmental Funds – 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 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 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 various special revenue funds, capital projects funded by borrowing, 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 the unexpended balance of Town Meeting articles funded by appropriation, funds reserved under State guidelines to be used to offset future debt service and residual balances of capital appropriations funded by general fund appropriation.

***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 fund balance (surplus) set aside to be used in the subsequent year's budget.

***Unassigned***

Represents amounts that are available to be spent in future periods, the Town Stabilization fund set aside by Town Meeting vote, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2020:

	General Fund	Chapin Street School Capital Project Fund	Senior Center Capital Project Fund	Radio Systems Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 1,423,156	\$ 1,423,156
Total Nonexpendable	-	-	-	-	1,423,156	1,423,156
<b>Restricted</b>						
Special revenue funds	-	-	-	-	2,628,721	2,628,721
Bonded projects	-	12,616,504	5,349,429	-	772,826	18,738,759
Expendable permanent funds	-	-	-	-	212,209	212,209
Total Restricted	-	12,616,504	5,349,429	-	3,613,756	21,579,689
<b>Committed</b>						
Special articles:						
General government	162,573	-	-	-	-	162,573
Public safety	10,393	-	-	-	-	10,393
Public works	189,576	-	-	-	-	189,576
Health and human services	59,689	-	-	-	-	59,689
Culture and recreation	4,332	-	-	-	-	4,332
Debt reserve	86,054	-	-	-	-	86,054
Capital projects funded by general fund appropriation	-	-	-	-	47,939	47,939
Total Committed	512,617	-	-	-	47,939	560,556
<b>Assigned</b>						
Encumbrances:						
General government	43,630	-	-	-	-	43,630
Public safety	3,144	-	-	-	-	3,144
Education	132,080	-	-	-	-	132,080
Public works	164,807	-	-	-	-	164,807
Culture and recreation	4,033	-	-	-	-	4,033
Employee benefits	54,151	-	-	-	-	54,151
Reserved for expenditures	459,880	-	-	-	-	459,880
Total Assigned	861,725	-	-	-	-	861,725
<b>Unassigned</b>						
General fund	1,870,816	-	-	-	-	1,870,816
Stabilization fund	3,675,887	-	-	-	-	3,675,887
Deficit funds	-	-	-	(87,528)	-	(87,528)
Total Unassigned	5,546,703	-	-	(87,528)	-	5,459,175
Total Fund Balance	\$ 6,921,045	\$ 12,616,504	\$ 5,349,429	\$ (87,528)	\$ 5,084,851	\$ 29,884,301

## 16. Hampden County 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 Hampden County 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 67 Hunt Street, Suite 106, Agawam, MA 01001.

#### *Participant Contributions*

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

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

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

#### *Participant Retirement Benefits*

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-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%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.



There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

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

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

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

#### *Methods of Payment*

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary

pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### *Participant Refunds*

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

#### *Employer Contributions*

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

The Town’s contribution to the System for the year ended June 30, 2020 was \$4,162,333, which was equal to its annual required 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 \$54,557,469 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 June 30, 2020, the Town’s proportion was 13.42%, which was a decrease of (0.13%) from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$5,434,856. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (1,631,207)
Differences between expected and actual experience	740,803	(415,030)
Changes of assumptions	6,243,260	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>497,030</u>	<u>-</u>
Total	\$ <u>7,481,093</u>	\$ <u>(2,046,237)</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:

2021	\$ 1,801,382
2022	1,742,688
2023	1,323,295
2024	(84,690)
2025	<u>652,181</u>
Total	\$ <u>5,434,856</u>

***Actuarial Assumptions***

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

Valuation Date	1/1/2020
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.15%
Projected salary increases	4.0 – 4.5%
Inflation rate	3.25%
Post-retirement cost-of-living adjustment	3% of first \$18,000
Remaining amortization period	16 years

Mortality rates were based on the assumptions that reflect the RP-2014 Blue Collar Employee Mortality Table projected generational with Scale MP-2017. Healthy and disabled retiree mortality rates were based on TP-2014 Blue Collar Healthy Annuitant Mortality Table project generational with Scale MP-2017.

