



TOWN OF LITTLETON, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

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TOWN OF LITTLETON, MASSACHUSETTS
Annual Financial Statements
For the Fiscal Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Littleton, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Littleton, Massachusetts (the Town), as of and for the year ended June 30, 2019 (except for the Electric Light Enterprise Fund, which is as of and for the year ended December 31, 2018), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Littleton Water Enterprise fund which represents 28 percent, 22 percent, and 10 percent, of the assets and deferred outflows, net position and revenues of the business-type activities respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Littleton Water Enterprise Fund and its effects on the business-type activities, is based solely on the report of the other auditors. Also, we did not audit the financial statements of the Littleton Electric Light Enterprise Fund which represents 71 percent, 79 percent, and 85 percent, of the assets and deferred outflows, net position and revenues of the business-type activities

respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Littleton Electric Enterprise Fund and its effects on the business-type activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Littleton Electric Light and Water Enterprise Funds, major proprietary funds, were not audited in accordance with Governmental Auditing Standards.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

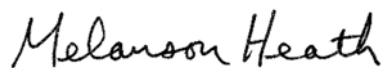
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information, and the Pension and OPEB schedules appearing on pages 81 to 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 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.



March 24, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Littleton, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019.

A. 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, and culture and recreation. The business-type activities include electric light, water and park and recreation activities.

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

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

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

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

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

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

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

Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$110,747,487 (i.e., net position), a change of \$4,272,255 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$31,680,716, a change of \$1,550,596 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,991,702 a change of \$2,134,458 in comparison to the prior year. This change was attributable to an increase in new growth within the Town, the amount of unused free cash or unassigned fund balance, and strong budgetary controls.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	SUMMARY OF NET POSITION					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 38,918	\$ 36,196	\$ 24,610	\$ 23,264	\$ 63,528	\$ 59,460
Capital assets	<u>85,716</u>	<u>85,954</u>	<u>38,075</u>	<u>37,673</u>	<u>123,791</u>	<u>123,627</u>
Total assets	124,634	122,150	62,685	60,937	187,319	183,087
Deferred outflows of resources	<u>5,876</u>	<u>3,130</u>	<u>2,864</u>	<u>1,731</u>	<u>8,740</u>	<u>4,861</u>
Total assets and deferred outflows of resources	<u>\$ 130,510</u>	<u>\$ 125,280</u>	<u>\$ 65,549</u>	<u>\$ 62,668</u>	<u>\$ 196,059</u>	<u>\$ 187,948</u>
Long-term liabilities outstanding	\$ 53,374	\$ 51,042	\$ 17,674	\$ 14,342	\$ 71,048	\$ 65,384
Other liabilities	<u>5,936</u>	<u>7,724</u>	<u>5,202</u>	<u>3,260</u>	<u>11,138</u>	<u>10,984</u>
Total liabilities	59,310	58,766	22,876	17,602	82,186	76,368
Deferred inflows of resources	2,275	1,903	850	931	3,125	2,834
Net position:						
Net investment in capital assets	64,392	62,179	32,726	32,330	97,118	94,509
Restricted	14,898	13,179	-	-	14,898	13,179
Unrestricted	<u>(10,365)</u>	<u>(10,747)</u>	<u>9,097</u>	<u>11,805</u>	<u>(1,268)</u>	<u>1,058</u>
Total net position	<u>68,925</u>	<u>64,611</u>	<u>41,823</u>	<u>44,135</u>	<u>110,748</u>	<u>108,746</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 130,510</u>	<u>\$ 125,280</u>	<u>\$ 65,549</u>	<u>\$ 62,668</u>	<u>\$ 196,059</u>	<u>\$ 187,948</u>

CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues						
Charges for services	\$ 5,387	\$ 4,200	\$ 35,270	\$ 35,000	\$ 40,657	\$ 39,200
Operating grants and contributions	10,800	11,532	-	2,197	10,800	13,729
Capital grants and contributions	58	-	870	-	928	-
General revenues:						
Property taxes	39,967	37,064	-	-	39,967	37,064
Excises	1,744	2,175	-	-	1,744	2,175
Interest and penalties	39	93	-	-	39	93
Payment in lieu of taxes	857	-	-	-	857	-
Grants and contributions not restricted to specific programs	1,404	779	214	-	1,618	779
Other	<u>-</u>	<u>1,219</u>	<u>1,060</u>	<u>(3)</u>	<u>1,060</u>	<u>1,216</u>
Total revenues	60,256	57,062	37,414	37,194	97,670	94,256
Expenses:						
General government	5,368	4,784	-	-	5,368	4,784
Public safety	6,736	5,443	-	-	6,736	5,443
Education	37,471	35,202	-	-	37,471	35,202
Public works	4,085	3,929	-	-	4,085	3,929
Health and human services	613	592	-	-	613	592
Culture and recreation	938	953	-	-	938	953
Interest on long-term debt	544	827	-	-	544	827
Electric	-	-	33,441	31,755	33,441	31,755
Water	-	-	3,168	2,822	3,168	2,822
Parks and recreation	<u>-</u>	<u>-</u>	<u>1,034</u>	<u>961</u>	<u>1,034</u>	<u>961</u>
Total expenses	<u>55,755</u>	<u>51,730</u>	<u>37,643</u>	<u>35,538</u>	<u>93,398</u>	<u>87,268</u>
Change in net position before transfers	4,501	5,332	(229)	1,656	4,272	6,988
Transfers in (out)	<u>(187)</u>	<u>(172)</u>	<u>187</u>	<u>172</u>	<u>-</u>	<u>-</u>
Change in net position	4,314	5,160	(42)	1,828	4,272	6,988
Net position - beginning of year, as restated	<u>64,611</u>	<u>59,451</u>	<u>41,865</u> *	<u>42,307</u>	<u>106,476</u>	<u>101,758</u>
Net position - end of year	\$ <u>68,925</u>	\$ <u>64,611</u>	\$ <u>41,823</u>	\$ <u>44,135</u>	\$ <u>110,748</u>	\$ <u>108,746</u>

*The Electric Light fund's December 31, 2018 net position was restated due to the implementation of GASB 75.

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

The largest portion of net position \$97,118,082 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the

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

An additional portion of net position of \$14,897,896 represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position has a negative balance of \$(1,268,491) for fiscal year 2019. The deficit balance is primarily the result of the adoption of *GASB Statement No. 68 Accounting and Financial Reporting for Pensions* in fiscal year 2015 and *GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in fiscal year 2018. These statements established standards for the measurement, recognition, and presentation of net pension and OPEB liabilities in the Town's financial statements, along with their related deferred outflows and inflows.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$4,314,182. This change is primarily driven by the Town's practice of funding capital activity through their operating budget offset by effect of GASB 68 and 75 entries. A brief summary is presented below:

General fund budgetary results	\$ 4,369,278
General fund funding of capital activity	841,943
Increase in net pension liability, net of deferrals	(1,028,775)
Decrease in net OPEB liability, net of deferrals	1,040,554
Repayments of debt, less depreciation	(867,960)
Other	<u>(40,858)</u>
Total	<u>\$ 4,314,182</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(41,927). The unfavorable results of electric light operations was mainly due to the implementation of GASB 75. The favorable results of operations in the water fund was mainly attributable to the billing of an \$870,000 betterment. The unfavorable results of park and recreation operations is mainly contributable to an operating loss that is partially funded by a transfer from the general fund.

D. FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in

assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

The change of \$1,550,596 represents balanced operating results for our governmental funds as a whole. Our General Fund, as noted below, used free cash (fund balance) for operations in fiscal year 2019, which was mitigated by the positive results in our Community Preservation and our non-major funds.

General fund. The general fund is the chief operating fund. 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>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>	Balance % of Total General Fund Revenue ⁽¹⁾ <u>June 30, 2019</u>
Restricted	\$ 112,818	\$ 138,167	\$ (25,349)	0.2%
Committed	6,714,624	7,315,518	(600,894)	13.7%
Assigned	908,915	1,714,789	(805,874)	1.9%
Unassigned	<u>10,991,702</u>	<u>8,857,244</u>	<u>2,134,458</u>	<u>22.4%</u>
Total fund balance	<u>\$ 18,728,059</u>	<u>\$ 18,025,718</u>	<u>\$ 702,341</u>	<u>38.2%</u>

⁽¹⁾ Revenues exclude the on-behalf payment of Teachers Retirement provided by the Commonwealth.

In the unassigned fund balance amounts above, stabilization balance of \$2,272,908 is included at June 30, 2019 and \$2,100,172 at June 30, 2018.

The total fund balance of the general fund changed by \$702,341 during the current fiscal year. The principal underlying reason for this increase is the increase in unassigned fund balance of \$2,234,458 and decrease in committed and assigned fund balance restrictions, specifically a reduction in current year encumbrances and capital articles. The unassigned fund balance increased during the fiscal year mainly due to actual revenues higher than budgeted revenues and actual expenses lower than budget expenses. For fiscal year 2019, the Town had \$2.8 million in revenues over expenditures.

General Fund Revenues:

Total revenues for the general fund were \$61.2 million in fiscal year 2019. Property taxes made up 64% of the total general fund revenues.

Property tax collections and the collection rate were a large driver in the positive revenue picture for the Town. The Town in FY19 continued to add to the overlay account, an additional \$847,852 was added to the account with \$754,841 used. In FY19 the town released \$760,000

in overlay surplus and at the end of FY19 the Town had an overlay balance of \$997,548. The Town continues as is DOR's recommendation to estimate revenues conservatively.

General Fund Expenditures:

Total expenditures for the general fund were \$51.1 million in fiscal year 2019. The largest expenditure category for fiscal year 2019 was Education at 44% of total general fund expenditures.

The fiscal year 2019 general fund total expenditures increased over fiscal year 2018 by 10.5% or \$5.4 million. The three categories that had the largest percentage increase in appropriations over fiscal year 2018 were 1.) Town Operating Budget 11% (\$882K), 2.) Technical School Assessments 14.6% (\$66K), and 3.) Employee/Retiree Benefits 16.3% (\$1.4 million). The total operating budget increased by \$3.1 million. Capital and other warrant articles increased by \$2.0 million.

In FY19 the Town continued to adhere to their financial policies transferring \$567,297 to general stabilization, a total of \$2,698,502 to capital stabilization and \$242,871 to debt exclusion stabilization.

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 \$9,096,856, a change of \$(2,707,989) in comparison with the prior year, \$(3,567,007) decrease related to electric light, \$948,211 related to water, and \$(89,193) related to park and recreation. Factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Revenues:

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

General Fund Expenditures:

Expenditure turnbacks also contributed to our strong budgetary performance, most notable general government, public works, and employees benefits.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$123,790,849 (net of accumulated depreciation), a change of \$163,548 from the prior year. This investment in capital assets includes land, buildings, improvements, and machinery equipment, and furnishings, vehicles, and infrastructure.

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

- Fire station renovations
- Fire ladder truck
- Baker homestead purchase
- Alumni field improvements
- High School green improvements

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

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

The Town has continued to maintain their AAA credit rating which is directly related to the management practices, financial controls and reserve levels instituted and followed by the Town. Littleton in FY19 continues to have strong budgetary performance, using the financial policies and practices to ensure the fiscally responsible planning is part of the town's budget management process.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$26,063,480, all of which was backed by the full faith and credit of the government. Including loans payable and unamortized bond premiums, the total bonds and loans payable at June 30, 2019 was \$26,862,224.

The Town remains committed to funding their OPEB and Pension liabilities. In FY19 the Town was 42.66% funded in regards to their OPEB liability, with a total OPEB liability in FY19 of \$28,339,744, currently the OPEB liability will be fully funded in 2035. In FY19 the Town was 63% funded in regards to their pension liability, in comparison the overall Middlesex Retirement System is only 47% funded, this is a result of the Town's commitment to pay this liability down, which creates significant long-term savings. The pension funding schedule currently goes out through FY35.

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

REQUESTS FOR INFORMATION

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

Director of Finance
Town of Littleton
37 Shattuck St
Littleton, Massachusetts 01460

TOWN OF LITTLETON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

(EXCEPT FOR THE ELECTRIC LIGHT FUND, WHICH IS AS OF DECEMBER 31, 2018)

	Primary Government		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current:			
Cash and short-term investments	\$ 31,333,950	\$ 8,305,763	\$ 39,639,713
Investments	6,058,501	-	6,058,501
Receivables:			
Property taxes	848,477	-	848,477
Excises	210,724	-	210,724
User fees	-	3,758,134	3,758,134
Unbilled user fees	-	244,742	244,742
Assessments	168,453	-	168,453
Intergovernmental	207,863	181,185	389,048
Departmental	89,682	22,414	112,096
Prepaid expenses	-	191,794	191,794
Inventory	-	827,338	827,338
Total current assets	38,917,650	13,531,370	52,449,020
Noncurrent:			
Restricted cash	-	502,942	502,942
Restricted investments	-	9,748,831	9,748,831
Betterments, not yet due	-	826,500	826,500
Capital assets:			
Nondepreciable capital assets	17,069,353	2,246,904	19,316,257
Other capital assets, net of accumulated depreciation	68,646,864	35,827,728	104,474,592
Total noncurrent assets	85,716,217	49,152,905	134,869,122
TOTAL ASSETS	124,633,867	62,684,275	187,318,142
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	3,587,285	2,323,451	5,910,736
Related to OPEB	2,288,992	540,519	2,829,511
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,876,277	2,863,970	8,740,247
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 130,510,144	\$ 65,548,245	\$ 196,058,389

(continued)

(continued)

