

**TOWN OF LUDLOW, MASSACHUSETTS**

**FINANCIAL STATEMENTS AND REQUIRED  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2022**



# TOWN OF LUDLOW, MASSACHUSETTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Ludlow, Massachusetts

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, although not a part of the basic financial

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



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Greenfield, MA  
December 14, 2023

# TOWN OF LUDLOW, MASSACHUSETTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the Town of Ludlow, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022.

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

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of 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 and 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, sewer, and landfill 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. The Town's the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

# **TOWN OF LUDLOW, MASSACHUSETTS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### ***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 the Town'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 Town's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

### ***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 establishes 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, sewer, and landfill operations.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Town 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$(52,891,906), a change of \$7,023,246 and net position in business-type activities was \$6,109,053, a change of \$1,057,656.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$17,124,070, a change of \$(1,337,202) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,497,903, a change of \$983,752 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 year.

#### Net Position

|                                       | Governmental Activities |                        | Business-Type Activities |                     | Total                  |                        |
|---------------------------------------|-------------------------|------------------------|--------------------------|---------------------|------------------------|------------------------|
|                                       | 2022                    | 2021                   | 2022                     | 2021                | 2022                   | 2021                   |
| <b>Assets</b>                         |                         |                        |                          |                     |                        |                        |
| Current and other assets              | \$ 37,706,590           | \$ 33,533,505          | \$ 2,318,277             | \$ 1,871,558        | \$ 40,024,867          | \$ 35,405,063          |
| Capital assets                        | 107,061,792             | 99,469,122             | 9,418,977                | 9,739,229           | 116,480,769            | 109,208,351            |
| <b>Total Assets</b>                   | <u>144,768,382</u>      | <u>133,002,627</u>     | <u>11,737,254</u>        | <u>11,610,787</u>   | <u>156,505,636</u>     | <u>144,613,414</u>     |
| <b>Deferred Outflows of Resources</b> | <u>12,596,310</u>       | <u>15,044,060</u>      | <u>245,829</u>           | <u>383,360</u>      | <u>12,842,139</u>      | <u>15,427,420</u>      |
| <b>Liabilities</b>                    |                         |                        |                          |                     |                        |                        |
| Other liabilities                     | 15,895,887              | 13,301,494             | 23,441                   | 26,921              | 15,919,328             | 13,328,415             |
| Long-term liabilities                 | 166,850,836             | 183,449,693            | 5,354,927                | 6,624,859           | 172,205,763            | 190,074,552            |
| <b>Total Liabilities</b>              | <u>182,746,723</u>      | <u>196,751,187</u>     | <u>5,378,368</u>         | <u>6,651,780</u>    | <u>188,125,091</u>     | <u>203,402,967</u>     |
| <b>Deferred Inflows of Resources</b>  | <u>27,509,875</u>       | <u>11,210,652</u>      | <u>495,662</u>           | <u>290,970</u>      | <u>28,005,537</u>      | <u>11,501,622</u>      |
| <b>Net Position</b>                   |                         |                        |                          |                     |                        |                        |
| Net investment in capital assets      | 67,997,627              | 66,351,478             | 6,698,635                | 6,714,405           | 74,696,262             | 73,065,883             |
| Restricted                            | 6,840,077               | 5,040,149              | --                       | --                  | 6,840,077              | 5,040,149              |
| Unrestricted                          | (127,729,610)           | (131,306,779)          | (589,582)                | (1,663,008)         | (128,319,192)          | (132,969,787)          |
| <b>Total Net Position</b>             | <u>\$ (52,891,906)</u>  | <u>\$ (59,915,152)</u> | <u>\$ 6,109,053</u>      | <u>\$ 5,051,397</u> | <u>\$ (46,782,853)</u> | <u>\$ (54,863,755)</u> |

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$(46,782,853), a change of \$8,080,902 in comparison to the prior year.

By far the largest portion of net position, \$74,696,262 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

An additional portion of net position, \$6,840,077 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 \$(127,729,610) in governmental activities and \$(589,582) in business-type activities caused primarily by unfunded pension and OPEB liabilities.

### Changes in Net Position

|                                                | Governmental Activities |                        | Business-Type Activities |                     | Total                  |                        |
|------------------------------------------------|-------------------------|------------------------|--------------------------|---------------------|------------------------|------------------------|
|                                                | 2022                    | 2021                   | 2022                     | 2021                | 2022                   | 2021                   |
| <b>Revenues</b>                                |                         |                        |                          |                     |                        |                        |
| Program revenues:                              |                         |                        |                          |                     |                        |                        |
| Charges for services                           | \$ 5,562,117            | \$ 4,847,488           | \$ 3,115,255             | \$ 2,924,069        | \$ 8,677,372           | \$ 7,771,557           |
| Operating grants and contributions             | 27,215,299              | 30,842,526             | --                       | --                  | 27,215,299             | 30,842,526             |
| Capital grants and contributions               | 5,994,857               | 10,850,636             | --                       | --                  | 5,994,857              | 10,850,636             |
| General revenues:                              |                         |                        |                          |                     |                        |                        |
| Property taxes                                 | 46,407,948              | 46,150,323             | --                       | --                  | 46,407,948             | 46,150,323             |
| Excises                                        | 2,899,024               | 2,900,934              | --                       | --                  | 2,899,024              | 2,900,934              |
| Penalties, interest, and other taxes           | 2,113,023               | 1,989,489              | --                       | --                  | 2,113,023              | 1,989,489              |
| Grants and contributions not restricted        | 3,914,063               | 3,814,916              | --                       | --                  | 3,914,063              | 3,814,916              |
| Investment income (loss)                       | (162,230)               | 134,871                | 2,839                    | 4,132               | (159,391)              | 139,003                |
| Miscellaneous                                  | 279,032                 | 108,205                | 16,893                   | --                  | 295,925                | 108,205                |
| <b>Total Revenues</b>                          | <b>94,223,133</b>       | <b>101,639,388</b>     | <b>3,134,987</b>         | <b>2,928,201</b>    | <b>97,358,120</b>      | <b>104,567,589</b>     |
| <b>Expenses</b>                                |                         |                        |                          |                     |                        |                        |
| General government                             | 4,826,987               | 6,260,511              | --                       | --                  | 4,826,987              | 6,260,511              |
| Public safety                                  | 13,115,317              | 12,668,240             | --                       | --                  | 13,115,317             | 12,668,240             |
| Education                                      | 58,117,371              | 59,071,692             | --                       | --                  | 58,117,371             | 59,071,692             |
| Public works                                   | 5,572,877               | 5,376,424              | --                       | --                  | 5,572,877              | 5,376,424              |
| Health and human services                      | 1,615,588               | 1,335,556              | --                       | --                  | 1,615,588              | 1,335,556              |
| Culture and recreation                         | 1,666,405               | 1,429,450              | --                       | --                  | 1,666,405              | 1,429,450              |
| Interest on long-term debt                     | 1,180,457               | 1,336,985              | --                       | --                  | 1,180,457              | 1,336,985              |
| Intergovernmental                              | 1,000,352               | 1,067,904              | --                       | --                  | 1,000,352              | 1,067,904              |
| Golf operations                                | --                      | --                     | 835,226                  | 760,795             | 835,226                | 760,795                |
| Sewer operations                               | --                      | --                     | 1,345,439                | 1,768,810           | 1,345,439              | 1,768,810              |
| Nonmajor enterprise fund operations            | --                      | --                     | 1,199                    | 7,316               | 1,199                  | 7,316                  |
| <b>Total Expenses</b>                          | <b>87,095,354</b>       | <b>88,546,762</b>      | <b>2,181,864</b>         | <b>2,536,921</b>    | <b>89,277,218</b>      | <b>91,083,683</b>      |
| <b>Change in Net Position Before Transfers</b> | <b>7,127,779</b>        | <b>13,092,626</b>      | <b>953,123</b>           | <b>391,280</b>      | <b>8,080,902</b>       | <b>13,483,906</b>      |
| <b>Transfer In (Out)</b>                       | <b>(104,533)</b>        | <b>(227,280)</b>       | <b>104,533</b>           | <b>227,280</b>      | <b>--</b>              | <b>--</b>              |
| <b>Change in Net Position</b>                  | <b>7,023,246</b>        | <b>12,865,346</b>      | <b>1,057,656</b>         | <b>618,560</b>      | <b>8,080,902</b>       | <b>13,483,906</b>      |
| <b>Net Position - Beginning of Year</b>        | <b>(59,915,152)</b>     | <b>(72,780,498)</b>    | <b>5,051,397</b>         | <b>4,432,837</b>    | <b>(54,863,755)</b>    | <b>(68,347,661)</b>    |
| <b>Net Position - End of Year</b>              | <b>\$ (52,891,906)</b>  | <b>\$ (59,915,152)</b> | <b>\$ 6,109,053</b>      | <b>\$ 5,051,397</b> | <b>\$ (46,782,853)</b> | <b>\$ (54,863,755)</b> |

# TOWN OF LUDLOW, MASSACHUSETTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### ***Governmental Activities***

Governmental activities for the year resulted in a change in net position of \$7,023,246. Key elements of this change are as follows:

|                                                           |                            |
|-----------------------------------------------------------|----------------------------|
| General Fund operations                                   | \$ 2,953,091               |
| Chapin Street School capital project fund results         | (4,688,233)                |
| Radio Systems capital project fund results                | (1,205,464)                |
| Nonmajor governmental funds results                       | 1,603,404                  |
| Principal debt service in excess of depreciation expense  | (3,723,480)                |
| Change in net pension liability, net of related deferrals | (181,616)                  |
| Change in net OPEB liability, net of related deferrals    | 934,294                    |
| Issuance of lease financing agreement                     | (1,627,917)                |
| Repayments of lease financing agreements                  | 608,852                    |
| Capital outlay                                            | 12,422,149                 |
| Other                                                     | <u>(71,834)</u>            |
|                                                           | <u><u>\$ 7,023,246</u></u> |

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

Business-type activities for the year resulted in a change in net position of \$1,057,656, primarily relating to the results of operations from the golf and sewer funds, as follows:

|                                     |                            |
|-------------------------------------|----------------------------|
| Golf operations                     | \$ 131,104                 |
| Sewer operations                    | 927,561                    |
| Nonmajor enterprise fund operations | <u>(1,009)</u>             |
|                                     | <u><u>\$ 1,057,656</u></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 the Town's net resources available for spending at the end of the fiscal year.

# TOWN OF LUDLOW, MASSACHUSETTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### *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 \$8,497,903, while total fund balance was \$12,793,223. 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.

| General Fund                  | June 30, 2022 | June 30, 2021 | Change       | % of<br>General Fund<br>Expenditures* |
|-------------------------------|---------------|---------------|--------------|---------------------------------------|
| Total unassigned fund balance | \$ 8,497,903  | \$ 7,514,151  | \$ 983,752   | 12.0%                                 |
| Total fund balance            | \$ 12,793,223 | \$ 9,840,132  | \$ 2,953,091 | 18.1%                                 |

\*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$4,817,457.

The fund balance of the General Fund changed by \$2,953,091 during the current fiscal year. Key factors in this change are as follows:

|                                                                                                                                               |                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Excess tax collections compared to net assessment                                                                                             | \$ 210,769          |
| Revenues in excess of budget                                                                                                                  | 1,079,853           |
| Other sources in excess of budget                                                                                                             | 197,701             |
| Expenditures less than budget                                                                                                                 | 2,004,847           |
| Difference between current year encumbrances to be spent<br>in the subsequent period and prior year encumbrances<br>spent in the current year | 337,819             |
| Use of free cash as a funding source                                                                                                          | (1,620,554)         |
| Prior year expenses (snow and ice deficit) raised in the current year                                                                         | 40,554              |
| Other                                                                                                                                         | 126,747             |
| Change in stabilization fund                                                                                                                  | 575,355             |
|                                                                                                                                               | <u>\$ 2,953,091</u> |

Included in the total fund balance of the General Fund is the Town's stabilization fund with a balance of \$4,322,587 at the end of the current fiscal year, a change of \$575,355 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 \$(589,582), a change of \$1,073,426 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$203,135. All of this increase was funded by free cash and consists of:

|                            |                   |
|----------------------------|-------------------|
| Unpaid prior year invoices | \$ 3,135          |
| Police overtime            | <u>200,000</u>    |
|                            | <u>\$ 203,135</u> |

### Capital Assets and Debt Administration

#### *Capital Assets*

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$116,480,769 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery, equipment, and furnishings, vehicles, and infrastructure.

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

|                                                                |                |
|----------------------------------------------------------------|----------------|
| Depreciation expense for governmental activities               | \$ (4,829,480) |
| Depreciation expense for business-type activities              | (320,252)      |
| Acquisition of:                                                |                |
| Police department vehicles                                     | 120,665        |
| Fire equipment acquired through lease financing agreement      | 1,504,788      |
| Toro grounds master acquired through lease financing agreement | 123,129        |
| School department vehicle                                      | 39,869         |
| Various office equipment for Chapin Street School              | 680,733        |
| Various computer and IT equipment for Chapin Street School     | 319,391        |
| Thermal cameras                                                | 21,995         |
| LifePak monitor                                                | 56,486         |
| Broadcast equipment                                            | 59,079         |
| Voting machines                                                | 36,400         |
| Road reclamations                                              | 290,868        |
| Chapin Street School project - in progress                     | 3,897,978      |
| Radio communication project - in progress                      | 1,142,851      |
| Senior Center construction project - in progress               | 31,642         |
| Riverside Drive project - in progress                          | 3,843,596      |
| Road reclamations - in progress                                | 252,680        |

# TOWN OF LUDLOW, MASSACHUSETTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### *Long-Term Debt*

At the end of the current fiscal year, total bonded debt outstanding was \$38,872,048, all of which was backed by the full faith and credit of the Town.