### ***Target Allocations***

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 (Core)	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>100.00%</u>	

### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that 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 discount rate of 7.15%, 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 one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
\$67,163,674	\$54,557,469	\$43,942,910

***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 3-year average annual rate of regular compensation. For employees hired after

April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 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 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 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

### ***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) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% 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 Employee 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 White Collar 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%
Portfolio completion strategies	11.0%	3.9%
Core fixed income	15.0%	1.3%
Private equity	13.0%	8.2%
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 7.35%. 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. 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 (amounts in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
\$ 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 was approximately \$70.8 million based on a proportionate share of 0.2852%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$4.1 million as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of approximately \$8.5 million as both a revenue and expense in the governmental activities.

## **18. Other Post-Employment Benefits (GASB 74 and 75)**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces 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. In fiscal year 2014, the Town established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces 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.

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 Town provides health insurance coverage through Massachusetts Interlocal Insurance Association (MIIA) Health Benefits Trust. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 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 authorizations.

#### ***Plan Membership***

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	529
Active employees	<u>557</u>
Total	<u><u>1,086</u></u>

### ***Investments***

The OPEB trust fund assets consist of fixed income mutual funds and corporate equities.

#### ***Rate of Return***

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.4%. 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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, average, including inflation
Investment rate of return	6.04%, net of OPEB plan investment expense
Municipal bond rate	2.66%
Discount rate	2.75%
Healthcare cost trend rate	4.5%
Retirees' share of benefit-related costs	50%

Pre-Retirement Mortality rates were based on RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale BB and a base year 2009 for males and females for teachers and non-teachers.

Post-Retirement Mortality rates were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females, for teachers and non-teachers.

Disability Mortality rates were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females, for teachers and non-teachers.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study published in 2014.

**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 (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric 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- Large Cap	20.75%	4.90%
Domestic Equity- Small/Mid Cap	14.50%	5.40%
International Equity - Developed Market	11.75%	5.32%
International Equity - Emerging Market	5.75%	6.26%
Domestic Fixed Income	33.00%	1.40%
International Fixed Income	6.50%	1.30%
Alternatives	7.25%	6.32%
Real Estate	0.00%	6.25%
Cash & Cash Equivalents	<u>0.50%</u>	0.00%
Total	<u>100.00%</u>	

**Contributions**

In addition to the implicit subsidy contribution, the Town's policy is to contribute amounts provided annually by the budget.

**Discount Rate**

The discount rate used to measure the net OPEB liability was 2.75%. 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 not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.04% and municipal bond rate of 2.66% (based on the S&P Municipal Bond 20-Year High Grade Index (SAPIHG) as of June 30, 2020).

### *Net OPEB Liability*

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 90,351,994
Plan fiduciary net position	<u>(369,121)</u>
Net OPEB Liability	<u>\$ 89,982,873</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.41%

### *Changes in the Net OPEB Liability*

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, Beginning of Year	\$ 83,351,862	\$ 311,153	\$ 83,040,709
Changes for the year:			
Service cost	3,258,703	-	3,258,703
Interest	2,557,930	-	2,557,930
Contributions - employer	-	2,762,475	(2,762,475)
Net investment income	-	7,968	(7,968)
Differences between expected and actual experience	(1,929,800)	-	(1,929,800)
Changes in assumptions or other inputs	5,825,774	-	5,825,774
Benefit payments	<u>(2,712,475)</u>	<u>(2,712,475)</u>	<u>-</u>
Net Changes	<u>7,000,132</u>	<u>57,968</u>	<u>6,942,164</u>
Balances, End of Year	<u>\$ 90,351,994</u>	<u>\$ 369,121</u>	<u>\$ 89,982,873</u>

Changes in assumptions or other inputs reflect a change in the discount rate from 3.00% in 2019 to 2.75% in 2020.

