



TOWN OF WESTFORD, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Westford, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

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opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope



of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson

Andover, Massachusetts
November 23, 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Westford, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Proprietary Funds

Proprietary 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 establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on 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 water, recreation, which are considered to be a major funds, and ambulance, which is considered to be a nonmajor fund.

Fiduciary Funds

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

Notes to Financial Statements

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

Required/Other Supplementary Information (Other Than MD&A)

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$102,889,243, a change of \$(7,669,612), and net position in business-type activities was \$40,306,255, a change of \$1,847,323.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$34,966,436, a change of \$7,416,172 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,462,878, a change of \$209,073 in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 44,038	\$ 45,935	\$ 9,826	\$ 9,657	\$ 53,864	\$ 55,592
Capital assets	<u>231,221</u>	<u>239,009</u>	<u>43,671</u>	<u>44,391</u>	<u>274,892</u>	<u>283,400</u>
Total assets	275,259	284,944	53,497	54,048	328,756	338,992
Deferred outflow of resources	16,545	16,212	293	373	16,838	16,585
Current liabilities	12,228	22,997	4,721	6,944	16,949	29,941
Noncurrent liabilities	<u>168,042</u>	<u>166,648</u>	<u>8,629</u>	<u>8,991</u>	<u>176,671</u>	<u>175,639</u>
Total liabilities	180,270	189,645	13,350	15,935	193,620	205,580
Deferred inflows of resources	8,645	952	134	27	8,779	979
Net investment in capital assets	192,680	195,881	33,107	32,008	225,787	227,889
Restricted	15,775	15,481	-	-	15,775	15,481
Unrestricted	<u>(105,566)</u>	<u>(100,803)</u>	<u>7,199</u>	<u>6,451</u>	<u>(98,367)</u>	<u>(94,352)</u>
Total net position	<u>\$ 102,889</u>	<u>\$ 110,559</u>	<u>\$ 40,306</u>	<u>\$ 38,459</u>	<u>\$ 143,195</u>	<u>\$ 149,018</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$143,195,498, a change of \$(5,822,289) in comparison to the prior year.

The largest portion of net position \$225,787,788 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens;

consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$15,774,936, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(98,367,226) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 5,418	\$ 7,293	\$ 6,049	\$ 6,717	\$ 11,467	\$ 14,010
Operating grants and contributions	42,014	37,453	18	-	42,032	37,453
Capital grants and contributions	941	1,593	1,812	-	2,753	1,593
General revenues:						
Property taxes	83,551	79,650	-	-	83,551	79,650
Excises	4,832	5,152	-	-	4,832	5,152
Penalties and interest on taxes	391	394	-	-	391	394
Grants and contributions not restricted to specific programs	2,323	2,352	-	-	2,323	2,352
Investment income	588	1,025	42	58	630	1,083
Other	1,035	2,021	115	443	1,150	2,464
Total revenues	141,093	136,933	8,036	7,218	149,129	144,151
Expenses:						
General government	11,696	9,106	-	-	11,696	9,106
Public safety	23,192	20,727	-	-	23,192	20,727
Education	88,926	83,939	-	-	88,926	83,939
Public works	15,367	13,023	-	-	15,367	13,023
Health and human services	2,739	2,632	-	-	2,739	2,632
Culture and recreation	4,138	4,046	-	-	4,138	4,046
Interest on long-term debt	1,392	1,688	-	-	1,392	1,688
Intergovernmental	567	637	-	-	567	637
Miscellaneous	139	310	-	-	139	310
Water services	-	-	4,407	3,240	4,407	3,240
Recreation	-	-	1,083	1,087	1,083	1,087
Nonmajor enterprise funds	-	-	1,306	1,462	1,306	1,462
Total expenses	148,156	136,108	6,796	5,789	154,952	141,897

(continued)

(continued)

Change in net position before transfers	(7,063)	825	1,240	1,429	(5,823)	2,254
Transfers in (out)	<u>(607)</u>	<u>(916)</u>	<u>607</u>	<u>916</u>	<u>-</u>	<u>-</u>
Change in net position	(7,670)	(91)	1,847	2,345	(5,823)	2,254
Net position - beginning of year	<u>110,559</u>	<u>110,650</u>	<u>38,459</u>	<u>36,114</u>	<u>149,018</u>	<u>146,764</u>
Net position - end of year	<u>\$ 102,889</u>	<u>\$ 110,559</u>	<u>\$ 40,306</u>	<u>\$ 38,459</u>	<u>\$ 143,195</u>	<u>\$ 149,018</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(7,669,612). Key elements of this change are as follows:

Depreciation expense in excess of principal debt service	\$ (3,315,643)
Change in net pension liability and related deferred outflows and inflows of resources	(3,948,997)
Change in net OPEB liability and related deferred outflows and inflows of resources	(894,555)
Other	<u>489,583</u>
Total	<u>\$ (7,669,612)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$1,847,323. Key elements of this change are as follows:

Water enterprise - Mostly capital contributions	\$ 1,960,971
Recreation - Fund experienced a substantial decrease in revenues due to COVID-19	(185,597)
Nonmajor enterprise	<u>71,949</u>
Total	<u>\$ 1,847,323</u>

Financial Analysis of Funds

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

Governmental Funds

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$34,966,436, a change of \$7,416,712 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (1,175,119)
Community preservation act fund	(356,340)
MSBA Abbot roof fund	930,983
Nonmajor funds - Current year bond proceeds financed costs incurred in prior years	<u>8,016,648</u>
Total	<u>\$ 7,416,172</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,462,878, while total fund balance was \$21,183,141. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	% of General Fund Expenditures**
Unassigned fund balance*	\$ 11,462,878	\$ 11,253,805	\$ 209,073	10.4%
Total fund balance	\$ 21,183,141	\$ 22,358,260	\$ (1,175,119)	19.1%

*These figures include the general stabilization fund.

**Expenditure Amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$8,049,770.

The unassigned fund balance was essentially unchanged during fiscal year 2020 as the "free cash" we used was replenished by revenue and expenditure budget results and the increase in our tax collections under GAAP (60-day window). The total fund balance of the general fund changed by \$(1,175,119) during the current fiscal year. Key factors in this change are as follows:

Revenue less than budget	\$ (442,223)
Expenditures less than budget	1,646,296
Increase in tax collections recognized under GAAP (not budgeted)	719,995
Use of free cash	(1,806,685)
Use of overlay surplus	(83,500)
Use of restricted fund balance	(1,453,130)
Change in stabilization fund	195,303
Other	<u>48,825</u>
Total	<u>\$ (1,175,119)</u>

Included in the total general fund balance are the Town’s stabilization accounts with the following balances:

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization	\$ 5,724,260	\$ 5,561,932	\$ 162,328
Health stabilization	692,217	672,587	19,630
Capital stabilization	<u>470,567</u>	<u>457,222</u>	<u>13,345</u>
Total	<u>\$ 6,887,044</u>	<u>\$ 6,691,741</u>	<u>\$ 195,303</u>

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 \$7,198,870, a change of \$747,526 in comparison to the prior year.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$1,984,029, primarily funded with use of free cash. Major reasons for these amendments include:

- \$1,842,695 for capital appropriations.
- \$55,000 for perchlorate expenses.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$274,891,732 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

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

- \$710,434 for various buildings and building improvements.
- \$563,072 for various machinery and equipment.
- \$2,472,759 for various infrastructure.
- \$1,474,749 of construction in progress for various projects.
- \$(11,198,229) of depreciation expense.

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding including unamortized premiums was \$49,312,208, all of which was backed by the full faith and credit of the Town.