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

Mr. Shawn Teece  
Town Accountant  
Town of Ludlow  
488 Chapin Street  
Ludlow, Massachusetts 01056

# TOWN OF LUDLOW, MASSACHUSETTS

## STATEMENT OF NET POSITION

**JUNE 30, 2022**

|                                                                | Governmental<br>Activities | Business-Type<br>Activities | Total              |
|----------------------------------------------------------------|----------------------------|-----------------------------|--------------------|
| <b>Assets</b>                                                  |                            |                             |                    |
| <b>Current Assets</b>                                          |                            |                             |                    |
| Cash and short-term investments                                | \$ 29,724,080              | \$ 2,011,474                | \$ 31,735,554      |
| Investments                                                    | 5,764,290                  | --                          | 5,764,290          |
| Receivables:                                                   |                            |                             |                    |
| Property taxes                                                 | 486,301                    | --                          | 486,301            |
| Excises                                                        | 286,080                    | --                          | 286,080            |
| User fees                                                      | 157,715                    | 265,818                     | 423,533            |
| Departmental and other, net of allowance<br>for uncollectibles | 533,265                    | --                          | 533,265            |
| Intergovernmental                                              | <u>382,567</u>             | <u>40,985</u>               | <u>423,552</u>     |
| <b>Total Current Assets</b>                                    | <u>37,334,298</u>          | <u>2,318,277</u>            | <u>39,652,575</u>  |
| <b>Noncurrent Assets</b>                                       |                            |                             |                    |
| Receivables:                                                   |                            |                             |                    |
| Property taxes                                                 | 372,292                    | --                          | 372,292            |
| Capital assets:                                                |                            |                             |                    |
| Nondepreciable capital assets                                  | 9,633,090                  | 1,218,178                   | 10,851,268         |
| Other capital assets, net of<br>accumulated depreciation       | <u>97,428,702</u>          | <u>8,200,799</u>            | <u>105,629,501</u> |
| <b>Total Noncurrent Assets</b>                                 | <u>107,434,084</u>         | <u>9,418,977</u>            | <u>116,853,061</u> |
| <b>Total Assets</b>                                            | <u>144,768,382</u>         | <u>11,737,254</u>           | <u>156,505,636</u> |
| <b>Deferred Outflows of Resources</b>                          |                            |                             |                    |
| Related to pension                                             | 5,326,579                  | 61,363                      | 5,387,942          |
| Related to OPEB                                                | <u>7,269,731</u>           | <u>184,466</u>              | <u>7,454,197</u>   |
| <b>Total Deferred Outflows of Resources</b>                    | <u>12,596,310</u>          | <u>245,829</u>              | <u>12,842,139</u>  |

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

# TOWN OF LUDLOW, MASSACHUSETTS

## STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2022

|                                                 | Governmental<br>Activities | Business-Type<br>Activities | Total           |
|-------------------------------------------------|----------------------------|-----------------------------|-----------------|
| <b>Liabilities</b>                              |                            |                             |                 |
| <b>Current Liabilities</b>                      |                            |                             |                 |
| Accounts payable                                | 2,809,299                  | --                          | 2,809,299       |
| Accrued payroll and withholdings                | 4,684,064                  | --                          | 4,684,064       |
| Accrued interest payable                        | 403,231                    | 23,441                      | 426,672         |
| Notes payable                                   | 7,985,000                  | --                          | 7,985,000       |
| Other current liabilities                       | 14,293                     | --                          | 14,293          |
| Current portion of long-term liabilities:       |                            |                             |                 |
| Bonds and loans payable                         | 1,688,994                  | 298,064                     | 1,987,058       |
| <b>Total Current Liabilities</b>                | 17,584,881                 | 321,505                     | 17,906,386      |
| <b>Noncurrent Liabilities</b>                   |                            |                             |                 |
| Bonds and loans payable, net of current portion | 34,462,710                 | 2,422,280                   | 36,884,990      |
| Net pension liability                           | 46,960,641                 | 544,270                     | 47,504,911      |
| Net OPEB liability                              | 82,378,386                 | 2,090,313                   | 84,468,699      |
| Compensated absences liability                  | 1,360,105                  | --                          | 1,360,105       |
| Unearned revenues                               | 3,165,099                  | --                          | 3,165,099       |
| <b>Total Noncurrent Liabilities</b>             | 168,326,941                | 5,056,863                   | 173,383,804     |
| <b>Total Liabilities</b>                        | 185,911,822                | 5,378,368                   | 191,290,190     |
| <b>Deferred Inflows of Resources</b>            |                            |                             |                 |
| Related to pension                              | 8,855,891                  | 102,639                     | 8,958,530       |
| Related to OPEB                                 | 15,488,885                 | 393,023                     | 15,881,908      |
| <b>Total Deferred Inflows of Resources</b>      | 24,344,776                 | 495,662                     | 24,840,438      |
| <b>Net Position</b>                             |                            |                             |                 |
| Net investment in capital assets                | 67,997,627                 | 6,698,635                   | 74,696,262      |
| Restricted for:                                 |                            |                             |                 |
| Grants and other statutory restrictions         | 5,226,276                  | --                          | 5,226,276       |
| Permanent funds:                                |                            |                             |                 |
| Nonexpendable                                   | 1,455,256                  | --                          | 1,455,256       |
| Expendable                                      | 158,545                    | --                          | 158,545         |
| Unrestricted                                    | (127,729,610)              | (589,582)                   | (128,319,192)   |
| <b>Total Net Position</b>                       | \$ (52,891,906)            | \$ 6,109,053                | \$ (46,782,853) |

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

# TOWN OF LUDLOW, MASSACHUSETTS

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2022**

|                                                              | Program Revenues     |                     |                      |                     | Net (Expenses) Revenues and Changes in Net Position |                     |                        |
|--------------------------------------------------------------|----------------------|---------------------|----------------------|---------------------|-----------------------------------------------------|---------------------|------------------------|
|                                                              |                      | Charges for         | Operating            | Capital             | Governmental                                        | Business-           |                        |
|                                                              | Expenses             | Services            | Grants and           | Grants and          | Activities                                          | Type                | Total                  |
|                                                              |                      |                     | Contributions        | Contributions       |                                                     | Activities          |                        |
| <b>Governmental Activities</b>                               |                      |                     |                      |                     |                                                     |                     |                        |
| General government                                           | \$ 4,826,987         | \$ 484,240          | \$ 891,293           | \$ 4,034,702        | \$ 583,248                                          | \$ --               | \$ 583,248             |
| Public safety                                                | 13,115,317           | 3,124,820           | 202,670              | --                  | (9,787,827)                                         | --                  | (9,787,827)            |
| Education                                                    | 58,117,371           | 471,802             | 25,905,641           | 1,457,395           | (30,282,533)                                        | --                  | (30,282,533)           |
| Public works                                                 | 5,572,877            | 1,184,245           | 11,000               | 502,760             | (3,874,872)                                         | --                  | (3,874,872)            |
| Health and human services                                    | 1,615,588            | 207,146             | 158,141              | --                  | (1,250,301)                                         | --                  | (1,250,301)            |
| Culture and recreation                                       | 1,666,405            | 89,864              | 46,554               | --                  | (1,529,987)                                         | --                  | (1,529,987)            |
| Interest on long-term debt                                   | 1,180,457            | --                  | --                   | --                  | (1,180,457)                                         | --                  | (1,180,457)            |
| Intergovernmental                                            | 1,000,352            | --                  | --                   | --                  | (1,000,352)                                         | --                  | (1,000,352)            |
| <b>Total Governmental Activities</b>                         | <u>87,095,354</u>    | <u>5,562,117</u>    | <u>27,215,299</u>    | <u>5,994,857</u>    | <u>(48,323,081)</u>                                 | <u>--</u>           | <u>(48,323,081)</u>    |
| <b>Business-Type Activities</b>                              |                      |                     |                      |                     |                                                     |                     |                        |
| Golf operations                                              | 835,226              | 948,769             | --                   | --                  | --                                                  | 113,543             | 113,543                |
| Sewer operations                                             | 1,345,439            | 2,166,486           | --                   | --                  | --                                                  | 821,047             | 821,047                |
| Nonmajor enterprise fund                                     | 1,199                | --                  | --                   | --                  | --                                                  | (1,199)             | (1,199)                |
| <b>Total Business-Type Activities</b>                        | <u>2,181,864</u>     | <u>3,115,255</u>    | <u>--</u>            | <u>--</u>           | <u>--</u>                                           | <u>933,391</u>      | <u>933,391</u>         |
|                                                              | <u>\$ 89,277,218</u> | <u>\$ 8,677,372</u> | <u>\$ 27,215,299</u> | <u>\$ 5,994,857</u> | <u>(48,323,081)</u>                                 | <u>933,391</u>      | <u>(47,389,690)</u>    |
| <b>General Revenues and Transfers</b>                        |                      |                     |                      |                     |                                                     |                     |                        |
| Property taxes                                               |                      |                     |                      |                     | 46,407,948                                          | --                  | 46,407,948             |
| Excises                                                      |                      |                     |                      |                     | 2,899,024                                           | --                  | 2,899,024              |
| Penalties, interest, and other taxes                         |                      |                     |                      |                     | 2,113,023                                           | --                  | 2,113,023              |
| Grants and contributions not restricted to specific programs |                      |                     |                      |                     | 3,914,063                                           | --                  | 3,914,063              |
| Investment income (loss)                                     |                      |                     |                      |                     | (162,230)                                           | 2,839               | (159,391)              |
| Miscellaneous                                                |                      |                     |                      |                     | 279,032                                             | 16,893              | 295,925                |
| Transfers, net                                               |                      |                     |                      |                     | (104,533)                                           | 104,533             | --                     |
| <b>Total General Revenues and Transfers</b>                  |                      |                     |                      |                     | <u>55,346,327</u>                                   | <u>124,265</u>      | <u>55,470,592</u>      |
| <b>Change in Net Position</b>                                |                      |                     |                      |                     | 7,023,246                                           | 1,057,656           | 8,080,902              |
| <b>Net Position - Beginning of Year</b>                      |                      |                     |                      |                     | <u>(59,915,152)</u>                                 | <u>5,051,397</u>    | <u>(54,863,755)</u>    |
| <b>Net Position - End of Year</b>                            |                      |                     |                      |                     | <u>\$ (52,891,906)</u>                              | <u>\$ 6,109,053</u> | <u>\$ (46,782,853)</u> |

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

# TOWN OF LUDLOW, MASSACHUSETTS

## BALANCE SHEET GOVERNMENTAL FUNDS

**JUNE 30, 2022**

|                                                                                | General<br>Fund      | Chapin Street<br>School Capital<br>Project Fund | Radio Systems<br>Capital<br>Project Fund | ARPA<br>Fund        | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------------------------|----------------------|-------------------------------------------------|------------------------------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>                                                                  |                      |                                                 |                                          |                     |                                   |                                |
| Cash and short-term investments                                                | \$ 13,934,702        | \$ 2,348,543                                    | \$ 2,620,014                             | \$ 3,165,099        | \$ 7,655,722                      | \$ 29,724,080                  |
| Investments                                                                    | 4,269,423            | --                                              | --                                       | --                  | 1,494,867                         | 5,764,290                      |
| Receivables:                                                                   |                      |                                                 |                                          |                     |                                   |                                |
| Property taxes                                                                 | 486,301              | --                                              | --                                       | --                  | --                                | 486,301                        |
| Tax liens and foreclosures                                                     | 372,292              | --                                              | --                                       | --                  | --                                | 372,292                        |
| Excises                                                                        | 286,080              | --                                              | --                                       | --                  | --                                | 286,080                        |
| User fees                                                                      | 157,715              | --                                              | --                                       | --                  | --                                | 157,715                        |
| Departmental and other, net of allowance<br>for uncollectibles                 | 448,409              | --                                              | --                                       | --                  | 84,856                            | 533,265                        |
| Intergovernmental                                                              | 188,823              | --                                              | --                                       | --                  | 193,744                           | 382,567                        |
| <b>Total Assets</b>                                                            | <u>\$ 20,143,745</u> | <u>\$ 2,348,543</u>                             | <u>\$ 2,620,014</u>                      | <u>\$ 3,165,099</u> | <u>\$ 9,429,189</u>               | <u>\$ 37,706,590</u>           |
| <b>Liabilities</b>                                                             |                      |                                                 |                                          |                     |                                   |                                |
| Accounts payable                                                               | \$ 821,156           | \$ --                                           | \$ 1,013,164                             | \$ --               | \$ 974,979                        | \$ 2,809,299                   |
| Accrued payroll and withholdings                                               | 4,684,064            | --                                              | --                                       | --                  | --                                | 4,684,064                      |
| Notes payable                                                                  | --                   | 4,995,000                                       | 2,990,000                                | --                  | --                                | 7,985,000                      |
| Other liabilities                                                              | 5,393                | --                                              | --                                       | --                  | 8,900                             | 14,293                         |
| Unearned revenues                                                              | 1,839,909            | --                                              | --                                       | 3,165,099           | 84,856                            | 5,089,864                      |
| <b>Total Liabilities</b>                                                       | <u>7,350,522</u>     | <u>4,995,000</u>                                | <u>4,003,164</u>                         | <u>3,165,099</u>    | <u>1,068,735</u>                  | <u>20,582,520</u>              |
| <b>Fund Balances</b>                                                           |                      |                                                 |                                          |                     |                                   |                                |
| Nonspendable                                                                   | --                   | --                                              | --                                       | --                  | 1,455,256                         | 1,455,256                      |
| Restricted                                                                     | --                   | --                                              | --                                       | --                  | 7,240,261                         | 7,240,261                      |
| Committed                                                                      | 436,900              | --                                              | --                                       | --                  | --                                | 436,900                        |
| Assigned                                                                       | 3,858,420            | --                                              | --                                       | --                  | --                                | 3,858,420                      |
| Unassigned                                                                     | 8,497,903            | (2,646,457)                                     | (1,383,150)                              | --                  | (335,063)                         | 4,133,233                      |
| <b>Total Fund Balances</b>                                                     | <u>12,793,223</u>    | <u>(2,646,457)</u>                              | <u>(1,383,150)</u>                       | <u>--</u>           | <u>8,360,454</u>                  | <u>17,124,070</u>              |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Fund Balances</b> | <u>\$ 20,143,745</u> | <u>\$ 2,348,543</u>                             | <u>\$ 2,620,014</u>                      | <u>\$ 3,165,099</u> | <u>\$ 9,429,189</u>               | <u>\$ 37,706,590</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, 2022