TOWN OF LITTLETON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

(EXCEPT FOR THE ELECTRIC LIGHT FUND, WHICH IS AS OF DECEMBER 31, 2018)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Current:			
Accounts payable	\$ 933,181	\$ 2,909,072	\$ 3,842,253
Accrued interest	224,877	47,045	271,922
Accrued payroll and withholdings	2,127,488	58,089	2,185,577
Performance bonds	728,130	-	728,130
Bond anticipation notes	1,895,000	1,994,000	3,889,000
Other liabilities	27,810	193,257	221,067
Current portion of long-term liabilities:			
Bonds and loans payable	2,389,531	374,742	2,764,273
Compensated absences	<u>107,732</u>	<u>75,837</u>	<u>183,569</u>
Total current liabilities	8,433,749	5,652,042	14,085,791
Noncurrent:			
Long-term liabilities:			
Bonds and loans payable	19,638,921	4,459,030	24,097,951
Net pension liability	15,374,396	9,957,854	25,332,250
Net OPEB liability	15,540,400	2,573,386	18,113,786
Compensated absences	<u>323,197</u>	<u>233,476</u>	<u>556,673</u>
Total noncurrent liabilities	<u>50,876,914</u>	<u>17,223,746</u>	<u>68,100,660</u>
TOTAL LIABILITIES	59,310,663	22,875,788	82,186,451
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	892,496	578,062	1,470,558
Related to OPEB	<u>1,382,257</u>	<u>271,636</u>	<u>1,653,893</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	2,274,753	849,698	3,124,451
NET POSITION			
Net investment in capital assets	64,392,179	32,725,903	97,118,082
Restricted for:			
Grants and by enabling legislation	11,212,835	-	11,212,835
Permanent fund:			
Nonspendable	1,408,521	-	1,408,521
Expendable	2,276,540	-	2,276,540
Unrestricted	<u>(10,365,347)</u>	<u>9,096,856</u>	<u>(1,268,491)</u>
TOTAL NET POSITION	<u>68,924,728</u>	<u>41,822,759</u>	<u>110,747,487</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ <u>130,510,144</u>	\$ <u>65,548,245</u>	\$ <u>196,058,389</u>

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

TOWN OF LITTLETON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

(EXCEPT FOR THE ELECTRIC LIGHT FUND, WHICH IS FOR THE YEAR ENDED DECEMBER 31, 2018)

			Program Revenues		Net (Expenses) Revenues
			Charges for Services	Operating Grants and Contributions	
	Expenses			Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 5,368,117	\$ 1,720,123	\$ 509,574	\$ 4,895	\$ (3,133,525)
Public safety	6,736,177	1,134,268	401,860	6,314	(5,193,735)
Education	37,471,164	1,813,051	9,781,590	-	(25,876,523)
Public works	4,085,280	558,234	-	47,136	(3,479,910)
Health and human services	612,614	44,676	86,646	-	(481,292)
Culture and recreation	938,339	117,026	19,962	-	(801,351)
Debt service	543,504	-	-	-	(543,504)
Total Governmental Activities	55,755,195	5,387,378	10,799,632	58,345	(39,509,840)
Business-Type Activities:					
Electric	33,441,179	31,696,396	140,645	-	(1,604,138)
Water	3,167,608	2,815,049	73,658	870,000	591,099
Park and Recreation	1,034,368	758,065	-	-	(276,303)
Total Business-Type Activities	37,643,155	35,269,510	214,303	870,000	(1,289,342)
Total primary government	\$ 93,398,350	\$ 40,656,888	\$ 11,013,935	\$ 928,345	\$ (40,799,182)

(continued)

TOWN OF LITTLETON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

(EXCEPT FOR THE ELECTRIC LIGHT FUND, WHICH IS FOR YEAR THE ENDED DECEMBER 31, 2018)

(continued)

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Change in Net Position:			
Net (Expenses) Revenues from previous page	\$ (39,509,840)	\$ (1,289,342)	\$ (40,799,182)
General Revenues and Transfers:			
Property taxes	39,966,517	-	39,966,517
Excise taxes	1,743,643	-	1,743,643
Interest and penalties	39,366	-	39,366
Payment in lieu of taxes	857,264	-	857,264
Grants and contributions not restricted to specific programs	1,404,342	-	1,404,342
Other	-	1,060,305	1,060,305
Transfers	<u>(187,110)</u>	<u>187,110</u>	<u>-</u>
Total General Revenues and Transfers	<u>43,824,022</u>	<u>1,247,415</u>	<u>45,071,437</u>
Change in Net Position	4,314,182	(41,927)	4,272,255
Net Position:			
Beginning of year, as restated	<u>64,610,546</u>	<u>41,864,686</u>	<u>106,475,232</u>
End of year	<u>\$ 68,924,728</u>	<u>\$ 41,822,759</u>	<u>\$ 110,747,487</u>

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

TOWN OF LITTLETON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 19,860,878	\$ 11,473,072	\$ 31,333,950
Investments	2,378,222	3,680,279	6,058,501
Receivables:			
Property taxes	843,675	4,802	848,477
Excises	210,724	-	210,724
Assessments	168,453	-	168,453
Intergovernmental	207,863	-	207,863
Departmental	-	89,682	89,682
Total Assets	<u>\$ 23,669,815</u>	<u>\$ 15,247,835</u>	<u>\$ 38,917,650</u>
Liabilities, Deferred Inflow of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 693,187	\$ 239,994	\$ 933,181
Accrued payroll and withholdings	2,077,394	50,094	2,127,488
Performance bonds payable	728,130	-	728,130
Accrued liabilities	-	-	-
Notes payable	-	1,895,000	1,895,000
Other liabilities	12,204	15,606	27,810
Total Liabilities	3,510,915	2,200,694	5,711,609
Deferred Inflows of Resources:			
Unavailable revenues	433,293	94,484	527,777
Allowance for abatements	997,548	-	997,548
Total Deferred Inflows of Resources	1,430,841	94,484	1,525,325
Fund Balances:			
Nonspendable	-	1,408,521	1,408,521
Restricted	112,818	11,907,275	12,020,093
Committed	6,714,624	105,383	6,820,007
Assigned	908,915	-	908,915
Unassigned	10,991,702	(468,522)	10,523,180
Total Fund Balances	<u>18,728,059</u>	<u>12,952,657</u>	<u>31,680,716</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 23,669,815</u>	<u>\$ 15,247,835</u>	<u>\$ 38,917,650</u>

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

TOWN OF LITTLETON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2019

Total governmental fund balances	\$	31,680,716
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		85,716,217
Revenues are reported on the accrual basis of accounting and are not deferred until collection.		1,525,325
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(224,877)
Long-term liabilities, and related deferred outflows/inflows of resources, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and loans payable		(21,368,479)
Unamortized debt premium		(659,973)
Net pension liability		(15,374,396)
Pension related deferred outflows of resources		3,587,285
Pension related deferred inflows of resources		(892,496)
Net OPEB liability		(15,540,400)
OPEB related deferred outflows of resources		2,288,992
OPEB related deferred inflows of resources		(1,382,257)
Compensated absences liability		(430,929)
Net position of governmental activities	\$	<u><u>68,924,728</u></u>