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

Requests for Information

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

Town of Westford, Massachusetts
55 Main Street
Westford, Massachusetts 01886

TOWN OF WESTFORD, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 19,853,472	\$ 7,733,991	\$ 27,587,463
Investments	20,969,432	-	20,969,432
Receivables, net of allowance for uncollectibles:			
Property taxes	1,869,213	-	1,869,213
Excises	428,076	-	428,076
User fees	-	1,311,448	1,311,448
Departmental and other	<u>281,707</u>	<u>53,115</u>	<u>334,822</u>
Total Current Assets	43,401,900	9,098,554	52,500,454
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	637,268	-	637,268
Departmental and other	-	727,111	727,111
Capital assets			
Land and construction in progress	40,179,190	5,501,362	45,680,552
Other capital assets, net of accumulated depreciation	<u>191,041,552</u>	<u>38,169,628</u>	<u>229,211,180</u>
Total Noncurrent Assets	<u>231,858,010</u>	<u>44,398,101</u>	<u>276,256,111</u>
Total Assets	275,259,910	53,496,655	328,756,565
Deferred Outflows of Resources			
Related to pensions	7,473,855	225,594	7,699,449
Related to OPEB	<u>9,070,961</u>	<u>67,625</u>	<u>9,138,586</u>
Total Deferred Outflows of Resources	16,544,816	293,219	16,838,035
Liabilities			
Current:			
Warrants payable	2,130,433	146,763	2,277,196
Accrued liabilities	545,099	73,564	618,663
Notes payable	3,204,000	3,227,000	6,431,000
Other current liabilities	1,171,437	-	1,171,437
Current portion of long-term liabilities:			
Bonds and loans payable	5,077,968	1,263,191	6,341,159
Compensated absences	<u>98,832</u>	<u>10,482</u>	<u>109,314</u>
Total Current Liabilities	12,227,769	4,721,000	16,948,769
Noncurrent:			
Bonds and loans payable, net of current portion	36,821,706	6,149,343	42,971,049
Net pension liability	57,746,788	1,743,053	59,489,841
Net OPEB liability	71,596,167	537,287	72,133,454
Compensated absences	<u>1,877,808</u>	<u>199,171</u>	<u>2,076,979</u>
Total Noncurrent Liabilities	<u>168,042,469</u>	<u>8,628,854</u>	<u>176,671,323</u>
Total Liabilities	180,270,238	13,349,854	193,620,092
Deferred Inflows of Resources			
Related to pensions	3,049,505	92,048	3,141,553
Related to OPEB	<u>5,595,740</u>	<u>41,717</u>	<u>5,637,457</u>
Total Deferred Inflows of Resources	8,645,245	133,765	8,779,010
Net Position			
Net investment in capital assets	192,680,403	33,107,385	225,787,788
Restricted for:			
Grants and other statutory restrictions	13,589,838	-	13,589,838
Permanent funds:			
Nonexpendable	760,142	-	760,142
Expendable	1,424,956	-	1,424,956
Unrestricted	<u>(105,566,096)</u>	<u>7,198,870</u>	<u>(98,367,226)</u>
Total Net Position	<u>\$ 102,889,243</u>	<u>\$ 40,306,255</u>	<u>\$ 143,195,498</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 11,696,119	\$ 506,781	\$ 560,649	\$ -	\$ (10,628,689)	\$ -	\$ (10,628,689)
Public safety	23,192,326	884,638	88,091	-	(22,219,597)	-	(22,219,597)
Education	88,925,682	3,607,878	39,529,318	928,924	(44,859,562)	-	(44,859,562)
Public works	15,366,899	89,734	1,520,652	11,700	(13,744,813)	-	(13,744,813)
Health and human services	2,739,332	299,178	252,497	-	(2,187,657)	-	(2,187,657)
Culture and recreation	4,137,956	29,721	62,994	-	(4,045,241)	-	(4,045,241)
Interest on long-term debt	1,392,369	-	-	-	(1,392,369)	-	(1,392,369)
Intergovernmental	566,942	-	-	-	(566,942)	-	(566,942)
Miscellaneous	140,037	-	-	-	(140,037)	-	(140,037)
Total Governmental Activities	148,157,662	5,417,930	42,014,201	940,624	(99,784,907)	-	(99,784,907)
Business-Type Activities:							
Water services	4,406,669	4,370,360	-	1,812,363	-	1,776,054	1,776,054
Recreation	1,082,806	848,815	-	-	-	(233,991)	(233,991)
Nonmajor enterprise funds	1,306,375	829,534	18,270	-	-	(458,571)	(458,571)
Total Business-Type Activities	6,795,850	6,048,709	18,270	1,812,363	-	1,083,492	1,083,492
Total	\$ <u>154,953,512</u>	\$ <u>11,466,639</u>	\$ <u>42,032,471</u>	\$ <u>2,752,987</u>	(99,784,907)	1,083,492	(98,701,415)
General Revenues and Transfers							
Property taxes					83,551,045	-	83,551,045
Excises					4,831,719	-	4,831,719
Penalties, interest and other taxes					391,308	-	391,308
Grants and contributions not restricted to specific programs					2,322,588	-	2,322,588
Investment income					587,875	41,901	629,776
Other					1,037,927	114,763	1,152,690
Transfers (net)					(607,167)	607,167	-
Total general revenues and transfers					92,115,295	763,831	92,879,126
Change in Net Position					(7,669,612)	1,847,323	(5,822,289)
Net Position							
Beginning of year					110,558,855	38,458,932	149,017,787
End of year					\$ <u>102,889,243</u>	\$ <u>40,306,255</u>	\$ <u>143,195,498</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Community Preservation Act Fund	MSBA Abbot Roof	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 11,364,538	\$ 315,955	\$ 1,078,960	\$ 7,094,019	\$ 19,853,472
Investments	12,370,339	6,566,589	-	2,032,504	20,969,432
Receivables:					
Property taxes	2,710,345	58,432	-	-	2,768,777
Excises	480,954	-	-	-	480,954
Departmental and other	<u>41,587</u>	<u>-</u>	<u>-</u>	<u>240,120</u>	<u>281,707</u>
Total Assets	<u>\$ 26,967,763</u>	<u>\$ 6,940,976</u>	<u>\$ 1,078,960</u>	<u>\$ 9,366,643</u>	<u>\$ 44,354,342</u>
Liabilities					
Warrants payable	\$ 1,809,867	\$ -	\$ 8,270	\$ 312,297	\$ 2,130,434
Accrued liabilities	524,813	653	-	19,632	545,098
Notes payable	-	-	2,291,000	913,000	3,204,000
Other liabilities	<u>1,171,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,171,436</u>
Total Liabilities	3,506,116	653	2,299,270	1,244,929	7,050,968
Deferred Inflows of Resources					
Unavailable revenues	2,278,506	58,432	-	-	2,336,938
Fund Balances					
Nonspendable	-	-	-	760,142	760,142
Restricted	4,735,270	-	-	8,417,563	13,152,833
Committed	4,368,956	6,881,891	-	-	11,250,847
Assigned	616,037	-	-	-	616,037
Unassigned	<u>11,462,878</u>	<u>-</u>	<u>(1,220,310)</u>	<u>(1,055,991)</u>	<u>9,186,577</u>
Total Fund Balances	<u>21,183,141</u>	<u>6,881,891</u>	<u>(1,220,310)</u>	<u>8,121,714</u>	<u>34,966,436</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,967,763</u>	<u>\$ 6,940,976</u>	<u>\$ 1,078,960</u>	<u>\$ 9,366,643</u>	<u>\$ 44,354,342</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

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

Total governmental fund balances	\$ 34,966,436
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	231,220,742
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,006,593
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(173,219,269)
Deferred outflows and (inflows) of resources related to Pensions to be recognized in pension expense in future periods.	4,424,350
Deferred outflows and (inflows) of resources related to OPEB to be recognized in OPEB expense in future periods.	3,475,221
Other	<u>15,170</u>
Net position of governmental activities	\$ <u><u>102,889,243</u></u>

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

TOWN OF WESTFORD, MASSACHUSETTS

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

	General Fund	Community Preservation Act Fund	MSBA Abbot Roof	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 81,603,187	\$ 1,965,219	\$ -	\$ -	\$ 83,568,406
Excises	4,681,082	-	-	-	4,681,082
Penalties, interest and other taxes	339,630	5,406	-	-	345,036
Betterments	7,560	-	-	-	7,560
Charges for services	328,217	-	-	4,039,026	4,367,243
Intergovernmental	29,163,715	500,852	928,924	5,715,993	36,309,484
Licenses and permits	999,996	-	-	-	999,996
Fines and forfeitures	51,690	-	-	-	51,690
Investment income	358,913	157,458	-	71,504	587,875
Miscellaneous	557,221	-	9,000	303,665	869,886
	<u>118,091,211</u>	<u>2,628,935</u>	<u>937,924</u>	<u>10,130,188</u>	<u>131,788,258</u>
Expenditures					
General government	5,047,041	2,044,770	-	714,714	7,806,525
Public safety	10,220,477	-	-	317,720	10,538,197
Education	68,983,177	-	8,269	7,331,932	76,323,378
Public works	6,020,589	-	-	2,372,783	8,393,372
Health and human services	1,078,864	-	-	381,035	1,459,899
Culture and recreation	1,942,303	-	-	176,528	2,118,831
Employee benefits	17,566,062	-	-	-	17,566,062
Debt service			-		
Principal	5,843,164	324,655	-	-	6,167,819
Interest	1,530,706	425,850	-	11,057	1,967,613
Intergovernmental	566,942	-	-	-	566,942
	<u>118,799,325</u>	<u>2,795,275</u>	<u>8,269</u>	<u>11,305,769</u>	<u>132,908,638</u>
Excess (deficiency) of revenues over expenditures	(708,114)	(166,340)	929,655	(1,175,581)	(1,120,380)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	8,945,000	8,945,000
Bond premiums	-	-	-	338,756	338,756
Bond issue costs	(2,000)	-	-	(138,037)	(140,037)
Transfers in	260,065	-	1,328	282,034	543,427
Transfers out	(725,070)	(190,000)	-	(235,524)	(1,150,594)
	<u>(467,005)</u>	<u>(190,000)</u>	<u>1,328</u>	<u>9,192,229</u>	<u>8,536,552</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,175,119)	(356,340)	930,983	8,016,648	7,416,172
Fund Balance, at Beginning of Year, as reclassified	<u>22,358,260</u>	<u>7,238,231</u>	<u>(2,151,293)</u>	<u>105,066</u>	<u>27,550,264</u>
Fund Balance, at End of Year	<u>\$ 21,183,141</u>	<u>\$ 6,881,891</u>	<u>\$ (1,220,310)</u>	<u>\$ 8,121,714</u>	<u>\$ 34,966,436</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

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

Net changes in fund balances - total governmental funds \$ 7,416,172

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	1,795,902
Depreciation	(9,584,657)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of debt	(8,945,000)
Repayments of debt	6,269,014
Other	(202,647)

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.