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|                                                                                                                                                      |                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <i>Total Governmental Fund Balances</i>                                                                                                              | \$ 17,124,070          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.                   | 107,061,792            |
| Deferred outflows of resources related to pension to be recognized in pension expense in future periods.                                             | 5,326,579              |
| Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.                                                   | 7,269,731              |
| Revenues are reported on the accrual basis of accounting and are not deferred until collection.                                                      | 1,924,765              |
| In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (403,231)              |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:                      |                        |
| Bonds and loans payable                                                                                                                              | (36,151,704)           |
| Net pension liability                                                                                                                                | (46,960,641)           |
| Net OPEB liability                                                                                                                                   | (82,378,386)           |
| Compensated absences liability                                                                                                                       | (1,360,105)            |
| Deferred inflows of resources related to pension to be recognized in pension expense in future periods.                                              | (8,855,891)            |
| Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.                                                    | <u>(15,488,885)</u>    |
| <i>Net Position of Governmental Activities</i>                                                                                                       | <u>\$ (52,891,906)</u> |

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

# TOWN OF LUDLOW, MASSACHUSETTS

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

**FOR THE YEAR ENDED JUNE 30, 2022**

|                                                          | General<br>Fund      | Chapin Street<br>School Capital<br>Project Fund | Radio Systems<br>Capital<br>Project Fund | ARPA<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------------------------|----------------------|-------------------------------------------------|------------------------------------------|--------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                                          |                      |                                                 |                                          |              |                                   |                                |
| Property taxes                                           | \$ 46,622,874        | \$ --                                           | \$ --                                    | \$ --        | \$ --                             | \$ 46,622,874                  |
| Excises                                                  | 2,903,518            | --                                              | --                                       | --           | --                                | 2,903,518                      |
| Penalties, interest, and other taxes                     | 2,113,023            | --                                              | --                                       | --           | --                                | 2,113,023                      |
| Charges for services                                     | 3,392,022            | --                                              | --                                       | --           | 1,398,160                         | 4,790,182                      |
| Intergovernmental                                        | 22,561,254           | 1,457,395                                       | --                                       | 8,245        | 12,894,405                        | 36,921,299                     |
| Licenses and permits                                     | 779,716              | --                                              | --                                       | --           | --                                | 779,716                        |
| Fines and forfeitures                                    | 33,357               | --                                              | --                                       | --           | --                                | 33,357                         |
| Investment income (loss)                                 | (112,237)            | --                                              | --                                       | --           | (49,993)                          | (162,230)                      |
| Miscellaneous                                            | 136,245              | 43,781                                          | 24,107                                   | --           | 74,899                            | 279,032                        |
| <b>Total Revenues</b>                                    | <u>78,429,772</u>    | <u>1,501,176</u>                                | <u>24,107</u>                            | <u>8,245</u> | <u>14,317,471</u>                 | <u>94,280,771</u>              |
| <b>Expenditures</b>                                      |                      |                                                 |                                          |              |                                   |                                |
| Current:                                                 |                      |                                                 |                                          |              |                                   |                                |
| General government                                       | 3,893,429            | --                                              | --                                       | 8,245        | 4,305,056                         | 8,206,730                      |
| Public safety                                            | 9,460,071            | --                                              | 1,229,571                                | --           | 2,320,032                         | 13,009,674                     |
| Education                                                | 38,419,667           | 6,189,409                                       | --                                       | --           | 6,140,422                         | 50,749,498                     |
| Public works                                             | 3,957,679            | --                                              | --                                       | --           | 920,525                           | 4,878,204                      |
| Health and human services                                | 1,076,192            | --                                              | --                                       | --           | 347,505                           | 1,423,697                      |
| Culture and recreation                                   | 811,490              | --                                              | --                                       | --           | 87,103                            | 898,593                        |
| Employee benefits                                        | 14,631,387           | --                                              | --                                       | --           | --                                | 14,631,387                     |
| Debt service:                                            |                      |                                                 |                                          |              |                                   |                                |
| Principal                                                | 1,106,000            | --                                              | --                                       | --           | --                                | 1,106,000                      |
| Interest                                                 | 1,237,222            | --                                              | --                                       | --           | --                                | 1,237,222                      |
| Intergovernmental                                        | 1,000,352            | --                                              | --                                       | --           | --                                | 1,000,352                      |
| <b>Total Expenditures</b>                                | <u>75,593,489</u>    | <u>6,189,409</u>                                | <u>1,229,571</u>                         | <u>8,245</u> | <u>14,120,643</u>                 | <u>97,141,357</u>              |
| <b>Excess (Deficiency) of Revenues over Expenditures</b> | <u>2,836,283</u>     | <u>(4,688,233)</u>                              | <u>(1,205,464)</u>                       | <u>--</u>    | <u>196,828</u>                    | <u>(2,860,586)</u>             |
| <b>Other Financing Sources (Uses)</b>                    |                      |                                                 |                                          |              |                                   |                                |
| Issuance of loans                                        | --                   | --                                              | --                                       | --           | 1,627,917                         | 1,627,917                      |
| Transfers in                                             | 274,701              | --                                              | --                                       | --           | 53,360                            | 328,061                        |
| Transfers out                                            | (157,893)            | --                                              | --                                       | --           | (274,701)                         | (432,594)                      |
| <b>Total Other Financing Sources (Uses)</b>              | <u>116,808</u>       | <u>--</u>                                       | <u>--</u>                                | <u>--</u>    | <u>1,406,576</u>                  | <u>1,523,384</u>               |
| <b>Change in Fund Balance</b>                            | <u>2,953,091</u>     | <u>(4,688,233)</u>                              | <u>(1,205,464)</u>                       | <u>--</u>    | <u>1,603,404</u>                  | <u>(1,337,202)</u>             |
| <b>Fund Balances, at Beginning of Year</b>               | <u>9,840,132</u>     | <u>2,041,776</u>                                | <u>(177,686)</u>                         | <u>--</u>    | <u>6,757,050</u>                  | <u>18,461,272</u>              |
| <b>Fund Balances, at End of Year</b>                     | <u>\$ 12,793,223</u> | <u>\$ (2,646,457)</u>                           | <u>\$ (1,383,150)</u>                    | <u>\$ --</u> | <u>\$ 8,360,454</u>               | <u>\$ 17,124,070</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, 2022

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*Net Change in Fund Balances - Total Governmental Funds* \$ (1,337,202)

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:

|                |             |
|----------------|-------------|
| Capital outlay | 12,422,149  |
| Depreciation   | (4,829,480) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has an effect on net assets:

|                                       |             |
|---------------------------------------|-------------|
| Repayment of general obligation bonds | 1,106,000   |
| Issuance of loans                     | (1,627,917) |
| Repayments of loans                   | 608,852     |

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. (260,557)

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 governmental funds:

|                                                                           |           |
|---------------------------------------------------------------------------|-----------|
| Change in accrued interest on bonds payable                               | 11,353    |
| Change in net pension liability and related deferred outflows and inflows | (181,616) |
| Change in net OPEB liability and related deferred outflows and inflows    | 934,294   |
| Change in compensated absences liability                                  | 131,958   |

|        |        |
|--------|--------|
| Other. | 45,412 |
|--------|--------|

|                                                          |                     |
|----------------------------------------------------------|---------------------|
| <i>Change in Net Position of Governmental Activities</i> | <u>\$ 7,023,246</u> |
|----------------------------------------------------------|---------------------|

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

# TOWN OF LUDLOW, MASSACHUSETTS

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS

**JUNE 30, 2022**

|                                                          | Business-Type Activities<br>Enterprise Funds |                     |                                |                     |
|----------------------------------------------------------|----------------------------------------------|---------------------|--------------------------------|---------------------|
|                                                          | Golf<br>Fund                                 | Sewer<br>Fund       | Nonmajor<br>Enterprise<br>Fund | Total               |
| <b>Assets</b>                                            |                                              |                     |                                |                     |
| <b>Current Assets</b>                                    |                                              |                     |                                |                     |
| Cash and short-term investments                          | \$ 350,536                                   | \$ 1,619,466        | \$ 41,472                      | \$ 2,011,474        |
| User fees receivable                                     | --                                           | 265,818             | --                             | 265,818             |
| Intergovernmental receivables                            | --                                           | 40,985              | --                             | 40,985              |
| <b>Total Current Assets</b>                              | <u>350,536</u>                               | <u>1,926,269</u>    | <u>41,472</u>                  | <u>2,318,277</u>    |
| <b>Noncurrent Assets</b>                                 |                                              |                     |                                |                     |
| Nondepreciable capital assets                            | 1,107,900                                    | 110,278             | --                             | 1,218,178           |
| Other capital assets, net of<br>accumulated depreciation | <u>459,223</u>                               | <u>7,741,576</u>    | <u>--</u>                      | <u>8,200,799</u>    |
| <b>Total Noncurrent Assets</b>                           | <u>1,567,123</u>                             | <u>7,851,854</u>    | <u>--</u>                      | <u>9,418,977</u>    |
| <b>Total Assets</b>                                      | <u>1,917,659</u>                             | <u>9,778,123</u>    | <u>41,472</u>                  | <u>11,737,254</u>   |
| <b>Deferred Outflows of Resources</b>                    |                                              |                     |                                |                     |
| Related to pension                                       | 49,117                                       | 12,246              | --                             | 61,363              |
| Related to OPEB                                          | <u>17,045</u>                                | <u>167,421</u>      | <u>--</u>                      | <u>184,466</u>      |
| <b>Total Deferred Outflows of Resources</b>              | <u>66,162</u>                                | <u>179,667</u>      | <u>--</u>                      | <u>245,829</u>      |
| <b>Liabilities</b>                                       |                                              |                     |                                |                     |
| <b>Current Liabilities</b>                               |                                              |                     |                                |                     |
| Accrued interest payable                                 | --                                           | 23,441              | --                             | 23,441              |
| Bonds payable                                            | <u>32,525</u>                                | <u>265,539</u>      | <u>--</u>                      | <u>298,064</u>      |
| <b>Total Current Liabilities</b>                         | <u>32,525</u>                                | <u>288,980</u>      | <u>--</u>                      | <u>321,505</u>      |
| <b>Noncurrent Liabilities</b>                            |                                              |                     |                                |                     |
| Bonds payable, net of current portion                    | --                                           | 2,422,280           | --                             | 2,422,280           |
| Net pension liability                                    | 435,653                                      | 108,617             | --                             | 544,270             |
| Net OPEB liability                                       | <u>193,154</u>                               | <u>1,897,159</u>    | <u>--</u>                      | <u>2,090,313</u>    |
| <b>Total Noncurrent Liabilities</b>                      | <u>628,807</u>                               | <u>4,428,056</u>    | <u>--</u>                      | <u>5,056,863</u>    |
| <b>Total Liabilities</b>                                 | <u>661,332</u>                               | <u>4,717,036</u>    | <u>--</u>                      | <u>5,378,368</u>    |
| <b>Deferred Inflows of Resources</b>                     |                                              |                     |                                |                     |
| Related to pension                                       | 82,156                                       | 20,483              | --                             | 102,639             |
| Related to OPEB                                          | <u>36,317</u>                                | <u>356,706</u>      | <u>--</u>                      | <u>393,023</u>      |
| <b>Total Deferred Inflows of Resources</b>               | <u>118,473</u>                               | <u>377,189</u>      | <u>--</u>                      | <u>495,662</u>      |
| <b>Net Position</b>                                      |                                              |                     |                                |                     |
| Net investment in capital assets                         | 1,534,600                                    | 5,164,035           | --                             | 6,698,635           |
| Unrestricted                                             | <u>(330,584)</u>                             | <u>(300,470)</u>    | <u>41,472</u>                  | <u>(589,582)</u>    |
| <b>Total Net Position</b>                                | <u>\$ 1,204,016</u>                          | <u>\$ 4,863,565</u> | <u>\$ 41,472</u>               | <u>\$ 6,109,053</u> |

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

**TOWN OF LUDLOW, MASSACHUSETTS**

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

**FOR THE YEAR ENDED JUNE 30, 2022**

|                                                        | Business-Type Activities<br>Enterprise Funds |                     |                                |                     |
|--------------------------------------------------------|----------------------------------------------|---------------------|--------------------------------|---------------------|
|                                                        | Golf<br>Fund                                 | Sewer<br>Fund       | Nonmajor<br>Enterprise<br>Fund | Total               |
| <b>Operating Revenues</b>                              |                                              |                     |                                |                     |
| Charges for services                                   | \$ 948,769                                   | \$ 2,166,486        | \$ --                          | \$ 3,115,255        |
| Other                                                  | 16,893                                       | --                  | --                             | 16,893              |
| <b>Total Operating Revenues</b>                        | <u>965,662</u>                               | <u>2,166,486</u>    | <u>--</u>                      | <u>3,132,148</u>    |
| <b>Operating Expenses</b>                              |                                              |                     |                                |                     |
| Salaries and wages                                     | 325,043                                      | (411,533) *         | --                             | (86,490)            |
| Operating expenses                                     | 399,628                                      | 1,330,705           | --                             | 1,730,333           |
| Depreciation                                           | 50,315                                       | 269,937             | --                             | 320,252             |
| Administration                                         | 39,000                                       | 101,500             | --                             | 140,500             |
| Other                                                  | 21,240                                       | --                  | 1,199                          | 22,439              |
| <b>Total Operating Expenses</b>                        | <u>835,226</u>                               | <u>1,290,609</u>    | <u>1,199</u>                   | <u>2,127,034</u>    |
| <b>Operating Income (Loss)</b>                         | <u>130,436</u>                               | <u>875,877</u>      | <u>(1,199)</u>                 | <u>1,005,114</u>    |
| <b>Nonoperating Revenues (Expenses)</b>                |                                              |                     |                                |                     |
| Investment income                                      | 668                                          | 1,981               | 190                            | 2,839               |
| Interest expense                                       | --                                           | (54,830)            | --                             | (54,830)            |
| <b>Total Nonoperating Revenues<br/>(Expenses), Net</b> | <u>668</u>                                   | <u>(52,849)</u>     | <u>190</u>                     | <u>(51,991)</u>     |
| <b>Income (Loss) Before Transfers</b>                  | 131,104                                      | 823,028             | (1,009)                        | 953,123             |
| <b>Transfer In</b>                                     | <u>--</u>                                    | <u>104,533</u>      | <u>--</u>                      | <u>104,533</u>      |
| <b>Change in Net Position</b>                          | 131,104                                      | 927,561             | (1,009)                        | 1,057,656           |
| <b>Net Position, at Beginning of Year</b>              | <u>1,072,912</u>                             | <u>3,936,004</u>    | <u>42,481</u>                  | <u>5,051,397</u>    |
| <b>Net Position, at End of Year</b>                    | <u>\$ 1,204,016</u>                          | <u>\$ 4,863,565</u> | <u>\$ 41,472</u>               | <u>\$ 6,109,053</u> |

\* See Note 19 of the financial statements.