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

TOWN OF LITTLETON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 39,131,335	\$ 310,647	\$ 39,441,982
Excise taxes	1,572,241	-	1,572,241
Interest, penalties, and other taxes	97,091	117,853	214,944
Payment in lieu of taxes	857,264	-	857,264
Licenses and permits	544,806	-	544,806
Intergovernmental	7,878,358	3,242,346	11,120,704
Charges for services	305,869	2,763,835	3,069,704
Investment income	654,664	145,732	800,396
Departmental revenues	20,522	601,886	622,408
Fines and forfeitures	48,479	-	48,479
Contributions	-	104,764	104,764
Other	49,595	29,373	78,968
Total Revenues	51,160,224	7,316,436	58,476,660
Expenditures:			
Current:			
General government	4,286,271	795,601	5,081,872
Public safety	5,010,089	571,961	5,582,050
Education	22,738,480	3,563,399	26,301,879
Public works	3,825,141	503,824	4,328,965
Health and human services	428,689	112,298	540,987
Culture and recreation	774,512	80,130	854,642
Employee benefits	9,344,770	-	9,344,770
Intergovernmental	1,210,087	-	1,210,087
Debt service:			
Principal	2,634,251	-	2,634,251
Interest	859,451	-	859,451
Total Expenditures	51,111,741	5,627,213	56,738,954
Excess (deficiency) of revenues over expenditures	48,483	1,689,223	1,737,706
Other Financing Sources (Uses):			
Transfers in	1,495,801	631,340	2,127,141
Transfers out	(841,943)	(1,472,308)	(2,314,251)
Total Other Financing Sources (Uses)	653,858	(840,968)	(187,110)
Net change in fund balances	702,341	848,255	1,550,596
Fund Balances, at Beginning of Year, as reclassified	18,025,718	12,104,402	30,130,120
Fund Balances, at End of Year	\$ 18,728,059	\$ 12,952,657	\$ 31,680,716

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

TOWN OF LITTLETON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net changes in fund balances - total governmental funds	\$ 1,550,596
<p>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:</p>	
Capital outlay purchases, net of disposals	3,263,941
Depreciation	(3,502,210)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	33,061
<p>The issuance of long-term debt (e.g., bonds and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>	
Repayments of debt	2,634,250
Bond premium amortization	84,092
<p>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</p>	
	6,335
<p>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.</p>	
Change in net pension liability	(2,366,711)
Change in pension-related deferred outflows	626,954
Change in pension-related deferred inflows	710,982
Change in net OPEB liability	229,172
Change in OPEB-related deferred outflows	2,193,639
Change in OPEB-related deferred inflows	(1,382,257)
Change in compensated absences	6,818
Change in debt refunding related deferred outflows and inflows	225,520
Change in net position of governmental activities	\$ 4,314,182

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

TOWN OF LITTLETON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019
 (EXCEPT FOR THE ELECTRIC LIGHT FUND, WHICH IS AS OF DECEMBER 31, 2018)

	Business-Type Activities Enterprise Funds			
	Electric Light Fund	Water Fund	Nonmajor Park and Recreation Fund	Total
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES				
ASSETS				
Current:				
Cash and short-term investments	\$ 5,565,119	\$ 2,441,326	\$ 299,318	\$ 8,305,763
Accounts receivable:				
User fees, net of allowance for uncollectibles	3,416,918	341,216	-	3,758,134
Unbilled user fees	-	244,742	-	244,742
Intergovernmental	143,646	37,539	-	181,185
Other	22,414	-	-	22,414
Prepaid expenses	180,187	11,607	-	191,794
Inventory	744,563	82,775	-	827,338
Total current assets	10,072,847	3,159,205	299,318	13,531,370
Noncurrent:				
Restricted cash	502,942	-	-	502,942
Restricted investments	9,748,831	-	-	9,748,831
Betterments receivable, not yet due	-	826,500	-	826,500
Capital Assets:				
Nondepreciable capital assets	1,312,676	934,228	-	2,246,904
Other capital assets, net of accumulated depreciation	22,891,153	12,936,575	-	35,827,728
Total noncurrent assets	34,455,602	14,697,303	-	49,152,905
TOTAL ASSETS	44,528,449	17,856,508	299,318	62,684,275
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	1,880,205	328,223	115,023	2,323,451
Related to OPEB	424,444	116,075	-	540,519
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,304,649	444,298	115,023	2,863,970
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 46,833,098	\$ 18,300,806	\$ 414,341	\$ 65,548,245
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
LIABILITIES				
Current:				
Accounts payable	\$ 2,838,274	\$ 29,695	\$ 41,103	\$ 2,909,072
Accrued interest	-	47,045	-	47,045
Accrued payroll	12,276	-	45,813	58,089
Bond anticipation notes	-	1,994,000	-	1,994,000
Other liabilities	193,257	-	-	193,257
Current portion of long-term liabilities:				
Bonds payable	-	374,742	-	374,742
Compensated absences	33,330	40,288	2,219	75,837
Total current liabilities	3,077,137	2,485,770	89,135	5,652,042
Noncurrent:				
Bonds payable, net of current portion	-	4,459,030	-	4,459,030
Net pension liability	8,058,188	1,406,700	492,966	9,957,854
Net OPEB liability	1,863,266	710,120	-	2,573,386
Compensated absences, net of current portion	166,387	60,433	6,656	233,476
Total noncurrent liabilities	10,087,841	6,636,283	499,622	17,223,746
TOTAL LIABILITIES	13,164,978	9,122,053	588,757	22,875,788
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	467,785	81,660	28,617	578,062
Related to OPEB	201,239	70,397	-	271,636
TOTAL DEFERRED INFLOWS OF RESOURCES	669,024	152,057	28,617	849,698
NET POSITION				
Net investment in capital assets	24,203,829	8,522,074	-	32,725,903
Unrestricted	8,795,267	504,622	(203,033)	9,096,856
TOTAL NET POSITION	32,999,096	9,026,696	(203,033)	41,822,759
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 46,833,098	\$ 18,300,806	\$ 414,341	\$ 65,548,245

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

TOWN OF LITTLETON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

(EXCEPT FOR THE ELECTRIC LIGHT FUND, WHICH IS FOR YEAR ENDED DECEMBER 31, 2018)