249,736

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in pension expense from GASB 68	(3,948,997)
Change in OPEB expense from GASB 75	(894,555)
Other	474,049

Other differences	<u>(298,629)</u>
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Change in net position of governmental activities \$ (7,669,612)

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

TOWN OF WESTFORD, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

	Business-Type Activities			Total
	Enterprise Fund			
	Water Fund	Recreation Fund	Nonmajor Enterprise Funds	
Assets				
Current:				
Cash and short-term investments	\$ 6,964,862	\$ 182,207	\$ 586,922	\$ 7,733,991
Receivables, net of allowance for uncollectibles				
User fees	871,274	-	440,174	1,311,448
Betterments	53,115	-	-	53,115
Total Current Assets	<u>7,889,251</u>	<u>182,207</u>	<u>1,027,096</u>	<u>9,098,554</u>
Noncurrent:				
Receivables, net of allowance for uncollectibles				
Betterments	727,111	-	-	727,111
Capital Assets:				
Land and construction in progress	5,226,615	274,747	-	5,501,362
Other capital assets, net of accumulated depreciation	37,352,494	216,188	600,946	38,169,628
Total Noncurrent Assets	<u>43,306,220</u>	<u>490,935</u>	<u>600,946</u>	<u>44,398,101</u>
Total Assets	51,195,471	673,142	1,628,042	53,496,655
Deferred Outflows of Resources				
Related to pensions	113,952	88,544	23,098	225,594
Related to OPEB	17,363	43,865	6,397	67,625
Total Deferred Outflows of Resources	<u>131,315</u>	<u>132,409</u>	<u>29,495</u>	<u>293,219</u>
Liabilities				
Current:				
Warrants payable	124,980	4,078	17,705	146,763
Accrued liabilities	29,499	21,675	22,390	73,564
Notes payable	3,227,000	-	-	3,227,000
Current portion of long-term liabilities:				
Bonds payable	1,263,191	-	-	1,263,191
Compensated absences	6,759	1,689	2,034	10,482
Total Current Liabilities	<u>4,651,429</u>	<u>27,442</u>	<u>42,129</u>	<u>4,721,000</u>
Noncurrent:				
Bonds payable, net of current portion	6,149,343	-	-	6,149,343
Net pension liability	880,450	684,133	178,470	1,743,053
Net OPEB liability	137,894	348,759	50,634	537,287
Compensated absences	128,427	32,098	38,646	199,171
Total Noncurrent Liabilities	<u>7,296,114</u>	<u>1,064,990</u>	<u>267,750</u>	<u>8,628,854</u>
Total Liabilities	11,947,543	1,092,432	309,879	13,349,854
Deferred Inflows of Resources				
Related to pensions	46,495	36,128	9,425	92,048
Related to OPEB	10,711	27,060	3,946	41,717
Total Deferred Inflows of Resources	<u>57,206</u>	<u>63,188</u>	<u>13,371</u>	<u>133,765</u>
Net Position				
Net investment in capital assets	32,015,504	490,935	600,946	33,107,385
Unrestricted	7,306,533	(841,004)	733,341	7,198,870
Total Net Position	<u>\$ 39,322,037</u>	<u>\$ (350,069)</u>	<u>\$ 1,334,287</u>	<u>\$ 40,306,255</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2020

	Business-Type Activities			Total
	Enterprise Fund			
	Water Fund	Recreation Fund	Nonmajor Enterprise Funds	
Operating Revenues				
Charges for services	\$ 4,370,360	\$ 848,815	\$ 829,534	\$ 6,048,709
Other	<u>114,763</u>	<u>-</u>	<u>-</u>	<u>114,763</u>
Total Operating Revenues	4,485,123	848,815	829,534	6,163,472
Operating Expenses				
Salaries and benefits	1,134,522	846,293	596,925	2,577,740
Other operating expenses	1,585,914	218,189	606,540	2,410,643
Depreciation	<u>1,492,338</u>	<u>18,324</u>	<u>102,910</u>	<u>1,613,572</u>
Total Operating Expenses	<u>4,212,774</u>	<u>1,082,806</u>	<u>1,306,375</u>	<u>6,601,955</u>
Operating Income (Loss)	272,349	(233,991)	(476,841)	(438,483)
Nonoperating Revenues (Expenses)				
Intergovernmental revenue	-	-	18,270	18,270
Investment income	35,726	2,456	3,719	41,901
Interest expense	(161,240)	-	-	(161,240)
Bond issue costs	<u>(32,655)</u>	<u>-</u>	<u>-</u>	<u>(32,655)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(158,169)</u>	<u>2,456</u>	<u>21,989</u>	<u>(133,724)</u>
Income (Loss) Before Transfers and Capital Contributions	114,180	(231,535)	(454,852)	(572,207)
Capital Contributions	1,812,363	-	-	1,812,363
Transfers in	76,711	45,938	526,801	649,450
Transfers out	<u>(42,283)</u>	<u>-</u>	<u>-</u>	<u>(42,283)</u>
Change in Net Position	1,960,971	(185,597)	71,949	1,847,323
Net Position at Beginning of Year, as reclassified	<u>37,361,066</u>	<u>(164,472)</u>	<u>1,262,338</u>	<u>38,458,932</u>
Net Position at End of Year	<u>\$ 39,322,037</u>	<u>\$ (350,069)</u>	<u>\$ 1,334,287</u>	<u>\$ 40,306,255</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

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

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Recreation Fund	Nonmajor Enterprise Funds	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 4,544,014	\$ 848,815	\$ 978,618	\$ 6,371,447
Payments to employees	(1,180,821)	(916,120)	(758,647)	(2,855,588)
Payments to vendors	<u>(1,955,563)</u>	<u>(241,199)</u>	<u>(591,397)</u>	<u>(2,788,159)</u>
Net Cash Provided By (Used For) Operating Activities	1,407,630	(308,504)	(371,426)	727,700
Cash Flows From Capital and Related Financing Activities				
Capital contributions	1,032,137	-	-	1,032,137
Acquisition, construction, and disposition of capital assets	(893,811)	-	-	(893,811)
Issuance of bonds	1,325,000	-	-	1,325,000
Issuance of notes	4,727,000	-	-	4,727,000
Issuance of bond premium	77,596	-	-	77,596
Payments on bond	(1,171,558)	-	-	(1,171,558)
Payments on notes	(6,700,000)	-	-	(6,700,000)
Interest expense	(161,239)	-	-	(161,239)
Intergovernmental revenue	-	-	18,270	18,270
Other	<u>(34,320)</u>	<u>-</u>	<u>-</u>	<u>(34,320)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,799,195)	-	18,270	(1,780,925)
Cash Flows From Noncapital Financing Activities				
Transfers in	76,711	45,938	526,801	649,450
Transfers out	<u>(42,283)</u>	<u>-</u>	<u>-</u>	<u>(42,283)</u>
Net Cash Provided By Noncapital Financing Activities	34,428	45,938	526,801	607,167
Cash Flows From Investing Activities				
Investment income	<u>35,725</u>	<u>2,456</u>	<u>3,718</u>	<u>41,899</u>
Net Cash Provided By Investing Activities	<u>35,725</u>	<u>2,456</u>	<u>3,718</u>	<u>41,899</u>
Net Change in Cash and Short-Term Investments	(321,412)	(260,110)	177,363	(404,159)
Cash and Short-Term Investments, Beginning of Year	<u>7,286,274</u>	<u>442,317</u>	<u>409,559</u>	<u>8,138,150</u>
Cash and Short-Term Investments, End of Year	<u>\$ 6,964,862</u>	<u>\$ 182,207</u>	<u>\$ 586,922</u>	<u>\$ 7,733,991</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities				
Operating income (loss)	\$ 272,349	\$ (233,991)	\$ (476,841)	\$ (438,483)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	1,492,338	18,324	102,910	1,613,572
Changes in assets, liabilities, and deferred outflows/inflows:				
Receivables	58,891	-	149,083	207,974
Deferred outflows - related to pensions	25,401	19,737	5,149	50,287
Deferred outflows - related to OPEB	7,010	4,164	17,976	29,150
Warrants payable	(334,251)	(9,985)	15,143	(329,093)
Accrued liabilities	(35,399)	(13,025)	-	(48,424)
Compensated absences	(8,819)	10,386	8,915	10,482
Net pension liability	1,682	1,306	341	3,329
Net OPEB liability	(115,307)	(158,014)	(204,658)	(477,979)
Deferred inflows - related to pensions	33,130	25,743	6,716	65,589
Deferred inflows - related to OPEB	<u>10,605</u>	<u>26,851</u>	<u>3,840</u>	<u>41,296</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,407,630</u>	<u>\$ (308,504)</u>	<u>\$ (371,426)</u>	<u>\$ 727,700</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and short-term investments	\$ 75,403	\$ 997,795
Investments:		
Corporate bonds	441,427	-
Corporate equities	5,140,561	-
Equity mutual funds	335,621	-
Fixed income mutual funds	898,448	-
Federal agency securities	<u>235,577</u>	<u>-</u>
Total Investments	<u>7,051,634</u>	<u>-</u>
Total Assets	7,127,037	997,795
Liabilities		
Warrants payable	-	802
Accrued liabilities	-	12,493
Other liabilities	<u>-</u>	<u>984,500</u>
Total Liabilities	<u>-</u>	<u>\$ 997,795</u>
Net Position		
Restricted for OPEB purposes	<u>7,127,037</u>	
Total Net Position	<u>\$ 7,127,037</u>	