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

# TOWN OF LUDLOW, MASSACHUSETTS

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

**FOR THE YEAR ENDED JUNE 30, 2022**

|                                                                      | Business-Type Activities<br>Enterprise Funds |                     |                                |                     |
|----------------------------------------------------------------------|----------------------------------------------|---------------------|--------------------------------|---------------------|
|                                                                      | Golf<br>Fund                                 | Sewer<br>Fund       | Nonmajor<br>Enterprise<br>Fund | Total               |
| <b>Cash Flows From Operating Activities</b>                          |                                              |                     |                                |                     |
| Receipts from customers and users                                    | \$ 948,769                                   | \$ 2,160,045        | \$ --                          | \$ 3,108,814        |
| Payments to vendors and employees                                    | (852,187)                                    | (1,576,624)         | (1,199)                        | (2,430,010)         |
| Receipts from other sources                                          | 16,893                                       | --                  | --                             | 16,893              |
| <b>Net Cash Provided by (Used in)</b>                                |                                              |                     |                                |                     |
| <b>Operating Activities</b>                                          | 113,475                                      | 583,421             | (1,199)                        | 695,697             |
| <b>Cash Flows From Noncapital<br/>Financing Activity</b>             |                                              |                     |                                |                     |
| Transfers in                                                         | --                                           | 104,533             | --                             | 104,533             |
| <b>Cash Flows From Capital and<br/>Related Financing Activities</b>  |                                              |                     |                                |                     |
| Principal payments on bonds and<br>loans                             | (43,925)                                     | (260,556)           | --                             | (304,481)           |
| Interest paid                                                        | --                                           | (58,310)            | --                             | (58,310)            |
| <b>Net Cash Used in Capital and<br/>Related Financing Activities</b> | (43,925)                                     | (318,866)           | --                             | (362,791)           |
| <b>Cash Flows From Investing Activity</b>                            |                                              |                     |                                |                     |
| Investment income                                                    | 668                                          | 1,981               | 190                            | 2,839               |
| <b>Net Change in Cash and<br/>Short-Term Investments</b>             | 70,218                                       | 371,069             | (1,009)                        | 440,278             |
| <b>Cash and Short Term Investments,<br/>Beginning of Year</b>        | 280,318                                      | 1,248,397           | 42,481                         | 1,571,196           |
| <b>Cash and Short Term Investments,<br/>End of Year</b>              | <u>\$ 350,536</u>                            | <u>\$ 1,619,466</u> | <u>\$ 41,472</u>               | <u>\$ 2,011,474</u> |

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

# TOWN OF LUDLOW, MASSACHUSETTS

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

**FOR THE YEAR ENDED JUNE 30, 2022**

|                                                                                                             | Business-Type Activities<br>Enterprise Funds |                   |                                |                   |
|-------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------|--------------------------------|-------------------|
|                                                                                                             | Golf<br>Fund                                 | Sewer<br>Fund     | Nonmajor<br>Enterprise<br>Fund | Total             |
| <b>Reconciliation of Operating Income (Loss) to Net<br/>Cash Provided by (Used in) Operating Activities</b> |                                              |                   |                                |                   |
| Operating income (loss)                                                                                     | \$ 130,436                                   | \$ 875,877        | \$ (1,199)                     | \$ 1,005,114      |
| Adjustments to reconcile operating income<br>(loss) to net cash used in operating<br>activities:            |                                              |                   |                                |                   |
| Depreciation                                                                                                | 50,315                                       | 269,937           | --                             | 320,252           |
| Changes in assets, liabilities, and deferred<br>outflows/inflows:                                           |                                              |                   |                                |                   |
| Deferred outflows - related to pension                                                                      | 14,280                                       | (586)             | --                             | 13,694            |
| Deferred outflows - related to OPEB                                                                         | (2,351)                                      | 126,188           | --                             | 123,837           |
| User fees receivable                                                                                        | --                                           | (74,201)          | --                             | (74,201)          |
| Intergovernmental receivables                                                                               | --                                           | 67,760            | --                             | 67,760            |
| Net pension liability                                                                                       | (46,773)                                     | (11,662)          | --                             | (58,435)          |
| Net OPEB liability                                                                                          | (95,798)                                     | (811,218)         | --                             | (907,016)         |
| Deferred inflows - related to pension                                                                       | 51,395                                       | 12,814            | --                             | 64,209            |
| Deferred inflows - related to OPEB                                                                          | 11,971                                       | 128,512           | --                             | 140,483           |
| <b>Net Cash Provided by (Used in)<br/>Operating Activities</b>                                              | <u>\$ 113,475</u>                            | <u>\$ 583,421</u> | <u>\$ (1,199)</u>              | <u>\$ 695,697</u> |

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

# TOWN OF LUDLOW, MASSACHUSETTS

## STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

JUNE 30, 2022

|                                                                     | Other Post-<br>Employment<br>Benefits<br>Trust Fund | Custodial<br>Funds       |
|---------------------------------------------------------------------|-----------------------------------------------------|--------------------------|
| <b>Assets</b>                                                       |                                                     |                          |
| Cash and short-term investments                                     | \$ 2,693                                            | \$ 211,744               |
| Investments:                                                        |                                                     |                          |
| Fixed income mutual funds                                           | 128,453                                             | --                       |
| Equity mutual funds                                                 | 305,286                                             | --                       |
| Corporate equities                                                  | 40,582                                              | --                       |
|                                                                     | <u>474,321</u>                                      | <u>--</u>                |
| Total Investments                                                   | <u>474,321</u>                                      | <u>--</u>                |
| <b>Total Assets</b>                                                 | <u><u>\$ 477,014</u></u>                            | <u><u>\$ 211,744</u></u> |
| <b>Net Position</b>                                                 |                                                     |                          |
| Restricted for OPEB purposes                                        | \$ 477,014                                          | \$ --                    |
| Restricted for individuals, organizations,<br>and other governments | <u>--</u>                                           | <u>211,744</u>           |
| <b>Total Net Position</b>                                           | <u><u>\$ 477,014</u></u>                            | <u><u>\$ 211,744</u></u> |

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

# TOWN OF LUDLOW, MASSACHUSETTS

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

**FOR THE YEAR ENDED JUNE 30, 2022**

|                                                                  | Other Post-<br>Employment<br>Benefits<br>Trust Fund | Custodial<br>Funds    |
|------------------------------------------------------------------|-----------------------------------------------------|-----------------------|
| <b>Additions</b>                                                 |                                                     |                       |
| Contributions:                                                   |                                                     |                       |
| Employer                                                         | \$ 50,000                                           | \$ --                 |
| Other systems                                                    | <u>2,851,111</u>                                    | <u>--</u>             |
| <br>Total Contributions                                          | <br><u>2,901,111</u>                                | <br><u>--</u>         |
| <br>Investment income (loss)                                     | <br>(82,305)                                        | <br>(25)              |
| Fees collected for Commonwealth of Massachusetts                 | --                                                  | 47,555                |
| Fees collected for other entities                                | --                                                  | 23,454                |
| Fees collected for students                                      | <u>--</u>                                           | <u>113,834</u>        |
| <br><b>Total Additions</b>                                       | <br><u>2,818,806</u>                                | <br><u>184,818</u>    |
| <br><b>Deductions</b>                                            |                                                     |                       |
| Benefit payments to members, beneficiaries,<br>and other systems | 2,851,111                                           | --                    |
| Payments to the Commonwealth of Massachusetts                    | --                                                  | 39,977                |
| Payments to other entities                                       | --                                                  | 118,855               |
| Payments on behalf of students                                   | <u>--</u>                                           | <u>80,123</u>         |
| <br><b>Total Deductions</b>                                      | <br><u>2,851,111</u>                                | <br><u>238,955</u>    |
| <br><b>Change in Net Position</b>                                | <br>(32,305)                                        | <br>(54,137)          |
| <br><b>Restricted Net Position, Beginning of Year</b>            | <br><u>509,319</u>                                  | <br><u>265,881</u>    |
| <br><b>Restricted Net Position, End of Year</b>                  | <br><u>\$ 477,014</u>                               | <br><u>\$ 211,744</u> |

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

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Ludlow, Massachusetts (the Town) accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies of the Town:

#### ***REPORTING ENTITY***

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2022, no entities met the component unit requirements of GASB 14 (as amended).

#### ***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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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. 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).

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)***

##### *Fund Financial Statements (Continued)*

- 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 *ARPA Fund* accounts for COVID-19 related expenditures or negative economic impacts of COVID-19 of the Town, funded by the American Rescue Plan Act (ARPA).

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds 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 *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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)*

##### *Fund Financial Statements (Continued)*

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefits (OPEB) Trust Fund* is used to accumulate resources for medical and prescription drug insurance benefits for retired employees.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include fees collected on behalf of others.

#### *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 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 short-term investments.

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

The Town's invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, where investments are valued at amortized cost which approximates the net asset value of \$1 per share.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *CASH AND INVESTMENTS (CONTINUED)*

Investments are carried at fair value, except for 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. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

#### *CAPITAL ASSETS*

Capital assets, which include land and land improvements, buildings and improvements, machinery, equipment, and furnishings, vehicles, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the Town 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.

Property, plant and equipment are 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 - 10       |
| Machinery and furnishings | 3 - 10       |
| Office equipment          | 3 - 10       |
| Computer equipment        | 3 - 5        |
| Infrastructure            | 50           |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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 current assets/deferred outflows and current liabilities/deferred inflows. The Town has implemented GASB Statement No. 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, as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *FUND EQUITY (CONTINUED)*

##### *Fund Balance (Continued)*

- *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, and funds reserved under state guidelines to be used to offset future debt service.
- *Assigned* represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.
- *Unassigned* represents amounts that are available to be spent in future periods, general stabilization funds, and deficit funds. 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 use either through 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.

# **TOWN OF LUDLOW, MASSACHUSETTS**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***USE OF ESTIMATES***

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

### **NOTE 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 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 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 \$(185,278). This deficit is being funded through taxation in fiscal year 2023.

# **TOWN OF LUDLOW, MASSACHUSETTS**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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### **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

#### ***DEFICIT FUND EQUITY***

Certain individual funds reflected deficit balances as of June 30, 2022. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

### **NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN**

Massachusetts General Laws (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, and certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having 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 GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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, 2022, none, of the Town's bank balance of \$32,168,509 was exposed to custodial credit risk as uninsured and/or uncollateralized. Additionally, \$59,441 was invested in MMDT, which is not subject to this disclosure.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

#### *INVESTMENTS*

The following is a summary of the Town's investments as of June 30, 2022:

|                                       |                     |
|---------------------------------------|---------------------|
| Asset backed securities               | \$ 1,269            |
| Corporate bonds                       | 2,597,355           |
| Corporate equities                    | 505,709             |
| Federal agency securities             | 419,373             |
| Market-linked certificate of deposits | 317,899             |
| Municipal bonds                       | 466,179             |
| U.S. Treasury notes                   | <u>1,456,506</u>    |
|                                       | <u>\$ 5,764,290</u> |

#### *CUSTODIAL CREDIT RISK*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the 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, 2022, 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 IN 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, 2022, the credit quality ratings, as rated by Moody's Investors Service, Inc. of the Town's debt securities were as follows (U.S. Treasury notes have an implied rating of AAA):

| Investment Type                       | Amount              | Rating as of Year-End |                   |                     |                   |
|---------------------------------------|---------------------|-----------------------|-------------------|---------------------|-------------------|
|                                       |                     | AAA                   | A1/A2             | Baa1/Baa2           | Unrated           |
| Corporate bonds                       | \$ 2,597,355        | \$ 264,948            | \$ 958,161        | \$ 1,374,246        | \$ --             |
| Federal agency securities             | 419,373             | 419,373               | --                | --                  | --                |
| Market-linked certificate of deposits | <u>317,899</u>      | <u>--</u>             | <u>--</u>         | <u>--</u>           | <u>317,899</u>    |
|                                       | <u>\$ 3,334,627</u> | <u>\$ 684,321</u>     | <u>\$ 958,161</u> | <u>\$ 1,374,246</u> | <u>\$ 317,899</u> |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

#### *CONCENTRATION OF CREDIT RISK*

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 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 Town'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, 2022, the Town did not have an investment in one issuer greater than 5% of total investments.

#### *INTEREST RATE RISK - INVESTMENTS IN DEBT SECURITIES*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

#### *INTEREST RATE RISK - INVESTMENTS IN DEBT SECURITIES (CONTINUED)*

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations was as follows at June 30, 2022:

| Investment Type                          | Amount              | Investment Maturities (in Years) |                     |              |
|------------------------------------------|---------------------|----------------------------------|---------------------|--------------|
|                                          |                     | Less<br>Than 1                   | 1-5                 | Thereafter   |
| Asset backed securities                  | \$ 1,269            | \$ 1,193                         | \$ --               | \$ 76        |
| Corporate bonds                          | 2,597,355           | 108,968                          | 2,488,387           | --           |
| Federal agency securities                | 419,373             | 130,261                          | 289,112             | --           |
| Market-linked certificates<br>of deposit | 317,899             | 104,892                          | 213,007             | --           |
| Municipal bonds                          | 466,179             | 466,179                          | --                  | --           |
| U.S. Treasury notes                      | 1,456,506           | 711,017                          | 745,489             | --           |
|                                          | <u>\$ 5,258,581</u> | <u>\$ 1,522,510</u>              | <u>\$ 3,735,995</u> | <u>\$ 76</u> |

#### *FOREIGN CURRENCY RISK*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

At June 30, 2022, none of the Town's investments were exposed to foreign currency risk.