***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 <u>(1.75%)</u>	Discount Rate <u>(2.75%)</u>	1% Increase <u>(3.75%)</u>
\$105,614,135	\$89,982,873	\$77,581,190

***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 <u>(3.5%)</u>	Healthcare Cost Trend Rates <u>(4.5%)</u>	1% Increase <u>(5.5%)</u>
\$76,007,723	\$89,982,873	\$108,106,658

***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 \$3,074,197. At June 30, 2020, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (10,936,401)
Change in assumptions	9,814,875	(2,354,720)
Net difference between projected and actual OPEB investment earnings	<u>13,354</u>	<u>-</u>
Total	\$ <u><u>9,828,229</u></u>	\$ <u><u>(13,291,121)</u></u>

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	\$ (2,722,154)
2022	(2,722,153)
2023	138,856
2024	1,265,130
2025	<u>577,429</u>
Total	\$ <u>(3,462,892)</u>

## 19. Subsequent Events

Management has evaluated subsequent events through September 30, 2021, which is the date the financial statements were available to be issued.

### ***Debt***

Subsequent to June 30, 2020, the Town has rolled forward or incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>
<b>Short Term Debt</b>				
Bond anticipation note	\$ 3,000,000	1.00%	09/25/20	09/23/21
<b>Capital Leases</b>				
DPW Truck	99,594	4.59%	10/27/20	10/27/24
Golf Carts	97,573	4.20%	09/15/20	09/15/24

## 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 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 developments, 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***

There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

***Grants***

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

***Encumbrances***

At year-end the Town's general fund has \$401,845 in encumbrances that will be honored in the next fiscal year.

**21. Beginning Net Position Restatement**

The beginning (July 1, 2019) net position of the Town has been restated as follows:

		Business-Type Activities
	Governmental Activities	Sewer Fund
As previously reported	\$ (84,602,736)	\$ 2,619,013
To restate net OPEB liability to correct employee classification	<u>(166,166)</u>	<u>166,166</u>
As restated	<u>\$ (84,768,902)</u>	<u>\$ 2,785,179</u>

## 22. Beginning Fund Balance Reclassification

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

	Fund Equity June 30, 2019 (as previously reported)	<u>Reclassification</u>	Fund Equity June 30, 2019 (as reclassified)
Nonmajor Governmental Funds	\$ 5,916,470	\$ (1,937,698)	\$ 3,978,772
Capital Project Fund (School)	(1,229,834)	1,229,834	-
Chapin Street School Capital Project Fund	-	406,468	406,468
Senior Center Capital Project Fund	<u>-</u>	<u>301,396</u>	<u>301,396</u>
Total	\$ <u>4,686,636</u>	\$ <u>-</u>	\$ <u>4,686,636</u>

## 23. 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 new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.



**TOWN OF LUDLOW, MASSACHUSETTS**

Required Supplemental Information  
General Fund

Schedule of Revenues, and Expenditures and Other Financing Sources (Uses) – Budget and Actual  
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Property taxes	\$ 44,003,094	\$ 44,003,095	\$ 43,798,263	\$ (204,832)
Excise	2,853,000	2,853,000	2,730,494	(122,506)
Penalties, interest and other taxes	2,008,000	2,008,000	1,938,794	(69,206)
Charges for services	2,250,954	2,250,954	2,391,184	140,230
Intergovernmental	18,528,657	18,528,657	18,460,233	(68,424)
Licenses and permits	460,000	460,000	474,481	14,481
Fines and forfeits	180,000	180,000	36,929	(143,071)
Investment income	20,000	20,000	55,743	35,743
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,584</u>	<u>1,584</u>
Total Revenues	70,303,705	70,303,706	69,887,705	(416,001)
<b>Expenditures</b>				
General government	3,700,095	3,765,968	3,526,821	239,147
Public safety	8,688,900	8,802,440	8,721,554	80,886
Education	32,129,259	32,129,261	32,029,025	100,236
Public works	3,718,227	3,715,025	3,631,244	83,781
Health and human services	1,189,394	1,195,394	1,107,464	87,930
Culture and recreation	898,864	898,864	820,781	78,083
Employee benefits	15,414,257	15,414,257	14,819,506	594,751
Debt service	4,321,063	3,921,063	3,177,654	743,409
Intergovernmental	<u>945,717</u>	<u>945,717</u>	<u>1,103,275</u>	<u>(157,558)</u>
Total Expenditures	<u>71,005,776</u>	<u>70,787,989</u>	<u>68,937,324</u>	<u>1,850,665</u>
Excess (Deficiency) of Revenues over Expenditures	(702,071)	(484,283)	950,381	1,434,664
<b>Other Financing Sources (Uses)</b>				
Transfers in	135,000	135,000	240,877	105,877
Transfers out	(135,798)	(1,085,798)	(1,085,798)	-
Use of free cash:				
Operating budget	100,000	257,212	-	(257,212)
Capital budget	269,000	294,000	-	(294,000)
Transfer to Stabilization fund	400,000	950,000	-	(950,000)
Other sources - debt reserve	86,054	86,054	86,054	-
Other use - snow and ice deficit	<u>(152,185)</u>	<u>(152,185)</u>	<u>(152,185)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>702,071</u>	<u>484,283</u>	<u>(911,052)</u>	<u>(1,395,335)</u>
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>39,329</u>	\$ <u>39,329</u>