	Business-Type Activities Enterprise Funds			
	Electric Light Fund	Water Fund	Nonmajor Park and Recreation Fund	Total
Operating Revenues:				
Charges for services	\$ 31,696,396	\$ 2,003,916	\$ 758,065	\$ 34,458,377
Debt service fee	-	508,762	-	508,762
Total Operating Revenues	31,696,396	2,512,678	758,065	34,967,139
Operating Expenses:				
Purchase power	25,261,879	-	-	25,261,879
Operating	1,102,753	279,249	1,034,368	2,416,370
Maintenance	945,146	1,158,614	-	2,103,760
General and administrative	3,685,957	893,593	-	4,579,550
Depreciation	1,176,037	626,427	-	1,802,464
Total Operating Expenses	32,171,772	2,957,883	1,034,368	36,164,023
Operating Loss	(475,376)	(445,205)	(276,303)	(1,196,884)
Nonoperating Revenues (Expenses):				
Merchandising and jobbing revenue	240,849	578,552	-	819,401
Investment loss	(26,298)	-	-	(26,298)
Miscellaneous	89,302	16,270	-	105,572
Hurricane disaster areas	(128,158)	-	-	(128,158)
Gain on disposition of capital assets	6,210	-	-	6,210
In lieu of tax payments and indirect cost reimbursements	(760,000)	-	-	(760,000)
Contribution of services to Water department	(300,555)	-	-	(300,555)
Contribution of services from Electric department	-	302,371	-	302,371
Contribution to schools and towns	(43,115)	-	-	(43,115)
Interest on long term debt	(11,281)	(136,067)	-	(147,348)
Cell tower leasing	-	129,122	-	129,122
Sustainable water management initiative grant	-	(73,658)	-	(73,658)
Intergovernmental revenue	140,645	73,658	-	214,303
Total Nonoperating Revenues (Expenses), Net	(792,401)	890,248	-	97,847
Income (Loss) Before Capital Contributions and Transfers	(1,267,777)	445,043	(276,303)	(1,099,037)
Capital contributions (betterments)	-	870,000	-	870,000
Transfers in	-	-	211,110	211,110
Transfers out	-	-	(24,000)	(24,000)
Net Capital Contributions and Transfers	-	870,000	187,110	1,057,110
Change in Net Position	(1,267,777)	1,315,043	(89,193)	(41,927)
Net Position at Beginning of Year, as restated	34,266,873 *	7,711,653	(113,840)	41,864,686
Net Position at End of Year	\$ 32,999,096	\$ 9,026,696	\$ (203,033)	\$ 41,822,759

*The Electric Light fund beginning net position was restated due to the implementation of GASB 75.

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

TOWN OF LITTLETON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2019
 (EXCEPT FOR THE ELECTRIC LIGHT FUND, WHICH IS FOR YEAR ENDED DECEMBER 31, 2018)

	Business-Type Activities Enterprise Funds			
	Electric Light Fund	Water Fund	Nonmajor Park and Recreation Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 32,082,547	\$ 2,418,119	\$ 758,065	\$ 35,258,731
Payments of employees and vendors	(30,274,504)	(2,083,721)	(992,820)	(33,351,045)
Net Cash Provided By (Used For) Operating Activities	1,808,043	334,398	(234,755)	1,907,686
Cash Flows From Noncapital Financing Activities:				
Merchandising and jobbing	253,123	571,349	-	824,472
Other Income	1,062,065	139,892	-	1,201,957
Grants	-	36,119	-	36,119
Sustainable water management initiative grant projects	-	(73,658)	-	(73,658)
Payment in Lieu of Taxes	(760,000)	-	-	(760,000)
Contribution of services to water department	(300,555)	-	-	(300,555)
Contribution to Schools and Towns	(43,115)	-	-	(43,115)
Transfers from other funds	-	-	211,110	211,110
Transfers to other funds	-	-	(24,000)	(24,000)
Net Cash Provided By Noncapital Financing Activities	211,518	673,702	187,110	1,072,330
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,077,584)	(1,124,249)	-	(2,201,833)
Betterments	-	43,500	-	43,500
Other Income	89,302	-	-	89,302
Sale of capital assets	9,262	-	-	9,262
Proceeds from bond anticipation notes	-	1,994,000	-	1,994,000
Principal payments on bonds	(130,000)	(370,900)	-	(500,900)
Interest expense	(6,175)	(146,977)	-	(153,152)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(1,115,195)	395,374	-	(719,821)
Cash Flows From Investing Activities:				
Investment income (loss)	(26,298)	-	-	(26,298)
Net Cash Provided By (Used for) Investing Activities	(26,298)	-	-	(26,298)
Net Change in Cash and Short-Term Investments	878,068	1,403,474	(47,645)	2,233,897
Cash and Short-Term Investments, Beginning of Year	14,938,824	1,037,852	346,963	16,323,639
Cash and Short-Term Investments, End of Year	\$ 15,816,892	\$ 2,441,326	\$ 299,318	\$ 18,557,536
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (475,376)	\$ (445,205)	\$ (276,303)	\$ (1,196,884)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,176,037	626,427	-	1,802,464
Contributions of services by light department	-	302,371	-	302,371
Changes in assets, liabilities, and deferred outflows/inflows:				
Accounts Receivable	386,151	(94,559)	-	291,592
Other Assets	(216,049)	-	-	(216,049)
Deferred outflows of resources	-	(196,730)	(29,905)	(226,635)
Prepaid expenses	(64,366)	-	-	(64,366)
Accounts payable and accrued payroll	1,001,646	13,991	10,483	1,026,120
Compensated absences	-	17,410	2,653	20,063
Net pension liability	-	216,448	75,805	292,253
Net OPEB liability	-	(126,265)	-	(126,265)
Deferred inflows of resources	-	20,510	(17,488)	3,022
Net Cash Provided By Operating Activities	\$ 1,808,043	\$ 334,398	\$ (234,755)	\$ 1,907,686
Schedule of Noncash Capital and Related Financing Activities				
Purchase of assets on account	\$ -	\$ 21,277	\$ -	\$ 21,277

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

TOWN OF LITTLETON, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

(EXCEPT FOR THE ELECTRIC LIGHT OTHER POST EMPLOYMENT BENEFITS TRUST, WHICH IS AS OF DECEMBER 31, 2018)

	Private Purpose <u>Trusts</u>	Town Other Post Employment Benefits <u>Trust</u>	Electric Light Other Post Employment Benefits <u>Trust</u>	Agency <u>Fund</u>
Assets				
Cash and short-term investments	\$ 22,151	\$ 60,446	\$ 11,304	\$ 623,978
Investments:				
Domestic equity	1,174,588	4,603,576	750,143	-
Domestic bond	-	1,991,095	424,828	-
International equity	-	2,898,996	522,354	-
International bond	-	568,194	106,991	-
Mutual funds	466,641	-	-	-
Alternatives	-	1,966,917	-	-
Other	-	-	365,907	-
Total investments	<u>1,641,229</u>	<u>12,028,778</u>	<u>2,170,223</u>	<u>-</u>
Total Assets	<u>\$ 1,663,380</u>	<u>\$ 12,089,224</u>	<u>\$ 2,181,527</u>	<u>\$ 623,978</u>
Liabilities and Net Position				
Accounts payable	\$ -	\$ -	\$ -	\$ 319,412
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,566</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 623,978</u>
Net Position				
Restricted for:				
Other Post Employment Benefits - Town	-	12,089,224	-	
Other Post Employment Benefits - Light Plant	-	-	2,181,527	
Scholarships	<u>1,663,380</u>	<u>-</u>	<u>-</u>	
Total Net Position	<u>\$ 1,663,380</u>	<u>\$ 12,089,224</u>	<u>\$ 2,181,527</u>	

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

TOWN OF LITTLETON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

(EXCEPT FOR THE ELECTRIC LIGHT OTHER POST EMPLOYMENT BENEFITS TRUST, WHICH IS FOR THE YEAR
ENDED DECEMBER, 31, 2018)