#### *FAIR VALUE*

The Town categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability 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:

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

#### *FAIR VALUE (CONTINUED)*

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible 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 had the following fair value measurements as of June 30, 2022:

|                                  |              | Fair Value Measurements Using:                                             |                                                  |                                                    |
|----------------------------------|--------------|----------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
|                                  |              | Quoted prices<br>in active<br>markets for<br>identical assets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
| Investment Type                  | Amount       |                                                                            |                                                  |                                                    |
| Investments by fair value level: |              |                                                                            |                                                  |                                                    |
| Asset backed securities          | \$ 1,269     | \$ --                                                                      | \$ 1,269                                         | \$ --                                              |
| Corporate bonds                  | 2,597,355    | --                                                                         | 2,597,355                                        | --                                                 |
| Corporate equities               | 505,709      | 505,709                                                                    | --                                               | --                                                 |
| Federal agency securities        | 419,373      | --                                                                         | 419,373                                          | --                                                 |
| Municipal bonds                  | 466,179      | --                                                                         | 466,179                                          | --                                                 |
| U.S. Treasury notes              | 1,456,506    | --                                                                         | 1,456,506                                        | --                                                 |
|                                  | \$ 5,446,391 | \$ 505,709                                                                 | \$ 4,940,682                                     | \$ --                                              |

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

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

#### *FAIR VALUE (CONTINUED)*

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

### NOTE 4 - INVESTMENTS - OPEB TRUST FUND

Generally, the OPEB Trust Fund's 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, 2022:

|                           |                   |
|---------------------------|-------------------|
| Corporate equities        | \$ 40,582         |
| Equity mutual funds       | 305,286           |
| Fixed income mutual funds | <u>128,453</u>    |
|                           | <u>\$ 474,321</u> |

#### *CUSTODIAL CREDIT RISK*

As of June 30, 2022, none of the OPEB Trust Fund's investments were subject to custodial credit risk exposure because all assets were held in the OPEB Trust Fund's name.

#### *CREDIT RISK - INVESTMENTS IN DEBT SECURITIES*

As of June 30, 2022, the credit quality ratings as rated by Moody's Investors Service, Inc. of the Town's debt securities was as follows:

| Investment Type           | Amount            | AAA              | Rating as of Year-End |                  |                  |                  |
|---------------------------|-------------------|------------------|-----------------------|------------------|------------------|------------------|
|                           |                   |                  | AA                    | A                | BBB-Below B      | Unrated          |
| Fixed income mutual funds | <u>\$ 128,453</u> | <u>\$ 47,980</u> | <u>\$ 10,964</u>      | <u>\$ 12,963</u> | <u>\$ 46,172</u> | <u>\$ 10,374</u> |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 4 - INVESTMENTS - OPEB TRUST FUND (CONTINUED)

#### *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, 2022, the OPEB Trust Fund did 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 as of June 30, 2022:

| Investment Type           | Amount     | Investment Maturities (in Years) |           |           |            |
|---------------------------|------------|----------------------------------|-----------|-----------|------------|
|                           |            | Less Than 1                      | 1-5       | 6-10      | Thereafter |
| Fixed income mutual funds | \$ 128,453 | \$ 3,985                         | \$ 36,262 | \$ 50,845 | \$ 37,361  |

#### *FAIR VALUE*

The OPEB Trust Fund had the following fair value measurements as of June 30, 2022:

| Investment Type                  | Amount            | Fair Value Measurements Using:                                 |                                         |                                           |
|----------------------------------|-------------------|----------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
|                                  |                   | Quoted prices in active markets for identical assets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Investments by fair value level: |                   |                                                                |                                         |                                           |
| Corporate equities               | \$ 40,582         | \$ 40,582                                                      | \$ --                                   | \$ --                                     |
| Equity mutual funds              | 305,286           | 305,286                                                        | --                                      | --                                        |
| Fixed income mutual funds        | 128,453           | --                                                             | 128,453                                 | --                                        |
|                                  | <u>\$ 474,321</u> | <u>\$ 345,868</u>                                              | <u>\$ 128,453</u>                       | <u>\$ --</u>                              |

# **TOWN OF LUDLOW, MASSACHUSETTS**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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### **NOTE 5 - PROPERTY TAXES AND EXCISE RECEIVABLES**

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 in the government-wide and fund basis statements, respectively.

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. The actual fiscal year 2022 tax levy reflected an excess capacity of \$1,153,472.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 5 - PROPERTY TAXES AND EXCISE RECEIVABLES (CONTINUED)

Property taxes and excise receivables at June 30, 2022 consisted of the following:

|                                      | Gross<br>Amount<br>(fund basis) | Allowance<br>for Doubtful<br>Accounts | Current<br>Portion | Long-<br>Term<br>Portion |
|--------------------------------------|---------------------------------|---------------------------------------|--------------------|--------------------------|
| Real estate taxes                    | \$ 451,178                      | \$ --                                 | \$ 451,178         | \$ --                    |
| Personal property taxes              | 35,123                          | --                                    | 35,123             | --                       |
| Tax liens                            | <u>372,292</u>                  | <u>--</u>                             | <u>--</u>          | <u>372,292</u>           |
| Total property taxes                 | <u>\$ 858,593</u>               | <u>\$ --</u>                          | <u>\$ 486,301</u>  | <u>\$ 372,292</u>        |
| Motor vehicle excise                 | \$ 285,604                      | \$ --                                 | \$ 285,604         | \$ --                    |
| Boat excise                          | <u>476</u>                      | <u>--</u>                             | <u>476</u>         | <u>--</u>                |
| Total excises                        | <u>\$ 286,080</u>               | <u>\$ --</u>                          | <u>\$ 286,080</u>  | <u>\$ --</u>             |
| Departmental - ambulance             | \$ 914,124                      | \$ (493,075)                          | \$ 421,049         |                          |
| Departmental - police outside detail | 84,856                          | --                                    | 84,856             |                          |
| Departmental - other                 | <u>27,360</u>                   | <u>--</u>                             | <u>27,360</u>      |                          |
| Total departmental                   | <u>\$ 1,026,340</u>             | <u>\$ (493,075)</u>                   | <u>\$ 533,265</u>  |                          |

### NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

This balance primarily represents reimbursement requested from federal and state agencies for expenditures incurred in fiscal year 2022.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

|                                                     | Beginning<br>Balance | Increases           | Decreases          | Convert CIP         | Ending<br>Balance     |
|-----------------------------------------------------|----------------------|---------------------|--------------------|---------------------|-----------------------|
| <b>Governmental Activities</b>                      |                      |                     |                    |                     |                       |
| Capital Assets, Being Depreciated:                  |                      |                     |                    |                     |                       |
| Land improvements                                   | \$ 3,543,725         | \$ --               | \$ --              | \$ 206,011          | \$ 3,749,736          |
| Buildings and improvements                          | 54,310,443           | --                  | --                 | 58,109,301          | 112,419,744           |
| Machinery, equipment, and furnishings               | 9,495,863            | 1,174,084           | (932,789)          | 40,555              | 9,777,713             |
| Vehicles                                            | 4,485,820            | 1,788,451           | (89,676)           | --                  | 6,184,595             |
| Infrastructure                                      | 35,722,640           | 290,868             | --                 | 985,061             | 36,998,569            |
| <b>Total Capital Assets, Being Depreciated</b>      | <b>107,558,491</b>   | <b>3,253,403</b>    | <b>(1,022,465)</b> | <b>59,340,928</b>   | <b>169,130,357</b>    |
| Less Accumulated Depreciation For:                  |                      |                     |                    |                     |                       |
| Land improvements                                   | (2,743,248)          | (194,018)           | --                 | --                  | (2,937,266)           |
| Buildings and improvements                          | (27,218,675)         | (2,876,498)         | --                 | --                  | (30,095,173)          |
| Machinery, equipment, and furnishings               | (8,988,355)          | (379,040)           | 932,789            | --                  | (8,434,606)           |
| Vehicles                                            | (3,522,410)          | (548,371)           | 89,676             | --                  | (3,981,105)           |
| Infrastructure                                      | (25,421,952)         | (831,553)           | --                 | --                  | (26,253,505)          |
| <b>Total Accumulated Depreciation</b>               | <b>(67,894,640)</b>  | <b>(4,829,480)</b>  | <b>1,022,465</b>   | <b>--</b>           | <b>(71,701,655)</b>   |
| <b>Capital Assets, Being Depreciated, Net</b>       | <b>39,663,851</b>    | <b>(1,576,077)</b>  | <b>--</b>          | <b>59,340,928</b>   | <b>97,428,702</b>     |
| Capital Assets, Not Being Depreciated:              |                      |                     |                    |                     |                       |
| Land                                                | 2,343,138            | --                  | --                 | --                  | 2,343,138             |
| Construction in progress (CIP)                      | 57,462,133           | 9,168,747           | --                 | (59,340,928)        | 7,289,952             |
| <b>Total Capital Assets, Not Being Depreciated</b>  | <b>59,805,271</b>    | <b>9,168,747</b>    | <b>--</b>          | <b>(59,340,928)</b> | <b>9,633,090</b>      |
| <b>Governmental Activities Capital Assets, Net</b>  | <b>\$ 99,469,122</b> | <b>\$ 7,592,670</b> | <b>\$ --</b>       | <b>\$ --</b>        | <b>\$ 107,061,792</b> |
|                                                     | Beginning<br>Balance | Increases           | Decreases          | Convert CIP         | Ending<br>Balance     |
| <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               | 1,221,264            | --                  | (471,973)          | --                  | 749,291               |
| Vehicles                                            | 579,325              | --                  | (30,383)           | --                  | 548,942               |
| Infrastructure                                      | 11,725,681           | --                  | --                 | --                  | 11,725,681            |
| <b>Total Capital Assets, Being Depreciated</b>      | <b>14,182,437</b>    | <b>--</b>           | <b>(502,356)</b>   | <b>--</b>           | <b>13,680,081</b>     |
| Less Accumulated Depreciation For:                  |                      |                     |                    |                     |                       |
| Land improvements                                   | (161,707)            | (2,918)             | --                 | --                  | (164,625)             |
| Buildings and improvements                          | (419,100)            | (5,847)             | --                 | --                  | (424,947)             |
| Machinery, equipment, and furnishings               | (1,057,351)          | (32,596)            | 471,973            | --                  | (617,974)             |
| Vehicles                                            | (567,064)            | (12,263)            | 30,383             | --                  | (548,944)             |
| Infrastructure                                      | (3,456,164)          | (266,628)           | --                 | --                  | (3,722,792)           |
| <b>Total Accumulated Depreciation</b>               | <b>(5,661,386)</b>   | <b>(320,252)</b>    | <b>502,356</b>     | <b>--</b>           | <b>(5,479,282)</b>    |
| <b>Capital Assets, Being Depreciated, Net</b>       | <b>8,521,051</b>     | <b>(320,252)</b>    | <b>--</b>          | <b>--</b>           | <b>8,200,799</b>      |
| Capital Assets, Not Being Depreciated:              |                      |                     |                    |                     |                       |
| Land                                                | 1,107,900            | --                  | --                 | --                  | 1,107,900             |
| Construction in progress (CIP)                      | 110,278              | --                  | --                 | --                  | 110,278               |
| <b>Total Capital Assets, Not Being Depreciated</b>  | <b>1,218,178</b>     | <b>--</b>           | <b>--</b>          | <b>--</b>           | <b>1,218,178</b>      |
| <b>Business-Type Activities Capital Assets, Net</b> | <b>\$ 9,739,229</b>  | <b>\$ (320,252)</b> | <b>\$ --</b>       | <b>\$ --</b>        | <b>\$ 9,418,977</b>   |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 7 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Town as follows for the year ended June 30, 2022:

|                          |                     |
|--------------------------|---------------------|
| Governmental Activities  |                     |
| General government       | \$ 92,989           |
| Public safety            | 510,207             |
| Education                | 2,626,450           |
| Public works             | 1,082,376           |
| Human services           | 26,895              |
| Culture and recreation   | 490,563             |
|                          | <u>\$ 4,829,480</u> |
| Business-Type Activities |                     |
| Golf                     | \$ 50,315           |
| Sewer                    | 269,937             |
|                          | <u>\$ 320,252</u>   |

### NOTE 8 - DEFERRED OUTFLOWS OF RESOURCES

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

### NOTE 9 - NOTES PAYABLE

The Town had the following notes outstanding at June 30, 2022:

| Purpose                                 | Interest<br>Rate(s) % | Date of<br>Issue | Date of<br>Maturity | Balance at<br>06/30/22 |
|-----------------------------------------|-----------------------|------------------|---------------------|------------------------|
| Bond anticipation - municipal purpose   | 1.00%                 | 09/22/21         | 09/22/22            | \$ 4,985,000           |
| Bond anticipation - school construction | 1.70%                 | 06/09/22         | 09/22/22            | 2,000,000              |
| Bond anticipation - school construction | 2.00%                 | 06/09/22         | 09/22/22            | <u>1,000,000</u>       |
|                                         |                       |                  |                     | <u>\$ 7,985,000</u>    |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 9 - NOTES PAYABLE (CONTINUED)

The following summarizes activity in notes payable during fiscal year 2022:

| Purpose                                 | Balance<br>Beginning<br>of Year | New<br>Issues       | Maturities            | Balance<br>End of<br>Year |
|-----------------------------------------|---------------------------------|---------------------|-----------------------|---------------------------|
| Bond anticipation - school building     | \$ 3,000,000                    | \$ --               | \$ (3,000,000)        | \$ --                     |
| Bond anticipation - radio equipment     | 2,000,000                       | --                  | (2,000,000)           | --                        |
| Bond anticipation - municipal purpose   | --                              | 4,985,000           | --                    | 4,985,000                 |
| Bond anticipation - school construction | --                              | 2,000,000           | --                    | 2,000,000                 |
| Bond anticipation - school construction | --                              | 1,000,000           | --                    | 1,000,000                 |
|                                         | <u>\$ 5,000,000</u>             | <u>\$ 7,985,000</u> | <u>\$ (5,000,000)</u> | <u>\$ 7,985,000</u>       |

### NOTE 10 - UNEARNED REVENUE

Unearned revenue represents grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years.