See Independent Auditors' Report and notes to the Required Supplementary Information.

## Notes to the Required Supplemental Information for General Fund Budget

### Budgetary Basis

The General Fund final appropriation appearing on the previous page 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, expenditures, and other financing sources (uses), to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 74,035,225	\$ 73,140,585	\$ 105,079
Remove effect of combining stabilization and general fund:			
Reverse the adjustment eliminating interfund transfers	-	-	(950,000)
Remove stabilization funds investment income	(88,903)	-	-
Reverse the effect of GAAP accruals	-	(75,375)	
Reverse beginning of year appropriation carryforwards from expenditures	-	828,408	-
Add end of year appropriation carryforwards to expenditures	-	(897,677)	-
Reverse the effect of non-budgeted State contributions	(4,058,617)	(4,058,617)	-
Recognize prior year snow and ice deficit funded in the current year	-	-	(152,185)
Recognize the use of debt reserve fund	-	-	86,054
Budgetary Basis	<u>\$ 69,887,705</u>	<u>\$ 68,937,324</u>	<u>\$ (911,052)</u>

**TOWN OF LUDLOW, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

(Amounts expressed in thousands)

**Hampden County Regional 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	13.42%	\$54,557	\$16,113	338.59%	50.23%
June 30, 2019	December 31, 2018	13.55%	\$53,940	\$15,489	348.25%	47.33%
June 30, 2018	December 31, 2017	13.48%	\$48,213	\$14,785	326.10%	50.82%
June 30, 2017	December 31, 2016	13.24%	\$48,224	\$14,377	335.44%	46.82%
June 30, 2016	December 31, 2015	12.88%	\$40,239	\$13,407	300.14%	49.22%
June 30, 2015	December 31, 2014	13.47%	\$38,666	\$13,483	286.78%	51.38%

**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	0.2811%	\$ -	\$70,882	\$70,882	\$20,458	-	53.95%
June 30, 2019	June 30, 2018	0.2852%	\$ -	\$67,628	\$67,628	\$20,030	-	54.84%
June 30, 2018	June 30, 2017	0.2951%	\$ -	\$67,543	\$67,543	\$20,041	-	54.25%
June 30, 2017	June 30, 2016	0.2834%	\$ -	\$63,355	\$63,355	\$18,639	-	52.73%
June 30, 2016	June 30, 2015	0.2827%	\$ -	\$57,914	\$57,914	\$17,917	-	55.38%
June 30, 2015	June 30, 2014	0.2746%	\$ -	\$43,655	\$43,655	\$16,838	-	61.64%

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

See Independent Auditors' Report.