	Private Purpose Trust Fund <u>Charity</u>	Town Other Post Employment Benefits <u>Trust</u>	Electric Light Other Post Employment Benefits <u>Trust</u>
Additions:			
Employer contributions	\$ -	\$ 3,498,393	\$ 370,182
Net Investment income (loss)	<u>63,276</u>	<u>664,043</u>	<u>(121,795)</u>
Total additions	63,276	4,162,436	248,387
Deductions:			
Benefit payments	-	1,077,132	320,182
Scholarships	<u>69,000</u>	<u>-</u>	<u>-</u>
Total deductions	<u>69,000</u>	<u>1,077,132</u>	<u>320,182</u>
Change in net position	(5,724)	3,085,304	(71,795)
Net Position			
Beginning of year	<u>1,669,104</u>	<u>9,003,920</u>	<u>2,253,322</u>
End of year	\$ <u><u>1,663,380</u></u>	\$ <u><u>12,089,224</u></u>	\$ <u><u>2,181,527</u></u>

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

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Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes 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 Town prior to yearend or shortly after. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

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

The Town reports the following major proprietary funds:

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

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

The Town reports the following fiduciary funds:

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

- The Agency Funds include funds collected from student organizations for various Student Activity Funds. The agency funds account for fiduciary assets held by the Town in custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, therefore, have no measurement focus.

Cash, Cash Equivalents and Investments

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

Deposits with financial institutions consist primarily of demand deposits, money market deposits, certificates of deposits, and savings accounts. 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". The interest earnings attributable to each fund type are included under investment income.

The Town considers investments with original maturities of three months or less to be short-term investments. 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.

The Town's short-term investments also include their share of Massachusetts Municipal Depository Trust (MMDT) cash portfolio in accordance with GASB 79, the MMDT pool's portfolio securities are valued at amortized cost.

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. The Town's investments consist of federal securities, corporate bonds, and mutual funds reported at fair value and nonnegotiable certificates of deposit which are reported at cost.

Investments for the Trust Funds consist of marketable securities, short-term money market investments, and nonnegotiable certificates of deposits. Investments are carried at fair value except certificates of deposit which are reported at cost.

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$28,114.

Capital Assets

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

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

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

Capital assets (non-Electric Light assets) are depreciated using the straight-line method over the following estimated useful lives listed below. The general laws of Massachusetts allow utility plants in service to be depreciated at an annual percentage rate. In order to change this rate, approval must be obtained from the Department of Telecommunications and Energy. Changes in annual depreciation rates may be made for financial factors relating to cash flow rather than for engineering factors relating to estimates of useful lives. The Light Department used a depreciation rate of 3.0% for fiscal year 2018.

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Vehicles	5 - 15
Equipment	5 - 10

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

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

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

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

Interfund Transactions

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February, and March of each year. The Selectmen and Finance Committee have until May, which is when the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is sent to the Department of Revenue for approval.

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

Encumbrances do not constitute expenditures or liabilities.

Deficit Fund Equity

The Town reflects a few special revenue fund deficits, primarily caused by grant expenses occurring in advance of grant reimbursements. The deficits in these funds will be eliminated through future intergovernmental revenues. The Roadway capital project fund reflects a deficit balance of \$400,000 which is funded by a short-term note.

3. Cash and Short-Term Investments

Town Exclusive of the Electric Light Department

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. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's investment policy requires the due diligence necessary to affirm the financial strength, capital adequacy, and reputation for any financial institution in which the Town places investments. Due diligence includes reviewing the institution's financial statements and the background of the sales representatives on a quarterly basis. All deposits not held directly by the Town are held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer. The Treasurer receives monthly safekeeping reports from the custodian as well as safekeeping receipts detaining each transaction from the account.

As of June 30, 2019, \$6,792,981 of the Littleton's bank balance of \$40,694,571 was exposed to custodial credit risk as uninsured or uncollateralized. Additionally, \$5,087,202 was invested in a state pool, which is not subject to this disclosure.

As of June 30, 2019, \$12,629,569 in deposits in excess of FDIC limits (Federal Deposit Insurance Corporation) were insured by SIF (Share Insurance Fund) or DIF (Depositors Insurance Fund).

Electric Light Department

Separate disclosures regarding the Electric Light Departments Cash and Investments are available in the Department's stand-alone financial statements and can be obtained from Accounting/Business Manager at 39 Ayer Road Littleton, MA 01460-3406.

4. Investments

Town investments only, excludes OPEB Trust Funds.

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).

Presented below is the actual rating as of year-end for debt related investments of the Town. All federal agency securities have an implied credit rating of Aaa.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>			
		<u>Aaa-A3</u>	<u>Baa1-B3</u>	<u>Caa1-C</u>	<u>Other/Unrated</u>
Debt related:					
Corporate bonds	\$ 420,463	\$ 374,212	\$ 46,251	\$ -	\$ -
Fixed income mutual funds	<u>1,498,769</u>	<u>876,630</u>	<u>424,751</u>	<u>107,312</u>	<u>90,076</u>
Subtotal	1,919,232	<u>\$ 1,250,842</u>	<u>\$ 471,002</u>	<u>\$ 107,312</u>	<u>\$ 90,076</u>
Debt related - US Government:					
US Treasury notes	<u>1,152,615</u>				
Total Debt Related	3,071,847				
Other investments:					
Corporate equities	<u>4,367,478</u>				
Total other investments	4,367,478				
Certificates of deposits	<u>210,238</u>				
Total investments	<u>\$ 7,649,563</u>				

Custodial Credit Risk

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

Concentration of Credit Risk

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

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 will manage interest rate risk by managing duration in the account. The investment policy requires investment of operating funds to have maturity of one year or less from the date of purchase.

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

		<u>Investment Maturities (Years)</u>	
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 to 5</u>
Debt-related securities:			
US Treasury notes	\$ 1,152,615	\$ 1,152,615	\$ -
Corporate bonds	420,463	-	420,463
Fixed income mutual funds	<u>1,498,769</u>	<u>-</u>	<u>1,498,769</u>
Total	<u>\$ 3,071,847</u>	<u>\$ 1,152,615</u>	<u>\$ 1,919,232</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's policy prohibits exposure to foreign currency.

Fair Value

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

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

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

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

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

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

The Town has the following fair value measurements as of June 30, 2019:

Description	Fair Value	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Debt securities:				
US Treasury notes	\$ 1,152,615	\$ -	\$ 1,152,615	\$ -
Corporate bonds	420,463	-	420,463	-
Bond mutual funds	1,498,769	-	1,498,769	-
Equity securities:				
Corporate equities	4,367,478	4,367,478	-	-
Subtotal	\$ 7,439,325	\$ 4,367,478	\$ 3,071,847	\$ -

5. OPEB Trust Fund Investments

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2019. The below notes include the Electric OPEB Trust Fund's investments as of June 30, 2019, which does not agree with the Statement of Fiduciary Net Position that shows investments as of December 31, 2018.

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 11,165,400
Fixed income mutual funds	<u>3,309,700</u>
Total investments	<u>\$ 14,475,100</u>

A. Credit Risk

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

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

such as mutual funds or exchange traded funded. Investments in fixed income securities will be made primarily for income and capital preservation.

Presented below is the rating breakdown as of year-end for the fixed income investment type of the OPEB Trust Fund.