### NOTE 11 - LONG-TERM DEBT

#### ***GENERAL OBLIGATION BONDS AND LOANS***

The Town issues general obligation bonds (including direct placements), loans from direct borrowings from the Massachusetts Clean Water Trust (MCWT), and loan agreements to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and loans outstanding were as follows as of June 30, 2022:

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 11 - LONG-TERM DEBT (CONTINUED)

#### GENERAL OBLIGATION BONDS AND LOANS (CONTINUED)

| Governmental Activities                   | Original<br>Issue | Serial<br>Maturities<br>Through | Interest<br>Rate(s) % | Amount<br>Outstanding<br>as of<br>June 30, 2022 |
|-------------------------------------------|-------------------|---------------------------------|-----------------------|-------------------------------------------------|
| General Obligation Bonds                  |                   |                                 |                       |                                                 |
| Direct Placements:                        |                   |                                 |                       |                                                 |
| 2018 refunding of 2007 multi-purpose bond | \$ 375,000        | 08/15/22                        | 2.00 - 5.00           | \$ 76,000                                       |
| 2018 refunding of 2004 multi-purpose bond | 240,000           | 08/15/24                        | 2.00 - 5.00           | 85,000                                          |
| Center St land                            | 485,000           | 08/15/27                        | 2.00 - 5.00           | 305,000                                         |
| Roof projects                             | 1,310,000         | 08/15/30                        | 2.00 - 5.00           | 1,050,000                                       |
| 2018 multi-purpose bond                   | 4,000,000         | 02/01/43                        | 3.00 - 4.00           | 3,255,000                                       |
| 2019 multi-purpose bond                   | 30,350,000        | 02/01/49                        | 5.00 - 3.00           | 29,821,122                                      |
|                                           |                   |                                 |                       | <u>34,592,122</u>                               |
| Loans Payable:                            |                   |                                 |                       |                                                 |
| DPW dump truck                            | 97,091            | 08/15/22                        | 4.59                  | 34,032                                          |
| Pumper truck-fire engine                  | 622,189           | 07/01/23                        | 3.82                  | 253,273                                         |
| Toro groundskeeper 5910                   | 123,129           | 02/15/24                        | 6.79                  | 82,086                                          |
| Fire equipment                            | 1,504,788         | 07/15/26                        | 4.20                  | 1,190,191                                       |
|                                           |                   |                                 |                       | <u>1,559,582</u>                                |
|                                           |                   |                                 |                       | <u>\$ 36,151,704</u>                            |
|                                           |                   |                                 |                       |                                                 |
| Business-Type Activities                  | Original<br>Issue | Serial<br>Maturities<br>Through | Interest<br>Rate(s) % | Amount<br>Outstanding<br>as of<br>June 30, 2022 |
| General Obligation Bonds                  |                   |                                 |                       |                                                 |
| Direct Placements:                        |                   |                                 |                       |                                                 |
| 2018 refunding of 2007 multi-purpose bond | \$ 100,000        | 08/15/22                        | 2.00 - 5.00           | <u>\$ 19,000</u>                                |
| Direct Borrowings:                        |                   |                                 |                       |                                                 |
| Sewer construction (MCWT CWS-08-05)       | 3,480,685         | 07/15/30                        | 2.00                  | 1,739,185 *                                     |
| Sewer construction (MCWT CW-08-05)        | 921,027           | 07/15/32                        | 2.00                  | 555,041                                         |
| Sewer construction (MCWT CW-08-05-A)      | 503,676           | 07/15/36                        | 2.00                  | 374,593                                         |
|                                           |                   |                                 |                       | <u>2,668,819</u>                                |
| Loans Payable:                            |                   |                                 |                       |                                                 |
| Yamaha Equipment - 70 golf carts          | 97,573            | 07/15/23                        | 4.20                  | <u>32,525</u>                                   |
|                                           |                   |                                 |                       | <u>\$ 2,720,344</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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 11 - LONG-TERM DEBT (CONTINUED)

#### *FUTURE DEBT SERVICE*

The annual payments to all long-term debt outstanding as of June 30, 2022 are as follows:

| Governmental | Bonds - Direct Placements |                      | Loans Payable       |                   |
|--------------|---------------------------|----------------------|---------------------|-------------------|
|              | Principal                 | Interest             | Principal           | Interest          |
| 2023         | \$ 1,206,412              | \$ 1,309,420         | \$ 482,582          | \$ 50,437         |
| 2024         | 1,020,412                 | 1,185,344            | 462,626             | 34,799            |
| 2025         | 1,005,412                 | 1,156,469            | 302,210             | 20,235            |
| 2026         | 1,015,412                 | 1,099,119            | 312,164             | 10,281            |
| 2027         | 1,065,412                 | 1,052,719            | --                  | --                |
| 2028 - 2032  | 5,632,060                 | 2,263,223            | --                  | --                |
| 2033 - 2037  | 6,172,060                 | 3,559,713            | --                  | --                |
| Thereafter   | 17,474,942                | 4,533,475            | --                  | --                |
|              | <u>\$ 34,592,122</u>      | <u>\$ 16,159,482</u> | <u>\$ 1,559,582</u> | <u>\$ 115,752</u> |

| Business-Type | Bonds - Direct Placements |               | Bonds - Direct Borrowings |                   | Loans Payable    |                  |
|---------------|---------------------------|---------------|---------------------------|-------------------|------------------|------------------|
|               | Principal                 | Interest      | Principal                 | Interest          | Principal        | Interest         |
| 2023          | \$ 19,000                 | \$ 475        | \$ 246,539                | \$ 51,941         | \$ 32,525        | \$ 9,578         |
| 2024          | --                        | --            | 251,622                   | 46,896            | --               | 788              |
| 2025          | --                        | --            | 256,813                   | 41,748            | --               | --               |
| 2026          | --                        | --            | 262,111                   | 36,491            | --               | --               |
| 2027          | --                        | --            | 267,517                   | 31,127            | --               | --               |
| 2028 - 2032   | --                        | --            | 1,209,400                 | 73,353            | --               | --               |
| 2033 - 2036   | --                        | --            | 174,817                   | 6,604             | --               | --               |
|               | <u>\$ 19,000</u>          | <u>\$ 475</u> | <u>\$ 2,668,819</u>       | <u>\$ 288,160</u> | <u>\$ 32,525</u> | <u>\$ 10,366</u> |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 11 - LONG-TERM DEBT (CONTINUED)

#### *CHANGES IN LONG-TERM LIABILITIES*

During the year ended June 30, 2022, the following changes occurred in long-term liabilities (in thousands):

| Governmental Activities        | Beginning<br>Balance | Additions       | Reductions         | Ending<br>Balance | Less<br>Current<br>Portion | Equals<br>Long-Term<br>Portion |
|--------------------------------|----------------------|-----------------|--------------------|-------------------|----------------------------|--------------------------------|
| Bonds payable:                 |                      |                 |                    |                   |                            |                                |
| Direct placements              | \$ 34,472            | \$ --           | \$ (1,107)         | \$ 33,365         | \$ (1,161)                 | \$ 32,204                      |
| Loans payable                  | 541                  | 1,628           | (609)              | 1,560             | (483)                      | 1,077                          |
| Unamortized premium            | 1,272                | --              | (45)               | 1,227             | (45)                       | 1,182                          |
|                                | 36,285               | 1,628           | (1,761)            | 36,152            | (1,689)                    | 34,463                         |
| Net pension liability          | 51,876               | --              | (4,915)            | 46,961            | --                         | 46,961                         |
| Net OPEB liability             | 93,797               | --              | (11,419)           | 82,378            | --                         | 82,378                         |
| Compensated absences liability | 1,492                | --              | (132)              | 1,360             | --                         | 1,360                          |
|                                | <u>\$ 183,450</u>    | <u>\$ 1,628</u> | <u>\$ (18,227)</u> | <u>\$ 166,851</u> | <u>\$ (1,689)</u>          | <u>\$ 165,162</u>              |

  

| Business-Type Activities     | Beginning<br>Balance | Additions    | Reductions        | Ending<br>Balance | Less<br>Current<br>Portion | Equals<br>Long-Term<br>Portion |
|------------------------------|----------------------|--------------|-------------------|-------------------|----------------------------|--------------------------------|
| Bonds payable:               |                      |              |                   |                   |                            |                                |
| Direct placements            | \$ 38                | \$ --        | \$ (19)           | \$ 19             | \$ (19)                    | \$ --                          |
| Loans from direct borrowings | 2,910                | --           | (241)             | 2,669             | (247)                      | 2,422                          |
| Loans payable                | 76                   | --           | (44)              | 32                | (32)                       | --                             |
|                              | 3,024                | --           | (304)             | 2,720             | (298)                      | 2,422                          |
| Net pension liability        | 603                  | --           | (59)              | 544               | --                         | 544                            |
| Net OPEB liability           | 2,997                | --           | (907)             | 2,090             | --                         | 2,090                          |
|                              | <u>\$ 6,624</u>      | <u>\$ --</u> | <u>\$ (1,270)</u> | <u>\$ 5,354</u>   | <u>\$ (298)</u>            | <u>\$ 5,056</u>                |

#### *LONG-TERM DEBT SUPPORTING GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES*

General obligation bonds and loans from direct borrowings issued by the Town 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 funds.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 12 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent at the acquisition of net assets by the Town that apply 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, in accordance with GASB Statements No. 68 and 75, will be recognized as expense in future years and are 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.

### NOTE 13 - 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 a summary of interfund transfers for fiscal year 2022:

|                              | Transfers In      | Transfers Out     |
|------------------------------|-------------------|-------------------|
| Governmental Funds           |                   |                   |
| General Fund                 | \$ 274,701        | \$ 157,893        |
| Nonmajor Governmental Funds: |                   |                   |
| Special revenue funds        | <u>53,360</u>     | <u>274,701</u>    |
|                              | 53,360            | 274,701           |
| Business-Type Funds          |                   |                   |
| Sewer fund                   | <u>104,533</u>    | <u>--</u>         |
|                              | <u>\$ 432,594</u> | <u>\$ 432,594</u> |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 14 - GOVERNMENTAL FUNDS - FUND BALANCES

The Town's fund balances at June 30, 2022 were comprised of the following:

|                               | General<br>Fund | Chapin Street<br>School Capital<br>Project Fund | Radio Systems<br>Capital<br>Project Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------|-----------------|-------------------------------------------------|------------------------------------------|-----------------------------------|--------------------------------|
| Nonspendable                  |                 |                                                 |                                          |                                   |                                |
| Nonexpendable permanent funds | \$ --           | \$ --                                           | \$ --                                    | \$ 1,455,256                      | \$ 1,455,256                   |
| Total Nonspendable            | --              | --                                              | --                                       | 1,455,256                         | 1,455,256                      |
| Restricted                    |                 |                                                 |                                          |                                   |                                |
| Special revenue funds         | --              | --                                              | --                                       | 5,561,339                         | 5,561,339                      |
| Bonded projects               | --              | --                                              | --                                       | 1,520,377                         | 1,520,377                      |
| Expendable permanent funds    | --              | --                                              | --                                       | 158,545                           | 158,545                        |
| Total Restricted              | --              | --                                              | --                                       | 7,240,261                         | 7,240,261                      |
| Committed                     |                 |                                                 |                                          |                                   |                                |
| Special articles:             |                 |                                                 |                                          |                                   |                                |
| General government            | 268,897         | --                                              | --                                       | --                                | 268,897                        |
| Public safety                 | 7,750           | --                                              | --                                       | --                                | 7,750                          |
| Public works                  | 48,000          | --                                              | --                                       | --                                | 48,000                         |
| Health and human services     | 45,564          | --                                              | --                                       | --                                | 45,564                         |
| Culture and recreation        | 66,689          | --                                              | --                                       | --                                | 66,689                         |
| Total Committed               | 436,900         | --                                              | --                                       | --                                | 436,900                        |
| Assigned                      |                 |                                                 |                                          |                                   |                                |
| Encumbrances:                 |                 |                                                 |                                          |                                   |                                |
| General government            | 109,767         | --                                              | --                                       | --                                | 109,767                        |
| Public safety                 | 16,582          | --                                              | --                                       | --                                | 16,582                         |
| Education                     | 551,497         | --                                              | --                                       | --                                | 551,497                        |
| Public works                  | 131,259         | --                                              | --                                       | --                                | 131,259                        |
| Health and human services     | 176             | --                                              | --                                       | --                                | 176                            |
| Culture and recreation        | 200             | --                                              | --                                       | --                                | 200                            |
| Reserved for charter school   | 11,436          | --                                              | --                                       | --                                | 11,436                         |
| Reserved for expenditures     | 3,037,503       | --                                              | --                                       | --                                | 3,037,503                      |
| Total Assigned                | 3,858,420       | --                                              | --                                       | --                                | 3,858,420                      |
| Unassigned                    |                 |                                                 |                                          |                                   |                                |
| General Fund                  | 4,175,316       | --                                              | --                                       | --                                | 4,175,316                      |
| Stabilization fund            | 4,322,587       | --                                              | --                                       | --                                | 4,322,587                      |
| Deficit funds                 | --              | (2,646,457)                                     | (1,383,150)                              | (335,063)                         | (4,364,670)                    |
| Total Unassigned              | 8,497,903       | (2,646,457)                                     | (1,383,150)                              | (335,063)                         | 4,133,233                      |
| Total Fund Balance            | \$ 12,793,223   | \$ (2,646,457)                                  | \$ (1,383,150)                           | \$ 8,360,454                      | \$ 17,124,070                  |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 15 - RESTRICTED NET POSITION

The Town's restricted net position at June 30, 2022 was comprised of the following:

| Purpose                | Amount              |
|------------------------|---------------------|
| Cable RRFA             | \$ 1,009,081        |
| School choice          | 1,113,815           |
| School grants          | 734,486             |
| Food service fund      | 430,504             |
| School revolving funds | 752,798             |
| Town grants            | 771,217             |
| Town revolving funds   | <u>414,375</u>      |
|                        | <u>\$ 5,226,276</u> |

### NOTE 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 employees' retirement funds.

#### ***PLAN DESCRIPTION***

Certain 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 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 16 - HAMPDEN COUNTY RETIREMENT SYSTEM (CONTINUED)

#### *PLAN DESCRIPTION (CONTINUED)*

##### *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 the 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 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 16 - HAMPDEN COUNTY RETIREMENT SYSTEM (CONTINUED)

#### *PLAN DESCRIPTION (CONTINUED)*

##### *Participant Retirement Benefits (Continued)*

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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 16 - HAMPDEN COUNTY RETIREMENT SYSTEM (CONTINUED)

#### *PLAN DESCRIPTION (CONTINUED)*

##### *Methods of Payment (Continued)*

- 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, 2022, was \$5,003,770, which was equal to its annual required contribution.