**TOWN OF LUDLOW, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

**Hampden County Regional 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	\$4,163	\$4,163		\$16,113	25.84%
June 30, 2019	December 31, 2018	\$3,939	\$3,939	-	\$15,489	25.43%
June 30, 2018	December 31, 2017	\$3,583	\$3,583	-	\$14,785	24.24%
June 30, 2017	December 31, 2016	\$3,300	\$3,300	-	\$14,377	22.96%
June 30, 2016	December 31, 2015	\$2,936	\$2,936	-	\$13,407	21.90%
June 30, 2015	December 31, 2014	\$2,880	\$2,880	-	\$13,483	21.36%

**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	\$4,059	\$4,059	-	\$20,458	19.84%
June 30, 2019	June 30, 2018	\$3,750	\$3,750	-	\$20,030	18.72%
June 30, 2018	June 30, 2017	\$3,646	\$3,646	-	\$20,041	18.19%
June 30, 2017	June 30, 2016	\$3,187	\$3,187	-	\$18,639	17.10%
June 30, 2016	June 30, 2015	\$2,889	\$2,889	-	\$17,917	16.12%
June 30, 2015	June 30, 2014	\$2,574	\$2,574	-	\$16,838	15.29%

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**TOWN OF LUDLOW, MASSACHUSETTS**  
Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in Net OPEB Liability  
(Unaudited)  
(Amounts expressed in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 3,258	\$ 3,172	\$ 2,504	\$ 3,407
Interest	2,558	2,774	3,599	3,020
Differences between expected and actual experience	(1,930)	-	(20,956)	-
Changes of assumptions	5,826	7,903	(5,286)	-
Benefit payments, including refunds of member contributions	<u>(2,712)</u>	<u>(2,563)</u>	<u>(2,520)</u>	<u>(2,684)</u>
Net Change in Total OPEB Liability	7,000	11,286	(22,659)	3,743
Total OPEB liability - Beginning	<u>83,352</u>	<u>72,066</u>	<u>94,725</u>	<u>90,982</u>
Total OPEB Liability - Ending (a)	<u>\$ 90,352</u>	<u>\$ 83,352</u>	<u>\$ 72,066</u>	<u>\$ 94,725</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 2,762	\$ 2,613	\$ 2,570	\$ 2,734
Net investment income	8	15	10	13
Benefit payments, including refunds of member contributions	<u>(2,712)</u>	<u>(2,563)</u>	<u>(2,520)</u>	<u>(2,684)</u>
Net Change in Plan Fiduciary Net Position	58	65	60	63
Plan fiduciary net position - Beginning	<u>311</u>	<u>246</u>	<u>186</u>	<u>123</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 369</u>	<u>\$ 311</u>	<u>\$ 246</u>	<u>\$ 186</u>
Net OPEB Liability (Asset) - Ending (a-b)	<u>\$ 89,983</u>	<u>\$ 83,041</u>	<u>\$ 71,820</u>	<u>\$ 94,539</u>

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See Independent Auditors' Report.

**TOWN OF LUDLOW, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

(Amounts expressed in thousands)

<b>Schedule of Net OPEB Liability</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 90,352	\$ 83,352	\$ 72,066	\$ 94,725
Plan fiduciary net position	<u>(369)</u>	<u>(311)</u>	<u>(246)</u>	<u>(186)</u>
Net OPEB Liability (Asset)	<u>\$ 89,983</u>	<u>\$ 83,041</u>	<u>\$ 71,820</u>	<u>\$ 94,539</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.41%	0.37%	0.34%	0.20%
 <b>Schedule of Contributions</b>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Actuarially determined contribution	\$ 6,153	\$ 7,285	\$ 6,387	\$ 8,043
Contributions in relation to the actuarially determined contribution	<u>(2,762)</u>	<u>(2,613)</u>	<u>(2,570)</u>	<u>(2,734)</u>
Contribution Deficiency (Excess)	<u>\$ 3,391</u>	<u>\$ 4,672</u>	<u>\$ 3,817</u>	<u>\$ 5,309</u>
 <b>Schedule of Investment Returns</b>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>
Annual money weighted rate of return, net of investment expense	2.40%	5.30%	4.85%	8.85%

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