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

TOWN OF WESTFORD, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>OPEB Trust Fund</u>
Additions	
Employer contributions	\$ 4,006,597
Interest income	<u>119,545</u>
Total additions	4,126,142
Deductions	
Benefit payments to plan members and beneficiaries	<u>2,984,157</u>
Total deductions	<u>2,984,157</u>
Net increase	1,141,985
Net position restricted OPEB purposes	
Beginning of year	<u>5,985,052</u>
End of year	<u>\$ 7,127,037</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government'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 *community preservation fund* accounts for funds used for the acquisition, creation, and preservation of open space historic resources, and community housing.
- The *MSBA Abbot roof fund* accounts for funds used for the replacement of the Abbott Elementary School roof.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- Water Fund
- Recreation Fund

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

The Town reports the following fiduciary funds:

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

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, and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities

issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$30,531.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$50,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

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, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Deficit Fund Equity

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

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

3. Deposits and Investments

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government

obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having 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 79, Certain External Investment Pools and Pool Participants, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a 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 a bank failure, the Town’s deposits may not be returned. The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2020, \$11,455,010 of the Town’s bank balances of \$30,628,333 was exposed to custodial credit risk as uninsured and/or uncollateralized.

Investment Summary

The following is a summary of the Town’s investments (in thousands) as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 2,317
Corporate bonds	7,710
Corporate equities	7,547
Equity mutual funds	336
Fixed income mutual funds	898
U.S. Treasury and agencies	<u>9,213</u>
Total investments	<u>\$ 28,021</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town’s investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town does not have formal investment policies related to credit risk.

Presented below is the actual rating as of year-end for each debt related investment type of the Town (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>							
		<u>AAA</u>	<u>Aa3</u>	<u>A1</u>	<u>A2</u>	<u>A3</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Unrated</u>
Corporate bonds	\$ 7,710	\$ 281	\$ 336	\$ 1,453	\$ 1,191	\$ 784	\$ 2,863	\$ 361	\$ 441
Fixed income mutual funds	898	-	-	-	-	-	-	-	898
U.S. Treasury and agencies	9,213	9,213	-	-	-	-	-	-	-
Total	\$ 17,821	\$ 9,494	\$ 336	\$ 1,453	\$ 1,191	\$ 784	\$ 2,863	\$ 361	\$ 1,339

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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2020, all of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>	<u>Held by Counterparty's Trust or Agent</u>
Corporate bonds	\$ 7,710	\$ -	\$ 7,710
Corporate equities	7,547	-	7,547
Equity mutual funds	336	-	336
Fixed income mutual funds	898	-	898
U.S. Treasury and agencies	9,213	-	9,213
Total	\$ 25,704	\$ -	\$ 25,704

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

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

As of June 30, 2020, the Town does not have investments in any one issuer that exceed 5% of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Certificates of deposit	\$ 2,317	\$ 698	\$ 1,619	\$ -	\$ -
Corporate bonds	7,710	1,416	6,268	-	26
U.S. Treasury and agencies	<u>9,213</u>	<u>2,656</u>	<u>6,360</u>	<u>183</u>	<u>14</u>
Total	<u>\$ 19,240</u>	<u>\$ 4,770</u>	<u>\$ 14,247</u>	<u>\$ 183</u>	<u>\$ 40</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.

Fair Value

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

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

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

- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements (in thousands) as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 7,710	\$ -	\$ 7,710	\$ -
Corporate equities	7,547	7,547	-	-
Equity mutual funds	336	336	-	-
Fixed income mutual funds	898	898	-	-
U.S. Treasury and agencies	<u>9,213</u>	9,213	-	-
Total	<u>\$ 25,704</u>			

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

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

4. **Property Taxes and Excises 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 on the government-wide and fund basis statements accordingly.

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

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

A statewide property tax limitation known as “Proposition 2½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2½ limits the total levy to an amount not greater than 2½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2½% of the prior year’s levy plus the taxes on property newly added to the tax rolls.

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

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

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

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 1,657,723	\$ (165,772)	\$ 1,491,951	\$ -
Personal property taxes	73,353	(7,924)	65,429	-
Community preservation act	58,432	(4,853)	53,579	-
Tax foreclosures	-	-	-	15,170
Tax liens	550,195	(55,041)	151,032	344,122
Deferred taxes	429,074	(43,876)	107,222	277,976
Total property taxes	<u>\$ 2,768,777</u>	<u>\$ (277,466)</u>	<u>\$ 1,869,213</u>	<u>\$ 637,268</u>
Motor vehicle excise	<u>\$ 480,954</u>	<u>\$ (52,878)</u>	<u>\$ 428,076</u>	
Total excises	<u>\$ 480,954</u>	<u>\$ (52,878)</u>	<u>\$ 428,076</u>	

5. User Fee Receivables

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

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 896,274	\$ (25,000)	\$ 871,274
Nonmajor enterprise funds	<u>475,676</u>	<u>(35,502)</u>	<u>440,174</u>
Total	<u>\$ 1,371,950</u>	<u>\$ (60,502)</u>	<u>\$ 1,311,448</u>

6. Interfund Fund Accounts

Transfers

The Town reports interfund transfers between various funds. Most transfers results from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 260,065	\$ 725,070
CPA Fund	-	190,000
MSBA Abbot Roof Fund	1,328	-
Nonmajor Funds:		
Special Revenue Funds	92,034	101,992
Capital Project Funds	-	133,532
Trust Funds	<u>190,000</u>	<u>-</u>
Subtotal Nonmajor Funds	282,034	235,524
<u>Business-Type Funds</u>		
Water Fund	76,711	42,283
Recreation Fund	45,938	-
Nonmajor Enterprise Funds	<u>526,801</u>	<u>-</u>
Subtotal Business-Type Funds	<u>649,450</u>	<u>42,283</u>
Grand Total	<u>\$ 1,192,877</u>	<u>\$ 1,192,877</u>

Of the transfers into the general fund, \$133,532 was transferred from various capital project funds for the Westford Academy generator replacement. Of the transfers out of the general fund, \$572,739 was transferred to the enterprise funds to subsidize the operating budgets.

7. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 176,723	\$ 710	\$ -	\$ 177,433
Machinery, equipment, and furnishings	40,913	558	-	41,471
Infrastructure	<u>135,995</u>	<u>1,785</u>	<u>-</u>	<u>137,780</u>
Total capital assets, being depreciated	353,631	3,053	-	356,684
Less accumulated depreciation for:				
Buildings and improvements	(67,292)	(4,264)	-	(71,556)
Machinery, equipment, and furnishings	(23,072)	(1,858)	-	(24,930)
Infrastructure	<u>(65,694)</u>	<u>(3,462)</u>	<u>-</u>	<u>(69,156)</u>
Total accumulated depreciation	<u>(156,058)</u>	<u>(9,584)</u>	<u>-</u>	<u>(165,642)</u>
Total capital assets, being depreciated, net	197,573	(6,531)	-	191,042
Capital assets, not being depreciated:				
Land	37,224	-	-	37,224
Construction in progress	<u>4,212</u>	<u>726</u>	<u>(1,983)</u>	<u>2,955</u>
Total capital assets, not being depreciated	<u>41,436</u>	<u>726</u>	<u>(1,983)</u>	<u>40,179</u>
Governmental activities capital assets, net	<u>\$ 239,009</u>	<u>\$ (5,805)</u>	<u>\$ (1,983)</u>	<u>\$ 231,221</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,739	\$ -	\$ -	\$ 16,739
Machinery, equipment, and furnishings	4,322	5	-	4,327
Infrastructure	<u>45,212</u>	<u>688</u>	<u>-</u>	<u>45,900</u>
Total capital assets, being depreciated	66,273	693	-	66,966
Less accumulated depreciation for:				
Buildings and improvements	(9,563)	(644)	-	(10,207)
Machinery, equipment, and furnishings	(2,356)	(282)	-	(2,638)
Infrastructure	<u>(15,264)</u>	<u>(687)</u>	<u>-</u>	<u>(15,951)</u>
Total accumulated depreciation	<u>(27,183)</u>	<u>(1,613)</u>	<u>-</u>	<u>(28,796)</u>
Total capital assets, being depreciated, net	39,090	(920)	-	38,170
Capital assets, not being depreciated:				
Land	2,390	-	-	2,390
Construction in progress	<u>2,911</u>	<u>749</u>	<u>(549)</u>	<u>3,111</u>
Total capital assets, not being depreciated	<u>5,301</u>	<u>749</u>	<u>(549)</u>	<u>5,501</u>
Business-type activities capital assets, net	<u>\$ 44,391</u>	<u>\$ (171)</u>	<u>\$ (549)</u>	<u>\$ 43,671</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 467
Public safety	940
Education	3,783
Public works	4,156
Culture and recreation	127
Health and Human Services	<u>111</u>
Total governmental activities	\$ <u>9,584</u>
Business-Type Activities	
Water	\$ 1,492
Recreation	18
Nonmajor enterprise funds	<u>103</u>
Total business-type activities	\$ <u>1,613</u>

8. Deferred Outflows of Resources

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

9. Warrants Payable

Warrants payable represent fiscal year 2020 expenditures paid by July 15, 2020.

10. Accrued Liabilities

Accrued liabilities represent fiscal year 2020 expenditures paid in 2021.

11. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
<u>Governmental Activities</u>				
Street Lights	2.00%	08/14/19	09/14/20	\$ 413,000
Abbot School Roof	2.00%	08/14/19	09/14/20	2,291,000
Road Work	0.90%	06/22/20	06/22/21	<u>500,000</u>
Total Governmental Activities				3,204,000
<u>Business-Type Activities</u>				
Prospect Hill Water Tank	2.00%	08/14/19	09/14/20	3,027,000
Prospect Hill Water Tank	0.90%	06/22/20	06/22/21	<u>200,000</u>
Total Business-Type Activities				<u>3,227,000</u>
Total				<u>\$ 6,431,000</u>

Additional disclosures for short-term debt that matured on September 14, 2020 can be found in Note 18.

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

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Rollover</u>	<u>Paydown</u>	<u>BAN Premium</u>	<u>Bonded</u>	<u>Bond Premium</u>	<u>Balance End of Year</u>
<u>Governmental Activities</u>								
Abbot School Roof	\$ 2,000,000	\$ -	\$ (2,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Street Lights	500,000	-	(413,000)	(86,000)	(1,000)	-	-	-
School Windows Project	1,165,000	-	-	(705,000)	-	(435,000)	(25,000)	-
Road Bonds	575,000	-	-	-	-	(495,000)	(80,000)	-
Fletcher Fire Station	1,500,000	-	(1,500,000)	-	-	-	-	-
Abbot School Roof	300,000	-	(291,000)	-	(9,000)	-	-	-
Road Work	270,000	-	-	-	-	(270,000)	-	-
Roudenbush Building Rehabilitation	7,000,000	-	-	(4,000)	-	(6,945,000)	(51,000)	-
Fletcher Fire Station	-	-	1,500,000	(655,000)	-	(800,000)	(45,000)	-
Street Lights	-	-	413,000	-	-	-	-	413,000
Abbot School Roof	-	-	2,291,000	-	-	-	-	2,291,000
Road Work	-	500,000	-	-	-	-	-	500,000
Total Governmental Activities	13,310,000	500,000	-	(1,450,000)	(10,000)	(8,945,000)	(201,000)	3,204,000
<u>Business-Type Activities</u>								
Vine Brook Water System	1,000,000	-	(1,000,000)	-	-	-	-	-
Prospect Hill Water Tank	2,000,000	-	(1,827,000)	(160,000)	(13,000)	-	-	-
Vine Brook Water System	500,000	-	(500,000)	-	-	-	-	-
Prospect Hill Water Tank	1,200,000	-	(1,200,000)	-	-	-	-	-
Groton Rd/Dunstable Rd Water Main Extension	500,000	-	-	-	-	(475,000)	(25,000)	-
Vine Brook Water System	-	-	1,500,000	(597,404)	-	(850,000)	(52,596)	-
Prospect Hill Water Tank	-	-	3,027,000	-	-	-	-	3,027,000
Prospect Hill Water Tank	-	200,000	-	-	-	-	-	200,000
Total Business-Type Activities	5,200,000	200,000	-	(757,404)	(13,000)	(1,325,000)	(77,596)	3,227,000
Total	\$ 18,510,000	\$ 700,000	\$ -	\$ (2,207,404)	\$ (23,000)	\$ (10,270,000)	\$ (278,596)	\$ 6,431,000

12. Long-Term Debt

Long-Term Debt Supporting Activities

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

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities</u>	<u>Through</u>		<u>as of</u>
			<u>6/30/20</u>
General obligation bonds:			
Elementary school construction	06/01/22	4.14%	\$ 2,915,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	2,770,000
Middle school construction	12/01/22	4.49%	1,480,000
Elevator 2013	06/01/23	1.40%	135,000
Police communications 2013	06/01/22	1.29%	40,000
Boiler 2013	06/01/22	1.29%	20,000
Highway refunding 2014	04/25/24	1.54%	2,030,000
School 2016	06/30/37	2.08%	1,700,000
Dispatch center 2016	06/30/37	2.07%	865,000
Senior center refunding 2018	06/30/30	2.5 - 5%	1,930,000
Fire station 2018	06/30/30	2.5 - 5%	9,610,000
Refunding 2019	02/01/30	3 - 5%	4,125,000
Lowell Road	02/01/39	3 - 5%	3,885,000
Fire station 2019	08/15/37	2.25 - 5%	800,000
School windows 2019	02/15/34	2 - 5%	405,000
Roads 2019	02/15/29	2 - 5%	685,000
Roudenbush building 2019	02/15/39	2.55 - 4%	<u>6,745,000</u>
Total general obligation bonds			\$ <u><u>41,695,000</u></u>

(continued)

(continued)

<u>Business-Type Activities</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/20</u>
Water fund general obligation bonds:			
2013 Water bond	06/01/33	2.36%	\$ 1,050,000
2013 Water bond	06/01/33	2.36%	380,000
Water Graniteville 2016	06/30/37	2.08%	340,000
Water Pleasant 2016	06/30/37	2.08%	425,000
Water refunding	06/30/24	3 - 5%	195,000
Vine Brook water distribution system	08/15/37	2.25 - 5%	850,000
Groton and Dunstable Road water main extension	02/15/34	2 - 5%	<u>440,000</u>
Total water fund general obligation bonds			3,680,000
Water fund loans payable (direct borrowings):			
Filtration plant - MWPAT	02/01/21	1.11%	\$ 155,000
MWPAT	08/01/22	1.13%	2,240,000
MWPAT DW 08-16	07/15/30	2.00%	135,263
MWPAT DW 09-07	07/15/30	2.00%	<u>1,126,342</u>
Total water fund loans payable (direct borrowings)			<u>3,656,605</u>
Total Business-Type Activities			<u>\$ 7,336,605</u>