# **TOWN OF LUDLOW, MASSACHUSETTS**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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### **NOTE 16 - HAMPDEN COUNTY RETIREMENT SYSTEM (CONTINUED)**

#### ***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 PENSION***

At June 30, 2022, the Town reported a liability of \$47,504,911 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022, the Town's proportion was 13.66%, which was an increase of 0.28% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$5,135,433. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2022**

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### NOTE 16 - HAMPDEN COUNTY RETIREMENT SYSTEM (CONTINUED)

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION (CONTINUED)***

|                                                                                                            | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Net difference between projected and actual earnings<br>on pension plan investments                        | \$ --                                | \$ (8,021,584)                      |
| Differences between expected and actual experience                                                         | 228,128                              | (936,946)                           |
| Changes of assumptions                                                                                     | 4,367,715                            | --                                  |
| Changes in proportion and differences between<br>contributions and proportionate share<br>of contributions | <u>792,099</u>                       | <u>--</u>                           |
|                                                                                                            | <u>\$ 5,387,942</u>                  | <u>\$ (8,958,530)</u>               |

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

| <u>Year Ended June 30:</u>         |                       |
|------------------------------------|-----------------------|
| 2023                               | \$ (252,547)          |
| 2024                               | (1,683,949)           |
| 2025                               | (932,939)             |
| Capital Assets, Being Depreciated: | (1,103,747)           |
| 2027                               | <u>402,594</u>        |
|                                    | <u>\$ (3,570,588)</u> |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 16 - HAMPDEN COUNTY RETIREMENT SYSTEM (CONTINUED)

#### *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                            | 1/1/2022              |
| Actuarial cost method                     | Entry Age Normal Cost |
| Actuarial assumptions:                    |                       |
| Investment rate of return                 | 7.00%                 |
| 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             | 15 years              |

Mortality rates were based on the assumptions that reflect the RP-2014 Blue Collar Employee Mortality Table projected generational with Scale MP-2021. Healthy retiree mortality rates were based on RP-2014 Blue Collar Healthy Annuitant Mortality Table project generational with Scale MP-2021. Disabled Retiree mortality rates were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

#### *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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 16 - HAMPDEN COUNTY RETIREMENT SYSTEM (CONTINUED)

#### *TARGET ALLOCATIONS (CONTINUED)*

The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| Asset Class                            | Target<br>Asset<br>Allocation | Long-Term<br>Expected<br>Real Rate<br>of Return |
|----------------------------------------|-------------------------------|-------------------------------------------------|
| Domestic equity                        | 22.00%                        | 6.11%                                           |
| International developed markets equity | 11.50%                        | 6.49%                                           |
| International emerging markets equity  | 4.50%                         | 8.12%                                           |
| Core fixed income                      | 15.00%                        | 0.38%                                           |
| High yield fixed income                | 8.00%                         | 2.48%                                           |
| Real estate (core)                     | 10.00%                        | 3.72%                                           |
| Timber                                 | 4.00%                         | 3.44%                                           |
| Hedge fund, GTAA, risk parity          | 10.00%                        | 2.63%                                           |
| Private equity                         | 15.00%                        | 9.93%                                           |
|                                        | <u>100.00%</u>                |                                                 |

#### *DISCOUNT RATE*

The discount rate used to measure the total pension liability was 7.00%. 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 16 - HAMPDEN COUNTY RETIREMENT SYSTEM (CONTINUED)

#### *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 was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

| 1%<br>Decrease<br>(6.00%) | Current<br>Discount Rate<br>(7.00%) | 1%<br>Increase<br>(8.00%) |
|---------------------------|-------------------------------------|---------------------------|
| \$ 61,369,941             | \$ 47,504,911                       | \$ 35,837,004             |

#### *PENSION PLAN FIDUCIARY NET POSITION*

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

### NOTE 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 GASB Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts 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 of Massachusetts' 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 17 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

#### ***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                                                                  |

# **TOWN OF LUDLOW, MASSACHUSETTS**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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### **NOTE 17 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)**

#### ***CONTRIBUTIONS (CONTINUED)***

In addition, members who join MTRS on or after April 2, 2012, will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

#### ***ACTUARIAL ASSUMPTIONS***

The net pension liability for the June 30, 2021, measurement date was determined by an actuarial valuation as of January 1, 2021, rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) 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 from 2012-2020.
- Mortality rates were as follows:
  - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 17 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

#### *TARGET ALLOCATIONS (CONTINUED)*

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, 2021, are summarized in the following table:

| Asset Class                     | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|-------------------|----------------------------------------|
| Global equity                   | 39.0%             | 4.8%                                   |
| Core fixed income               | 15.0%             | 0.3%                                   |
| Private equity                  | 13.0%             | 7.8%                                   |
| Portfolio completion strategies | 11.0%             | 2.9%                                   |
| Real estate                     | 10.0%             | 3.7%                                   |
| Value added fixed income        | 8.0%              | 3.9%                                   |
| Timber/natural resources        | 4.0%              | 4.3%                                   |
|                                 | <u>100.0%</u>     |                                        |

#### *DISCOUNT RATE*

The discount rate used to measure the total pension liability was 7.00%. 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 of Massachusetts' 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 17 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

#### *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<br>(6.00%) | Current<br>Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|------------------------|-------------------------------------|------------------------|
| \$ 29,687,706          | \$ 22,706,876                       | \$ 16,882,184          |

#### *SPECIAL FUNDING SITUATION*

The Commonwealth of Massachusetts 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 of Massachusetts 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 2021 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$62.6 million based on a proportionate share of 0.2755%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts' contribution of approximately \$4.8 million as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of approximately \$5 million as both a revenue and expense on the Statement of Activities.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. 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*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2022.

#### **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 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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### *GENERAL INFORMATION ABOUT THE OPEB PLAN (CONTINUED)*

##### *Plan Membership*

At June 30, 2022, the following employees were covered by the benefit terms:

|                                      |             |
|--------------------------------------|-------------|
| Inactive employees or beneficiaries  |             |
| currently receiving benefit payments | 533         |
| Active employees                     | 539         |
|                                      | <hr/>       |
|                                      | 1,072       |
|                                      | <hr/> <hr/> |

#### *INVESTMENTS*

At June 30, 2022, the OPEB Trust Fund's assets consisted of corporate equities, equity mutual funds, and fixed income mutual funds.

##### *Rate of Return*

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (15.15)%. 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, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                                          |                                            |
|------------------------------------------|--------------------------------------------|
| Inflation                                | 2.50%                                      |
| Salary increases                         | 3.00%, average, including inflation        |
| Investment rate of return                | 5.93%, net of OPEB plan investment expense |
| Municipal bond rate                      | 4.09%                                      |
| Discount rate                            | 4.20%                                      |
| Healthcare cost trend rate               | 8.00%                                      |
| Retirees' share of benefit-related costs | 50%                                        |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### *ACTUARIAL ASSUMPTIONS AND OTHER INPUTS (CONTINUED)*

Pre-Retirement Mortality rates for general employees were based on RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016 for males and females, set forward 1 year for females. Pre-Retirement Mortality rates for teachers were based on RP-2014 Mortality Table for White Collar Employees projected generationally with Scale MP-2016 for males and females.

Post-Retirement Mortality rates for general employees 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. Post-Retirement Mortality rates for teachers were based on RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Disability Mortality rates for general employees 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 for teachers were based on RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

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.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### *TARGET ALLOCATIONS (CONTINUED)*

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the following table.

| Asset Class                             | Target<br>Asset<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|-----------------------------------------|-------------------------------|----------------------------------------------|
| Domestic equity - large cap             | 25.50%                        | 4.10%                                        |
| Domestic equity - small/mid cap         | 14.25%                        | 4.55%                                        |
| International equity - developed market | 12.25%                        | 4.64%                                        |
| International equity - emerging market  | 6.50%                         | 5.45%                                        |
| Domestic fixed income                   | 23.25%                        | 1.05%                                        |
| International fixed income              | 5.00%                         | 0.96%                                        |
| Alternatives                            | 9.50%                         | 5.95%                                        |
| Real estate                             | 3.25%                         | 6.25%                                        |
| Cash and cash equivalents               | 0.50%                         | 0.00%                                        |
|                                         | <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 4.20%. 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 5.92% and municipal bond rate of 4.09% (based on the S&P Municipal Bond 20-Year High Grade Index (SAPIHG) as of June 30, 2022).

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2022**

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### NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### ***DISCOUNT RATE (CONTINUED)***

##### *Net OPEB Liability*

The components of the net OPEB liability, measured as of June 30, 2022, were as follows:

|                                                                         |                      |
|-------------------------------------------------------------------------|----------------------|
| Total OPEB liability                                                    | \$ 84,945,700        |
| Plan fiduciary net position                                             | <u>(477,001) *</u>   |
| Net OPEB Liability                                                      | <u>\$ 84,468,699</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.56%                |

\*May reflect certain rounding and immaterial classification difference from page 23.

#### ***CHANGES IN THE NET OPEB LIABILITY***

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

|                                                    | Increase (Decrease)            |                                          |                                    |
|----------------------------------------------------|--------------------------------|------------------------------------------|------------------------------------|
|                                                    | Total OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| Balances, Beginning of Year                        | \$ 97,303,955                  | \$ 509,319                               | \$ 96,794,636                      |
| Changes for the year:                              |                                |                                          |                                    |
| Service cost                                       | 3,707,815                      | --                                       | 3,707,815                          |
| Interest                                           | 2,489,875                      | --                                       | 2,489,875                          |
| Contributions - employer, and other systems        | --                             | 2,901,111                                | (2,901,111)                        |
| Net investment income (loss)                       | --                             | (82,318)                                 | 82,318                             |
| Changes in assumptions or other inputs             | (8,623,761)                    | --                                       | (8,623,761)                        |
| Differences between actual and expected experience | (7,081,073)                    | --                                       | (7,081,073)                        |
| Benefit payments                                   | <u>(2,851,111)</u>             | <u>(2,851,111)</u>                       | <u>--</u>                          |
| Net Changes                                        | <u>(12,358,255)</u>            | <u>(32,318)</u>                          | <u>(12,325,937)</u>                |
| Balances, End of Year                              | <u>\$ 84,945,700</u>           | <u>\$ 477,001</u>                        | <u>\$ 84,468,699</u>               |

Changes in assumptions or other inputs reflect a change in the discount rate from 2.50% in 2021 to 4.20% in 2022.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2022**

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### NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### ***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<br>(3.20%) | Discount Rate<br>(4.20%) | 1% Increase<br>(5.20%) |
|------------------------|--------------------------|------------------------|
| \$ 98,571,924          | \$ 84,468,699            | \$ 73,193,062          |

#### ***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<br>(7.0%) | Healthcare Cost<br>Trend Rates<br>(8.0%) | 1% Increase<br>(9.0%) |
|-----------------------|------------------------------------------|-----------------------|
| \$ 72,003,973         | \$ 84,468,699                            | \$ 100,390,014        |

#### ***OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB***

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$1,340,752. At June 30, 2022, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

|                                                                      | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|----------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                    | \$ --                                | \$ (8,370,489)                      |
| Change in assumptions                                                | 7,396,878                            | (7,511,419)                         |
| Net difference between projected and actual OPEB investment earnings | 57,319                               | --                                  |
|                                                                      | <u>\$ 7,454,197</u>                  | <u>\$ (15,881,908)</u>              |

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### *OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)*

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

#### Year Ended June 30:

|      |                       |
|------|-----------------------|
| 2023 | \$ (1,963,681)        |
| 2024 | (837,407)             |
| 2025 | (1,525,108)           |
| 2026 | (2,172,846)           |
| 2027 | <u>(1,928,669)</u>    |
|      | <u>\$ (8,427,711)</u> |

### NOTE 19 - EFFECT OF OPEB ACCRUAL ON SALARIES AND BENEFITS EXPENSE IN BUSINESS-TYPE ACTIVITIES

In fiscal year 2022, the Town's OPEB accrual reduced the salaries and benefits expense in the (business-type activities) Sewer Fund by approximately \$557,000. The OPEB accrual is primarily the result of changes in assumptions. The change in assumptions related to deferred inflows during fiscal year 2022 of \$(7,511,419) was mostly due to the change in discount rate assumption from 2.50% to 4.20%.

### NOTE 20 - COMMITMENTS AND CONTINGENCIES

#### *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.

# **TOWN OF LUDLOW, MASSACHUSETTS**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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### **NOTE 20 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

#### ***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 had \$809,481 in encumbrances that will be honored in the next fiscal year.

### **NOTE 21 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 14, 2023, which is the date the financial statements were available to be issued.

#### ***DEBT***

Subsequent to June 30, 2022, the Town rolled forward or incurred the following additional debt:

#### ***Bond Anticipation Refunding***

In September 2022, the Town rolled/issued a bond anticipation note totaling \$9,615,000, for school construction costs and radio equipment. The bond carries an interest rate of 3.75% and matures September 15, 2023.

### **NOTE 22 - NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 94, Public Private and Public-Public Partnerships (PPPs) and Availability Payment Agreements (APAs), effective with the Town's fiscal year ending June 30, 2023. The primary objective of this statement is to improve accounting and financial reporting of PPPs and APAs. PPP is an arrangement in which the Town contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time in an exchange or exchange-like transaction. APA is an arrangement in which the Town compensates an operator for services that may include designing, constructing, financing, maintaining, or operating and underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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### NOTE 22 - NEW PRONOUNCEMENTS (CONTINUED)

The Governmental Accounting Standards Board has also issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, effective with the Town's fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting of SBITAs for the Town as an end user. GASB 96 results in a right-to-use subscription intangible asset, which is primarily offset by a corresponding subscription liability for accrual basis funds, as well as government-wide financial statements, and requires new note disclosures.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 101, *Compensated Absences*, effective for the Town beginning with its fiscal year ending June 30, 2025. This statement establishes new reporting and disclosure requirements, including removing the requirement that compensated absences are only recognized as a liability when fully vested.