<u>Rating as of Year End</u>					
<u>Investment Type</u>	<u>Amount</u>	<u>Aaa-A3</u>	<u>Baa1-B3</u>	<u>Caa1-C</u>	<u>Other/Unrated</u>
Fixed income mutual funds	\$ 3,309,700	\$ 1,918,302	\$ 948,229	\$ 238,298	\$ 204,871

B. Custodial Credit Risk

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

As of June 30, 2019, none of the OPEB Trust Fund's total investments were subject to custodial credit risk.

C. Concentration of Credit Risk

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

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

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

D. Interest Rate Risk

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

investments within the portfolio will help manage the effects of interest rate risk; however, the Town understands the longer-term nature of these funds and designs a portfolio consistent with the long-term health of the Trust.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ 3,309,700	\$ -	\$ 3,309,700	\$ -	\$ -

E. Foreign Currency Risk

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

F. Fair Value

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

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

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

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

The OPEB Trust Fund has the following fair value measurements as of June 30, 2019:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Corporate equities	\$ 11,165,400	\$ 11,165,400	\$ -	\$ -
Fixed income mutual funds	<u>3,309,700</u>	<u>-</u>	<u>3,309,700</u>	<u>-</u>
Total	\$ <u>14,475,100</u>	\$ <u>11,165,400</u>	\$ <u>3,309,700</u>	\$ <u>-</u>

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

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

6. **Property Taxes and Excises Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Estimated tax bills (based on the prior year) are due on August 1st and November 1st. Actual tax bills are mailed after the tax rate has been set and are due on February 1st and May 1st. Property taxes attach as enforceable liens on property as of July 1st of the next fiscal year. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

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

Property taxes and excise receivable at June 30, 2019 consist of the following:

<u>Receivables:</u>	<u>Amount</u>
Real estate taxes	\$ 584,476
Personal Property Taxes	
Levy of 2019	17,424
Levy of 2018	4,714
Levy of 2017	3,397
Levy of 2016	10,297
Prior Years	12,632
Community preservation	4,802
Tax liens	<u>210,735</u>
Total property taxes	<u>\$ 848,477</u>
Motor vehicle excise	<u>\$ 210,724</u>

7. User Fee Receivables

Receivables for user charges and betterments at June 30, 2019 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Electric Light	\$ 3,464,178	\$ (47,260)	\$ 3,416,918
Water	341,216	-	341,216
Unbilled Water	244,742	-	244,742
Betterments	<u>826,500</u>	<u>-</u>	<u>826,500</u>
Total	<u>\$ 4,876,636</u>	<u>\$ (47,260)</u>	<u>\$ 4,829,376</u>

8. Intergovernmental and Departmental Receivables

Intergovernmental Receivables

Intergovernmental receivables represent reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2019.

Departmental Receivables

Town departmental receivables primarily comprise of ambulance receivables.

9. Interfund Accounts

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers made in fiscal year 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General fund	\$ 1,495,801	\$ 841,943
Nonmajor funds:		
Special revenue funds:		
Littleton cable television	29,377	-
Various school grants	957	-
SBA wastewater settlement	-	17,274
Ambulance service	-	585,916
Oak Hill cell tower	-	31,269
Newtown Hill cell tower	-	78,248
Littleton cable television	-	226,983
Wetland fees	-	8,000
Graves opening	-	18,897
Cemetery lot sales	-	12,000
Building inspections	-	125,000
Lakes FD	-	214,550
LCTV Boxborough services	-	60,000
Various other special revenue funds	-	51,371
Capital project funds:		
Roadway fund	600,000	-
Fire station fund	1,006	-
Permanent funds	-	42,800
Subtotal nonmajor funds	631,340	1,472,308
<u>Business-type Funds:</u>		
Park and recreation fund	211,110	24,000
Subtotal Business-type funds	211,110	24,000
Grand Total	\$ <u>2,338,251</u>	\$ <u>2,338,251</u>

The transfers into the general fund include \$585,916 in annual Town ambulance revolving fund revenues, \$226,983 from Littleton Community Television (LCTV), and various other amounts from School and Town revolving funds to offset general fund expenditures.

Transfers out of the general fund represent \$600,000 going into the roadway capital project fund, represent general fund revenues appropriated for capital costs and \$211,110 going into the Park and Recreation fund representing the enterprise subsidy.

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

10. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 77,691,448	\$ 9,901,487	\$ -	\$ 87,592,935
Improvements other than buildings	1,203,243	49,269	-	1,252,512
Machinery, equipment, and furnishings	4,552,607	329,254	-	4,881,861
Vehicles	5,651,693	1,101,959	(28,395)	6,725,257
Infrastructure	<u>29,049,564</u>	<u>716,963</u>	<u>-</u>	<u>29,766,527</u>
Total capital assets, being depreciated	118,148,555	12,098,932	(28,395)	130,219,092
Less accumulated depreciation for:				
Buildings	(35,267,769)	(2,468,021)	-	(37,735,790)
Improvements other than buildings	(264,989)	(72,150)	-	(337,139)
Machinery, equipment, and furnishings	(2,924,218)	(267,169)	-	(3,191,387)
Vehicles	(3,864,058)	(511,219)	82,795	(4,292,482)
Infrastructure	<u>(15,831,779)</u>	<u>(183,651)</u>	<u>-</u>	<u>(16,015,430)</u>
Total accumulated depreciation	<u>(58,152,813)</u>	<u>(3,502,210)</u>	<u>82,795</u>	<u>(61,572,228)</u>
Total capital assets, being depreciated, net	59,995,742	8,596,722	54,400	68,646,864
Capital assets, not being depreciated:				
Land	13,143,643	34,674		13,178,317
Construction in progress	<u>12,815,101</u>	<u>213,766</u>	<u>(9,137,831)</u>	<u>3,891,036</u>
Total capital assets, not being depreciated	<u>25,958,744</u>	<u>248,440</u>	<u>(9,137,831)</u>	<u>17,069,353</u>
Governmental activities capital assets, net	<u>\$ 85,954,486</u>	<u>\$ 8,845,162</u>	<u>\$ (9,083,431)</u>	<u>\$ 85,716,217</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<u>Water</u>				
Capital assets, being depreciated:				
Other depreciable assets	\$ 20,880,908	\$ 1,124,249	\$ (14,500)	\$ 21,990,657
Total capital assets, being depreciated	20,880,908	1,124,249	(14,500)	21,990,657
Less accumulated depreciation for:				
Other depreciable assets	(8,447,655)	(626,427)	20,000	(9,054,082)
Total accumulated depreciation	(8,447,655)	(626,427)	20,000	(9,054,082)
Total capital assets, being depreciated, net	12,433,253	497,822	5,500	12,936,575
Capital assets, not being depreciated:				
Land	934,228	-	-	934,228
Total capital assets, not being depreciated	934,228	-	-	934,228
Water capital assets, net	\$ 13,367,481	\$ 497,822	\$ 5,500	\$ 13,870,803
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
<u>Electric Light</u>				
Capital assets, being depreciated:				
Other depreciable assets	\$ 39,232,138	\$ 1,077,584	\$ (145,245)	\$ 40,164,477
Total capital assets, being depreciated	39,232,138	1,077,584	(145,245)	40,164,477
Less accumulated depreciation for:				
Other depreciable assets	(16,239,480)	(1,176,037)	142,193	(17,273,324)
Total accumulated depreciation	(16,239,480)	(1,176,037)	142,193	(17,273,324)
Total capital assets, being depreciated, net	22,992,658	(98,453)	(3,052)	22,891,153
Capital assets, not being depreciated:				
Land	1,312,676	-	-	1,312,676
Total capital assets, not being depreciated	1,312,676	-	-	1,312,676
Electric light capital assets, net	\$ 24,305,334	\$ (98,453)	\$ (3,052)	\$ 24,203,829