Future Debt Service

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

<u>Governmental</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 5,055,000	\$ 1,469,755	6,524,755
2022	5,285,000	1,260,499	6,545,499
2023	5,245,000	973,150	6,218,150
2024	2,555,000	823,725	3,378,725
2025	2,325,000	734,575	3,059,575
2026	2,315,000	645,625	2,960,625
2027	2,320,000	560,750	2,880,750
2028	2,315,000	482,775	2,797,775
2029	2,245,000	411,935	2,656,935
2030	1,885,000	346,415	2,231,415
2031 - 2035	6,645,000	1,032,411	7,677,411
2035 - 2040	<u>3,505,000</u>	<u>238,025</u>	<u>3,743,025</u>
Total	<u>\$ 41,695,000</u>	<u>\$ 8,979,640</u>	<u>\$ 50,674,640</u>

Business-Type	Bonds		Loans Payable (Direct Borrowings)		Total
	Principal	Interest	Principal	Interest	
	2021	\$ 275,000	\$ 109,453	\$ 983,602	
2022	280,000	99,791	855,690	34,292	1,269,773
2023	285,000	89,878	872,819	19,968	1,267,665
2024	285,000	79,867	109,989	17,790	492,646
2025	235,000	70,741	112,203	15,568	433,512
2026	240,000	63,004	114,463	13,301	430,768
2027	235,000	55,504	116,769	10,989	418,262
2028	235,000	48,129	119,120	8,629	410,878
2029	240,000	40,727	121,519	6,223	408,469
2030	230,000	34,429	123,968	3,768	392,165
2031 - 2035	920,000	81,838	126,463	1,264	1,129,565
2035 - 2040	220,000	7,873	-	-	227,873
Total	\$ 3,680,000	\$ 781,234	\$ 3,656,605	\$ 180,446	\$ 8,298,285

Changes in General Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable	\$ 39,015	\$ 8,945	\$ (6,265)	\$ 41,695	\$ (5,055)	\$ 36,640
Loans payable (direct borrowings)	4	-	(4)	-	-	-
Unamortized premium	27	201	(23)	205	(23)	182
Subtotal	39,046	9,146	(6,292)	41,900	(5,078)	36,822
Net pension liability	57,637	110	-	57,747	-	57,747
Net OPEB liability	74,267	-	(2,671)	71,596	-	71,596
Compensated absences	1,756	221	-	1,977	(99)	1,878
Totals	\$ 172,706	\$ 9,477	\$ (8,963)	\$ 173,220	\$ (5,177)	\$ 168,043

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Business-Type Activities						
Bonds payable	\$ 2,576	\$ 1,325	\$ (221)	\$ 3,680	\$ (275)	\$ 3,405
Loans payable (direct borrowings)	4,608	-	(952)	3,656	(983)	2,673
Unamortized premium	-	78	(2)	76	(5)	71
Subtotal	7,184	1,403	(1,175)	7,412	(1,263)	6,149
Net pension liability	1,740	3	-	1,743	-	1,743
Net OPEB liability	1,015	-	(478)	537	-	537
Compensated absences	199	19	(9)	209	(10)	199
Totals	\$ 10,138	\$ 1,425	\$ (1,662)	\$ 9,901	\$ (1,273)	\$ 8,628

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general or community preservation funds and user fees recorded in water enterprise fund. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

14. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2020:

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

Represents amounts that are available to be spent in future periods.

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

	General Fund	Community Preservation Fund	MSBA Abbot Roof	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 760,142	\$ 760,142
Total Nonspendable	-	-	-	760,142	760,142
Restricted					
For debt service	4,735,270	-	-	-	4,735,270
Capital project funds	-	-	-	284,662	284,662
Special revenue funds:					
School bus transportation	-	-	-	118,593	118,593
Full day kindergarten	-	-	-	305,074	305,074
Newport improvements	-	-	-	200,000	200,000
PWAH gift	-	-	-	214,115	214,115
School choice	-	-	-	777,484	777,484
Circuit breaker	-	-	-	1,860,214	1,860,214
School lunch	-	-	-	496,187	496,187
Cemetery lot sales	-	-	-	158,414	158,414
Town building leases	-	-	-	156,465	156,465
East Boston camp	-	-	-	166,794	166,794
Board of Health immunization	-	-	-	135,129	135,129
Student activity fees	-	-	-	170,017	170,017
2 Robbins Road transportation gift	-	-	-	300,745	300,745
Groton/Dunstable intersection	-	-	-	100,000	100,000
Special education reserve fund	-	-	-	220,483	220,483
Other	-	-	-	1,328,231	1,328,231
Expendable permanent funds	-	-	-	1,424,956	1,424,956
Total Restricted	4,735,270	-	-	8,417,563	13,152,833
Committed					
Reserve for continuing appropriations:					
First responder TSSTF	245,000	-	-	-	245,000
School computers	162,800	-	-	-	162,800
VOIP phone	150,000	-	-	-	150,000
Town center building design	132,435	-	-	-	132,435
Public buildings repairs and maintenance	93,778	-	-	-	93,778
Relocate FS antenna	242,550	-	-	-	242,550
Police Department boiler	166,892	-	-	-	166,892
SCBA equipment	385,000	-	-	-	385,000
Westford Academy generator	133,532	-	-	-	133,532
Boston Road design	149,928	-	-	-	149,928
Abbot School/Acton Road	210,000	-	-	-	210,000
Highway Department six wheel plow	246,000	-	-	-	246,000
Highway Department one ton truck	74,146	-	-	-	74,146
Feasibility study	100,000	-	-	-	100,000
Other	714,111	-	-	-	714,111
Health stabilization	692,217	-	-	-	692,217
Capital stabilization	470,567	-	-	-	470,567
Community preservation act funds	-	6,881,891	-	-	6,881,891
Total Committed	4,368,956	6,881,891	-	-	11,250,847

(continued)

(continued)

	General Fund	Community Preservation Fund	MSBA Abbot Roof	Nonmajor Governmental Funds	Total Governmental Funds
Assigned					
Reserved for encumbrances	560,537	-	-	-	560,537
Reserved for petty cash	5,500	-	-	-	5,500
Reserved for expenditures	50,000	-	-	-	50,000
Total Assigned	616,037	-	-	-	616,037
Unassigned					
General fund	5,738,618	-	-	-	5,738,618
General stabilization fund	5,724,260	-	-	-	5,724,260
Special revenue funds	-	-	-	(346,155)	(346,155)
Capital project funds	-	-	(1,220,310)	(709,836)	(1,930,146)
Total Unassigned	11,462,878	-	(1,220,310)	(1,055,991)	9,186,577
Total Fund Balances	\$ 21,183,141	\$ 6,881,891	\$ (1,220,310)	\$ 8,121,714	\$ 34,966,436

15. Retirement System – Middlesex County Retirement System

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

Plan Description

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

Participant Contributions

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

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

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

Participant Retirement Benefits

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

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

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

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

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2020 was \$5,152,765, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$59,489,841 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town's proportion was 3.717985%, which was a decrease of 0.089498% from the proportionate share measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$9,222,748. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 1,447,515	\$ (134,731)
Changes of assumptions	4,096,833	
Net difference between projected and actual earnings on pension plan investments	-	(1,543,757)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>2,155,101</u>	<u>(1,463,065)</u>
Total	<u>\$ 7,699,449</u>	<u>\$ (3,141,553)</u>

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

Year ended June 30:	
2021	\$ 2,209,540
2022	1,137,700
2023	1,356,041
2024	<u>(145,385)</u>
Total	<u>\$ 4,557,896</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2019:

COLA	3.0% of the first \$16,000 of retirement income
Salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Investment rate of return	7.30%, net of pension plan investment expense, including inflation. Previously 7.50%

Mortality rates for pre-retirement were based on the RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017. Mortality rates for retiree were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Mortality rates for disabled were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

Target Allocations

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	21.00%	6.15%
International developed markets equity	13.00%	6.78%
International emerging markets equity	5.00%	8.65%
Core fixed income	15.00%	1.11%
High-yield fixed income	8.00%	3.51%
Real estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge funds, GTAA, risk parity	11.00%	3.19%
Private equity	13.00%	9.99%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease	Current Discount Rate	1% Increase
<u>(6.30%)</u>	<u>(7.30%)</u>	<u>(8.30%)</u>
\$ 73,108,303	\$ 59,489,841	\$ 48,030,255

Pension Plan Fiduciary Net Position

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

16. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

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

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

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

Contributions

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

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

Actuarial Assumptions

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

- (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employee table projected generationally with Scale MP-2016 (gender district).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

Special Funding Situation

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

Town Proportions

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$140,587,139 based on a proportionate share of 0.557575%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$8,049,770 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$17,048,631 as both a revenue and expense in the governmental activities.

17. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2012, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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

All the following OPEB disclosures are based on a measurement date of June 30, 2020.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross Blue Shield of New England. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	562
Active employees	<u>1,015</u>
Total	<u><u>1,577</u></u>

Investments

The OPEB trust fund assets consist of corporate bonds, corporate equities, mutual funds, and federal agency securities.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.16%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Salary increases	3.00% per year
Investment rate of return	6.50%
Municipal bond rate	2.66%
Discount rate	6.5% per annum
Healthcare cost trend rates	4.50% for 2020 and future periods
Retirees' share of benefit-related costs	40% for premiums for the PPO & Medicare Integrated Plans and 35% for others as well as 50% of premiums for life insurance. Participants pay 100% of premiums for dental insurance
Participation rate	80% of employees eligible to receive both medical and life insurance

Mortality rates for pre-retirement were based on RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Mortality rates for post-retirement were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Mortality rates for disabled were based on RP-2014 Mortality Table for Blue 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 as of January 1, 2015.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	44.00%	4.80%
Domestic Equity - Small/Mid Cap	6.75%	5.29%
International Equity - Developed Market	9.50%	5.45%
International Equity - Emerging Market	3.50%	6.42%
Domestic Fixed Income	14.00%	2.05%
International Fixed Income	0.75%	3.00%
Alternatives	7.75%	6.50%
Real Estate	3.50%	6.25%
Cash	10.25%	0.00%
Total	<u>100.00%</u>	

Contributions

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

Discount Rate

The discount rate used to measure the net OPEB liability was 6.50%. 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 is projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan assets was applied to all future benefit payments.

Net OPEB Liability

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

Total OPEB liability	\$ 79,260,491
Plan fiduciary net position	<u>7,127,037</u>
Net OPEB liability	<u>\$ 72,133,454</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.99%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 81,267,779	\$ 5,985,052	\$ 75,282,727
Changes for the year:			
Service cost	2,144,399	-	2,144,399
Interest	4,712,132	-	4,712,132
Contributions - employer	-	4,038,212	(4,038,212)
Net investment income	-	69,344	(69,344)
Changes of benefit terms	(3,050,640)	-	(3,050,640)
Differences between expected and actual experience	3,713,568	-	3,713,568
Changes in assumptions or other inputs	(6,561,176)	-	(6,561,176)
Benefit payments	<u>(2,965,571)</u>	<u>(2,965,571)</u>	<u>-</u>
Net Changes	<u>(2,007,288)</u>	<u>1,141,985</u>	<u>(3,149,273)</u>
Balances, end of year	<u>\$ 79,260,491</u>	<u>\$ 7,127,037</u>	<u>\$ 72,133,454</u>

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

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

1% Decrease <u>(5.5%)</u>	Current Discount Rate <u>(6.5%)</u>	1% Increase <u>(7.5%)</u>
\$ 83,063,567	\$ 72,133,454	\$ 62,357,761

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 as 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% <u>Decrease</u>	Current Healthcare Cost Trend Rates <u>Rates</u>	1% <u>Increase</u>
\$ 61,978,392	\$ 72,133,454	\$ 84,666,396

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$487,022. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ 8,855,909	\$ -
Change in assumptions	-	(5,614,398)
Net difference between projected and actual OPEB investment earnings	<u>282,677</u>	<u>(23,059)</u>
Total	<u>\$ 9,138,586</u>	<u>\$ (5,637,457)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ 1,142,033
2022	1,142,033
2023	1,143,181
2024	866,940
2025	(410,910)
Thereafter	<u>(382,148)</u>
Total	\$ <u><u>3,501,129</u></u>

18. Subsequent Events

Management has evaluated subsequent events through November 23, 2020, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2020, the Town has incurred the following additional short-term debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Prospect Hill Water Tank	\$ 2,619,000	1.25%	09/14/20	09/14/21
Abbot School Roof	1,355,400	1.25%	09/14/20	09/14/21
Kirsi Circle Water Mains	1,194,200	1.25%	09/14/20	09/14/21
Departmental Equipment	<u>567,400</u>	1.25%	09/14/20	09/14/21
Total	\$ <u><u>5,736,000</u></u>			

19. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount

of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Encumbrances

At year-end the Town’s general fund has \$560,537 in encumbrances that will be honored in the next fiscal year.

COVID-19

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

20. Beginning Fund Balance Reclassification

The beginning (July 1, 2019) fund balance of the Town was reclassified as follows:

Proprietary Funds:

	Business-Type Activities		
	Recreation Fund	Nonmajor Enterprise Funds	Total
As previously reported	\$ -	\$ 1,097,866	\$ 1,097,866
Reclassify major fund in current fiscal year	<u>(164,472)</u>	<u>164,472</u>	<u>-</u>
As reclassified	<u>\$ (164,472)</u>	<u>\$ 1,262,338</u>	<u>\$ 1,097,866</u>

Fund Basis Financial Statements:

	Nonmajor Governmental Funds	Roudenbush Rehabilitation Fund	Total
As previously reported	\$ 6,663,471	\$ (6,558,405)	\$ 105,066
Reclassify major fund in current fiscal year	<u>(6,558,405)</u>	<u>6,558,405</u>	<u>-</u>
As reclassified	<u>\$ 105,066</u>	<u>\$ -</u>	<u>\$ 105,066</u>

21. New Pronouncements

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

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

Required Supplementary Information
General Fund

Schedule of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 81,281,272	\$ 81,295,085	\$ 80,786,195	\$ (508,890)
Excise	4,987,800	4,987,800	4,681,082	(306,718)
Penalties, interest and other taxes	175,000	175,000	250,100	75,100
Payments in lieu of taxes	65,000	65,000	89,526	24,526
Betterments	7,588	7,588	7,560	(28)
Charges for services	313,000	313,000	328,217	15,217
Intergovernmental	21,243,402	21,243,402	21,143,570	(99,832)
Licenses and permits	895,000	895,000	1,000,146	105,146
Fines and forfeitures	45,000	45,000	51,690	6,690
Investment income	371,800	371,800	436,050	64,250
Miscellaneous	93,330	93,330	275,646	182,316
Total Revenues	<u>109,478,192</u>	<u>109,492,005</u>	<u>109,049,782</u>	<u>(442,223)</u>
Expenditures				
General government	6,024,703	6,930,639	6,323,432	607,207
Public safety	10,477,333	11,251,042	10,797,160	453,882
Education	61,306,289	61,571,292	61,429,484	141,808
Public works	6,807,122	7,237,159	7,167,327	69,832
Health and human services	1,187,653	1,210,313	1,108,052	102,261
Culture and recreation	2,142,517	2,153,662	2,044,977	108,685
Employee benefits	18,039,213	17,703,632	17,675,783	27,849
Debt service	7,575,805	7,486,926	7,436,167	50,759
Intergovernmental	650,955	650,955	566,942	84,013
Total Expenditures	<u>114,211,590</u>	<u>116,195,620</u>	<u>114,549,324</u>	<u>1,646,296</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(4,733,398)	(6,703,615)	(5,499,542)	1,204,073
Other Financing Sources (Uses)				
Transfers in	967,632	1,131,164	1,209,698	78,534
Transfers out	(1,583,765)	(1,583,765)	(1,675,799)	92,034
Use of free cash	-	1,806,685	1,806,685	-
Use of overlay surplus	83,500	83,500	83,500	-
Use of restricted fund balance	1,453,130	1,453,130	1,453,130	-
Use of prior year fund balance (carryforwards)	3,812,901	3,812,901	3,812,901	-
Total Other Financing Sources (Uses)	<u>4,733,398</u>	<u>6,703,615</u>	<u>6,690,115</u>	<u>170,568</u>
Overall Budgetary Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,190,573</u>	<u>\$ 1,374,641</u>

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

TOWN OF WESTFORD, MASSACHUSETTS

Required Supplementary Information
 Community Preservation Act Fund - Major Special Revenue Fund
 Schedule of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual
 For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 837,443	\$ 837,443	\$ 1,965,219	\$ 1,127,776
Penalties, interest and other taxes	-	-	5,406	5,406
Intergovernmental	-	-	500,852	500,852
Investment income	-	-	157,458	157,458
	837,443	837,443	2,628,935	1,791,492
Expenditures				
General government	1,515,000	5,849,935	5,533,229	316,706
Debt service	822,443	822,443	750,505	71,938
	2,337,443	6,672,378	6,283,734	388,644
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(1,500,000)	(5,834,935)	(3,654,799)	2,180,136
Other Financing Sources (Uses)				
Transfers out	-	(190,000)	(190,000)	-
Use of committed fund balance	1,500,000	2,721,023	2,721,023	-
Use of prior year fund balance (carryforwards)	-	3,303,912	3,303,912	-
	1,500,000	5,834,935	5,834,935	-
Overall Budgetary Excess	\$ -	\$ -	\$ 2,180,136	\$ 2,180,136