The Town has not evaluated the effect these statements will have on the financial statements.

# TOWN OF LUDLOW, MASSACHUSETTS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL – GENERAL FUND (Unaudited)

**FOR THE YEAR ENDED JUNE 30, 2022**

|                                                              | Budgeted Amounts   |                   |                     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------------------------------|--------------------|-------------------|---------------------|---------------------------------------------------------|
|                                                              | Original<br>Budget | Final<br>Budget   | Actual<br>Amounts   |                                                         |
| <b>Revenues</b>                                              |                    |                   |                     |                                                         |
| Property taxes                                               | \$ 46,412,105      | \$ 46,412,105     | \$ 46,622,874       | \$ 210,769                                              |
| Excises                                                      | 2,853,000          | 2,853,000         | 2,903,518           | 50,518                                                  |
| Penalties, interest, and other taxes                         | 2,129,000          | 2,129,000         | 2,113,023           | (15,977)                                                |
| Charges for services                                         | 2,915,054          | 2,915,054         | 3,392,022           | 476,968                                                 |
| Intergovernmental                                            | 17,572,179         | 17,572,179        | 17,743,797          | 171,618                                                 |
| Licenses and permits                                         | 475,000            | 475,000           | 779,716             | 304,716                                                 |
| Fines and forfeitures                                        | 55,000             | 55,000            | 33,357              | (21,643)                                                |
| Investment income                                            | 35,000             | 35,000            | 12,408              | (22,592)                                                |
| Miscellaneous                                                | --                 | --                | 136,245             | 136,245                                                 |
| <b>Total Revenues</b>                                        | <u>72,446,338</u>  | <u>72,446,338</u> | <u>73,736,960</u>   | <u>1,290,622</u>                                        |
| <b>Expenditures</b>                                          |                    |                   |                     |                                                         |
| General government                                           | 4,331,053          | 4,399,815         | 4,099,770           | 300,045                                                 |
| Public safety                                                | 9,194,885          | 9,594,680         | 9,408,917           | 185,763                                                 |
| Education                                                    | 34,944,443         | 34,026,021        | 33,801,013          | 225,008                                                 |
| Public works                                                 | 4,034,637          | 4,032,264         | 3,988,068           | 44,196                                                  |
| Health and human services                                    | 1,291,400          | 1,204,442         | 1,100,297           | 104,145                                                 |
| Culture and recreation                                       | 995,199            | 1,010,330         | 870,932             | 139,398                                                 |
| Employee benefits                                            | 15,863,090         | 15,615,960        | 14,631,387          | 984,573                                                 |
| Debt service                                                 | 2,501,586          | 2,397,053         | 2,343,222           | 53,831                                                  |
| Intergovernmental                                            | --                 | 968,240           | 1,000,352           | (32,112)                                                |
| <b>Total Expenditures</b>                                    | <u>73,156,293</u>  | <u>73,248,805</u> | <u>71,243,958</u>   | <u>2,004,847</u>                                        |
| <b>Excess (Deficiency) of Revenues<br/>over Expenditures</b> | <u>(709,955)</u>   | <u>(802,467)</u>  | <u>2,493,002</u>    | <u>3,295,469</u>                                        |
| <b>Other Financing Sources (Uses)</b>                        |                    |                   |                     |                                                         |
| Transfers in                                                 | 77,000             | 77,000            | 274,701             | 197,701                                                 |
| Transfers out                                                | (743,910)          | (854,533)         | (857,893)           | (3,360)                                                 |
| Use of free cash:                                            |                    |                   |                     |                                                         |
| Operating budget                                             | 100,000            | 100,000           | --                  | (100,000)                                               |
| Capital budget                                               | 617,419            | 820,554           | --                  | (820,554)                                               |
| Transfer to stabilization fund                               | 700,000            | 700,000           | --                  | (700,000)                                               |
| Other use - snow and ice deficit                             | (40,554)           | (40,554)          | (40,554)            | --                                                      |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>709,955</u>     | <u>802,467</u>    | <u>(623,746)</u>    | <u>(1,426,213)</u>                                      |
| <b>Overall Budgetary Excess</b>                              | <u>\$ --</u>       | <u>\$ --</u>      | <u>\$ 1,869,256</u> | <u>\$ 1,869,256</u>                                     |

*See independent auditors' report and notes to required supplementary information.*

# TOWN OF LUDLOW, MASSACHUSETTS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR GENERAL FUND BUDGET

FOR THE YEAR ENDED JUNE 30, 2022

### ***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 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.

|                                                                            | Revenues             | Expenditures         | Other<br>Financing<br>Sources (Uses) |
|----------------------------------------------------------------------------|----------------------|----------------------|--------------------------------------|
| GAAP Basis                                                                 | \$ 78,429,772        | \$ 75,593,489        | \$ 116,808                           |
| Remove stabilization funds investment income                               | 124,645              | --                   | --                                   |
| Reverse the effect of GAAP accruals                                        | --                   | 130,107              |                                      |
| Reverse beginning of year appropriation<br>carryforwards from expenditures | --                   | 1,246,381            | --                                   |
| Add end of year appropriation<br>carryforwards to expenditures             | --                   | (908,562)            | --                                   |
| Reverse the effect of non-budgeted<br>State contributions                  | (4,817,457)          | (4,817,457)          | --                                   |
| Recognize prior year snow and ice<br>deficit funded in the current year    | --                   | --                   | (40,554)                             |
| Reverse the adjustment eliminating<br>interfund transfers                  | --                   | --                   | (700,000)                            |
| Budgetary Basis                                                            | <u>\$ 73,736,960</u> | <u>\$ 71,243,958</u> | <u>\$ (623,746)</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 |                   |                                         |                                                  |                 |                                                                                     |  |                                                                       |  |  |
|-------------------------------------------|-------------------|-----------------------------------------|--------------------------------------------------|-----------------|-------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------|--|--|
| Fiscal Year                               | Measurement Date  | Proportion of the Net Pension Liability | Proportionate Share of the Net Pension Liability | Covered Payroll | Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll |  | Plan Fiduciary Net Position Percentage of the Total Pension Liability |  |  |
| June 30, 2022                             | December 31, 2021 | 13.66%                                  | \$ 47,505                                        | \$ 17,162       | 276.80%                                                                             |  | 60.81%                                                                |  |  |
| June 30, 2021                             | December 31, 2020 | 13.38%                                  | \$ 52,479                                        | \$ 16,755       | 313.21%                                                                             |  | 53.80%                                                                |  |  |
| 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 |                  |                                         |                                                  |                                                                                                                |                                                      |                 |                                                                                     |  |                                                                       |
|-------------------------------------------|------------------|-----------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------|-------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------|
| Fiscal Year                               | Measurement Date | Proportion of the Net Pension Liability | Proportionate Share of the Net Pension Liability | Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town | Total Net Pension Liability Associated with the Town | Covered Payroll | Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll |  | Plan Fiduciary Net Position Percentage of the Total Pension Liability |
| June 30, 2022                             | June 30, 2021    | 0.2755%                                 | \$ --                                            | \$ 62,562                                                                                                      | \$ 62,562                                            | \$ 21,369       | -                                                                                   |  | 62.03%                                                                |
| June 30, 2021                             | June 30, 2020    | 0.2803%                                 | \$ --                                            | \$ 80,021                                                                                                      | \$ 80,021                                            | \$ 21,240       | -                                                                                   |  | 50.67%                                                                |
| 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%                                                                |

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

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

*See independent auditors' report.*

# TOWN OF LUDLOW, MASSACHUSETTS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS

(Unaudited)

(Amounts expressed in thousands)

| <b>Hampden County Regional Retirement System</b> |                   |                                     |                                                                      |                                  |                 |                                                  |
|--------------------------------------------------|-------------------|-------------------------------------|----------------------------------------------------------------------|----------------------------------|-----------------|--------------------------------------------------|
| Fiscal Year                                      | Measurement Date  | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
| June 30, 2022                                    | December 31, 2021 | \$ 5,004                            | \$ 5,004                                                             | \$ --                            | \$ 17,162       | 29.16%                                           |
| June 30, 2021                                    | December 31, 2020 | \$ 4,538                            | \$ 4,538                                                             | \$ --                            | \$ 16,755       | 27.08%                                           |
| 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%                                           |

  

| <b>Massachusetts Teachers' Retirement System</b> |                  |                                                              |                                                                      |                                  |                 |                                                  |
|--------------------------------------------------|------------------|--------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------|-----------------|--------------------------------------------------|
| Fiscal Year                                      | Measurement Date | Actuarially Determined Contribution Provided by Commonwealth | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
| June 30, 2022                                    | June 30, 2021    | \$ 4,817                                                     | \$ 4,817                                                             | \$ --                            | \$ 21,369       | 22.54%                                           |
| June 30, 2021                                    | June 30, 2020    | \$ 4,355                                                     | \$ 4,355                                                             | \$ --                            | \$ 21,240       | 20.50%                                           |
| 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%                                           |

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

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

***See independent auditors' report.***

# TOWN OF LUDLOW, MASSACHUSETTS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

(Unaudited)

(Amounts expressed in thousands)

|                                                             | 2022             | 2021             | 2020             | 2019             | 2018             | 2017             |
|-------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total OPEB Liability</b>                                 |                  |                  |                  |                  |                  |                  |
| Service cost                                                | \$ 3,708         | \$ 3,366         | \$ 3,258         | \$ 3,172         | \$ 2,504         | \$ 3,407         |
| Interest                                                    | 2,490            | 2,540            | 2,558            | 2,774            | 3,599            | 3,020            |
| Differences between expected and actual experience          | (7,081)          | --               | (1,930)          | --               | (20,956)         | --               |
| Changes of assumptions                                      | (8,624)          | 3,775            | 5,826            | 7,903            | (5,286)          | --               |
| Benefit payments, including refunds of member contributions | <u>(2,851)</u>   | <u>(2,729)</u>   | <u>(2,712)</u>   | <u>(2,563)</u>   | <u>(2,520)</u>   | <u>(2,684)</u>   |
| <b>Net change in total OPEB liability</b>                   | (12,358)         | 6,952            | 7,000            | 11,286           | (22,659)         | 3,743            |
| <b>Total OPEB liability - beginning</b>                     | <u>97,304</u>    | <u>90,352</u>    | <u>83,352</u>    | <u>72,066</u>    | <u>94,725</u>    | <u>90,982</u>    |
| <b>Total OPEB liability - ending (a)</b>                    | <u>84,946</u>    | <u>97,304</u>    | <u>90,352</u>    | <u>83,352</u>    | <u>72,066</u>    | <u>94,725</u>    |
| <b>Plan Fiduciary Net Position</b>                          |                  |                  |                  |                  |                  |                  |
| Contributions - employer                                    | 2,901            | 2,779            | 2,762            | 2,613            | 2,570            | 2,734            |
| Net investment income (loss)                                | (82)             | 90               | 8                | 15               | 10               | 13               |
| Benefit payments, including refunds of member contributions | <u>(2,851)</u>   | <u>(2,729)</u>   | <u>(2,712)</u>   | <u>(2,563)</u>   | <u>(2,520)</u>   | <u>(2,684)</u>   |
| <b>Net change in plan fiduciary net position</b>            | (32)             | 140              | 58               | 65               | 60               | 63               |
| <b>Plan fiduciary net position - beginning</b>              | <u>509</u>       | <u>369</u>       | <u>311</u>       | <u>246</u>       | <u>186</u>       | <u>123</u>       |
| <b>Plan fiduciary net position - ending (b)</b>             | <u>477</u>       | <u>509</u>       | <u>369</u>       | <u>311</u>       | <u>246</u>       | <u>186</u>       |
| <b>Net OPEB liability (asset) - ending (a-b)</b>            | <u>\$ 84,469</u> | <u>\$ 96,795</u> | <u>\$ 89,983</u> | <u>\$ 83,041</u> | <u>\$ 71,820</u> | <u>\$ 94,539</u> |

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

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

***See independent auditors' report.***

# TOWN OF LUDLOW, MASSACHUSETTS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS

*(Unaudited)*

*(Amounts expressed in thousands)*

| Schedule of Net OPEB Liability                                          | 2022             | 2021             | 2020             | 2019             | 2018             | 2017             |
|-------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total OPEB liability                                                    | \$ 84,946        | \$ 97,304        | \$ 90,352        | \$ 83,352        | \$ 72,066        | \$ 94,725        |
| Plan fiduciary net position                                             | <u>(477)</u>     | <u>(509)</u>     | <u>(369)</u>     | <u>(311)</u>     | <u>(246)</u>     | <u>(186)</u>     |
| Net OPEB liability (asset)                                              | <u>\$ 84,469</u> | <u>\$ 96,795</u> | <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 | 0.56%            | 0.52%            | 0.41%            | 0.37%            | 0.34%            | 0.20%            |
| Schedule of Contributions                                               | 2022             | 2021             | 2020             | 2019             | 2018             | 2017             |
| Actuarially determined contribution                                     | \$ 7,022         | \$ 6,370         | \$ 6,153         | \$ 7,285         | \$ 6,387         | \$ 8,043         |
| Contributions in relation to the actuarially determined contribution    | <u>(2,901)</u>   | <u>(2,779)</u>   | <u>(2,762)</u>   | <u>(2,613)</u>   | <u>(2,570)</u>   | <u>(2,734)</u>   |
| Contribution deficiency                                                 | <u>\$ 4,121</u>  | <u>\$ 3,591</u>  | <u>\$ 3,391</u>  | <u>\$ 4,672</u>  | <u>\$ 3,817</u>  | <u>\$ 5,309</u>  |
| Schedule of Investment Returns                                          | 2022             | 2021             | 2020             | 2019             | 2018             | 2017             |
| Annual money weighted rate of return, net of investment expense         | (15.15%)         | 23.45%           | 2.40%            | 5.30%            | 4.85%            | 8.85%            |

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

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

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

To the Board of Selectmen  
**Town of Ludlow, Massachusetts**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ludlow, Massachusetts (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 14, 2023.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Marcum LLP*

Greenfield, MA  
December 14, 2023