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

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

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/other financing sources/uses (GAAP basis)	\$ 118,091,211	\$ 118,799,325	\$ (467,005)
To reverse unbudgeted GASB 24 Massachusetts Teacher Retirement System	(8,049,770)	(8,049,770)	-
To record use of carryforwards	-	-	3,812,901
Current year carryforwards and continuing appropriations	-	3,766,709	-
To record use of free cash	-	-	1,806,685
To record use of overlay surplus	-	-	83,500
To record use of restricted fund balance	-	-	1,453,130
Reclassification of budgeted transfers	-	(1,097)	(1,097)
Other adjustments	(796,357)	34,157	2,001
Reverse the effects of combining general fund and stabilization funds (GASB 54)	<u>(195,302)</u>	<u>-</u>	<u>-</u>
Budgetary basis	<u>\$ 109,049,782</u>	<u>\$ 114,549,324</u>	<u>\$ 6,690,115</u>

(continued)

(continued)

<u>CPA Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/other financing sources/uses (GAAP basis)	\$ 2,628,935	\$ 2,795,275	\$ (190,000)
Prior year carryforwards	-	-	3,303,912
Current year carryforwards	-	3,488,459	-
To record use of committed fund balance	<u>-</u>	<u>-</u>	<u>2,721,023</u>
Budgetary basis	<u>\$ 2,628,935</u>	<u>\$ 6,283,734</u>	<u>\$ 5,834,935</u>

TOWN OF WESTFORD, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability

JUNE 30, 2020
 (Unaudited)

Middlesex 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, 2020	December 31, 2019	3.717985%	\$59,489,841	\$ 25,881,068	229.86%	49.45%
June 30, 2019	December 31, 2018	3.807483%	\$59,376,424	\$ 25,307,496	234.62%	46.40%
June 30, 2018	December 31, 2017	3.642858%	\$51,698,881	\$ 24,255,608	213.14%	49.27%
June 30, 2017	December 31, 2016	3.733888%	\$52,904,581	\$ 24,100,833	219.51%	45.49%
June 30, 2016	December 31, 2015	3.671119%	\$47,358,134	\$ 22,663,136	208.97%	46.13%
June 30, 2015	December 31, 2015	3.579206%	\$42,997,563	\$ 21,791,477	197.31%	47.65%

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, 2020	June 30, 2019	0.557575%	\$ -	\$ 140,587,139	\$ 140,587,139	\$ 40,581,820	-	53.95%
June 30, 2019	June 30, 2018	0.554299%	\$ -	\$ 131,431,351	\$ 131,431,351	\$ 38,914,182	-	54.84%
June 30, 2018	June 30, 2017	0.543505%	\$ -	\$ 124,383,239	\$ 124,383,239	\$ 36,988,876	-	54.25%
June 30, 2017	June 30, 2016	0.545467%	\$ -	\$ 121,955,066	\$ 121,955,066	\$ 34,522,546	-	52.73%
June 30, 2016	June 30, 2015	0.544034%	\$ -	\$ 111,470,624	\$ 111,470,624	\$ 35,851,099	-	55.38%
June 30, 2015	June 30, 2014	0.530452%	\$ -	\$ 84,322,583	\$ 84,322,583	\$ 32,524,633	-	61.64%

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

See Independent Auditors' Report.

TOWN OF WESTFORD, MASSACHUSETTS

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2020

(Unaudited)

Middlesex Regional Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Actuarially Determined Contribution	Actuarially Determined Contribution			
June 30, 2020	December 31, 2019	\$ 5,152,765	\$ 5,152,765	\$ -	\$ 26,526,702	19.42%	
June 30, 2019	December 31, 2018	\$ 4,902,690	\$ 4,902,690	\$ -	\$ 25,332,458	19.35%	
June 30, 2018	December 31, 2017	\$ 4,619,903	\$ 4,619,903	\$ -	\$ 24,859,402	18.58%	
June 30, 2017	December 31, 2016	\$ 4,238,879	\$ 4,238,879	\$ -	\$ 24,563,761	17.26%	
June 30, 2016	December 31, 2015	\$ 3,993,806	\$ 3,993,806	\$ -	\$ 23,192,937	17.22%	
June 30, 2015	December 31, 2015	\$ 3,808,963	\$ 3,808,963	\$ -	\$ 23,244,988	16.39%	

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution Provided by Commonwealth	Actuarially Determined Contribution	Actuarially Determined Contribution			
June 30, 2020	June 30, 2019	\$ 8,049,770	\$ 8,049,770	\$ -	\$ 41,414,717	19.44%	
June 30, 2019	June 30, 2018	\$ 7,287,824	\$ 7,287,824	\$ -	\$ 40,581,820	17.96%	
June 30, 2018	June 30, 2017	\$ 6,715,086	\$ 6,715,086	\$ -	\$ 38,914,182	17.26%	
June 30, 2017	June 30, 2016	\$ 6,134,226	\$ 6,134,226	\$ -	\$ 36,988,876	16.58%	
June 30, 2016	June 30, 2015	\$ 5,559,647	\$ 5,559,647	\$ -	\$ 34,522,546	16.10%	
June 30, 2015	June 30, 2014	\$ 4,972,350	\$ 4,972,350	\$ -	\$ 35,851,099	13.87%	

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

See Independent Auditors' Report.

TOWN OF WESTFORD, MASSACHUSETTS
 Required Supplementary Information
 Other Post-Employment Benefits (OPEB)
 Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 2,144,399	\$ 2,874,731	\$ 2,695,924	\$ 3,379,477
Interest	4,712,132	4,487,338	4,871,606	3,932,112
Changes of benefit terms	(3,050,640)	-	-	-
Differences between expected and actual experience	3,713,568	-	-	(2,545,735)
Changes of assumptions	(6,561,176)	-	(12,065,335)	-
Benefit payments, including refunds of member contributions	<u>(2,965,571)</u>	<u>(2,485,694)</u>	<u>(2,245,506)</u>	<u>(2,042,259)</u>
Net change in total OPEB liability	(2,007,288)	4,876,375	(6,743,311)	2,723,595
Total OPEB liability - beginning	<u>81,267,779</u>	<u>76,391,404</u>	<u>83,134,715</u>	<u>80,411,120</u>
Total OPEB liability - ending (a)	79,260,491	81,267,779	76,391,404	83,134,715
Plan Fiduciary Net Position*				
Contributions - employer	4,038,212	3,558,335	3,245,991	3,162,513
Net investment income	69,344	357,859	(4,960)	152,263
Benefit payments, including refunds of member contributions	<u>(2,965,571)</u>	<u>(2,485,694)</u>	<u>(2,245,506)</u>	<u>(2,042,259)</u>
Net change in plan fiduciary net position	1,141,985	1,430,500	995,525	1,272,517
Plan fiduciary net position - beginning	<u>5,985,052</u>	<u>4,554,552</u>	<u>3,559,027</u>	<u>2,286,510</u>
Plan fiduciary net position - ending (b)	<u>7,127,037</u>	<u>5,985,052</u>	<u>4,554,552</u>	<u>3,559,027</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 72,133,454</u>	<u>\$ 75,282,727</u>	<u>\$ 71,836,852</u>	<u>\$ 79,575,688</u>

*May reflect certain rounding and immaterial classification differences from page 22.

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

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

See Independent Auditors' Report.

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

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 79,260,491	\$ 81,267,779	\$ 76,391,404	\$ 83,134,715
Plan fiduciary net position	<u>7,127,037</u>	<u>5,985,052</u>	<u>4,554,552</u>	<u>3,559,027</u>
Net OPEB liability (asset)	<u>\$ 72,133,454</u>	<u>\$ 75,282,727</u>	<u>\$ 71,836,852</u>	<u>\$ 79,575,688</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.99%	7.36%	5.96%	4.28%
Covered employee payroll	\$ 64,812,462	\$ 60,760,942	\$ 57,273,016	\$ 57,373,661
Net OPEB Liability as a percentage of covered employee payroll	111.30%	123.90%	125.43%	138.70%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 7,331,061	\$ 7,908,973	\$ 8,017,242	\$ 3,162,513
Contributions in relation to the actuarially determined contribution	<u>4,038,212</u>	<u>3,558,335</u>	<u>3,245,991</u>	<u>3,162,513</u>
Contribution deficiency (excess)	<u>\$ 3,292,849</u>	<u>\$ 4,350,638</u>	<u>\$ 4,771,251</u>	<u>\$ -</u>
Covered employee payroll	\$ 64,812,462	\$ 60,760,942	\$ 58,991,206	\$ 57,373,661
Contributions as a percentage of covered employee payroll	6.23%	5.86%	5.50%	5.51%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	1.16%	6.63%	-0.12%	14.69%

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