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

Governmental Activities:	
General government	\$ 110,563
Public safety	1,007,888
Education	1,953,462
Public works	388,591
Health and Human Services	7,510
Culture and recreation	34,196
Total depreciation expense - governmental activities	\$ 3,502,210

Business-type Activities:	
Electric Light	\$ 1,176,037
Water	<u>626,427</u>
Total depreciation expense - business-type activities	<u>\$ 1,802,464</u>

11. 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.

12. Accounts Payable

Accounts payable represent fiscal year 2019 expenditures paid subsequent to year end.

13. Bond Anticipation Notes

The Town had the following notes outstanding at June 30, 2019:

Governmental activities

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Roadway Improvements	1.25%	8/31/2018	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
Roadway Improvements	2.55%	8/31/2109	-	400,000	-	400,000
Library Design Bond	2.50%	5/22/2020	-	1,495,000	-	1,495,000
Total Governmental activities			<u>\$ 1,000,000</u>	<u>\$ 1,895,000</u>	<u>\$ (1,000,000)</u>	<u>\$ 1,895,000</u>

Business-type activities

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Whitcomb Avenue Wells	2.50%	5/22/2020	\$ -	\$ 1,994,000	\$ -	\$ 1,994,000
Total Business-type activities			<u>\$ -</u>	<u>\$ 1,994,000</u>	<u>\$ -</u>	<u>\$ 1,994,000</u>

14. Long-Term Debt

General Obligation Bonds and Loans Payable

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

Governmental Activities:

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/19
<u>General Obligation Bonds</u>				
Land Acquisition - Lucy's Land	\$ 150,000	2029	3.33%	\$ 60,000
Building Remodeling - Houghton Roof	195,000	2029	3.48%	100,000
Architectural Services Police Station Design	300,000	2028	3.38%	135,000
Police Station Construction	6,023,303	2029	3.49%	3,150,000
Architectural Services - RSS Design	232,800	2031	3.55%	120,000
Land Acquisition - Cobbs Land - CPA	323,955	2031	3.56%	180,000
Water Mains - Goldsmith St	1,094,400	2031	3.58%	650,000
School Project - RSS Construction	5,428,845	2031	3.59%	3,240,000
Police Land - Refunding	228,000	2022	1.21%	70,000
Land Acquisition - Morrison - Refunding	724,000	2020	87.00%	90,000
High School - Refunding	3,883,000	2023	1.14%	885,000
Athletic Facility	2,355,000	2028	2.00 - 4.00%	2,125,000
Land Acquisition	300,000	2028	2.00 - 4.00%	270,000
Sewer (WW Treatment Plant)	566,000	2025	2.00 - 4.00%	480,000
Land Acquisition - Prouty - Refunding	144,000	2024	2.00 - 4.00%	120,000
Land Acquisition - Hartwell - Refunding	145,000	2023	2.00 - 4.00%	120,000
Building Construction School	3,235,000	2027	2.00 - 4.00%	2,855,000
Building Construction - Fire Station	5,650,100	2038	3.00 - 5.00%	5,365,000
Total general obligation bonds				20,015,000
<u>Loans - Direct Borrowings</u>				
Septic Loan #2	\$ 189,474	2021	4.83%	\$ 22,774
Middle School - low Interest Loan	2,142,297	2029	2.00%	1,071,147
Septic Loan Program	282,674	2037	2.00%	259,557
Total loans - direct borrowings				1,353,478
Total governmental-activities				\$ 21,368,478

Business-type activities:

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/19
<u>General Obligation Bonds</u>				
Water mains - capital	\$ 191,088	2029	3.49%	\$ 100,000
Water tank - refunding - Oak Hill	652,000	2023	1.31%	230,000
Water capital improvement	274,200	2035	3.00 - 3.25%	215,000
Well redevelopment	3,720,000	2035	3.00 - 3.25%	2,960,000
Water Cobbs well	178,800	2032	3.00%	130,000
Water capital improvement well #2	118,300	2027	3.00%	80,000
Well #2 design	194,700	2034	3.00 - 3.25%	150,000
Land acquisition - Nashoba rd - water	87,000	2023	2.00 - 4.00%	70,000
Route 119 bond	803,900	2038	3.00 - 5.00%	760,000
Total general obligation bonds				\$ 4,695,000

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

Governmental Activities:

<u>General Obligation Bonds</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,175,000	\$ 757,340	\$ 2,932,340
2021	2,030,000	684,090	2,714,090
2022	1,965,000	605,940	2,570,940
2023	1,895,000	530,040	2,425,040
2024	1,720,000	463,140	2,183,140
2025-2029	7,020,000	1,304,000	8,324,000
2030-2034	2,090,000	348,760	2,438,760
2035-2039	1,120,000	91,000	1,211,000
Total	<u>\$ 20,015,000</u>	<u>\$ 4,784,310</u>	<u>\$ 24,799,310</u>

Loans Payable (direct borrowings)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 130,440	\$ 27,468	\$ 157,908
2021	130,699	24,518	155,217
2022	119,576	21,847	141,423
2023	119,847	19,455	139,302
2024	120,124	17,058	137,182
2025-2029	604,981	49,141	654,122
2030-2034	77,289	9,756	87,045
2035-2039	50,522	2,035	52,557
Total	<u>\$ 1,353,478</u>	<u>\$ 171,278</u>	<u>\$ 1,524,756</u>

Business-type activities:

<u>General Obligation Bonds</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 360,000	\$ 144,682	\$ 504,682
2021	360,000	134,483	494,483
2022	350,000	123,182	473,182
2023	350,000	112,183	462,183
2024	280,000	101,332	381,332
2025-2029	1,380,000	367,763	1,747,763
2030-2034	1,260,000	158,167	1,418,167
2035-2038	355,000	16,169	371,169
	<u>\$ 4,695,000</u>	<u>\$ 1,157,961</u>	<u>\$ 5,852,961</u>

Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Total Balance 7/1/18	Additions	Reductions	Total Balance 6/30/19	Less Current Portion	Equals Long-Term Portion 6/30/19
<u>Governmental Activities</u>						
General obligation bonds	\$ 22,520,101	\$ -	\$ (2,505,100)	\$ 20,015,001	\$ (2,175,000)	\$ 17,840,001
Loans payable (direct)	1,482,629	-	(129,150)	1,353,479	(130,440)	1,223,039
Unamortized debt premiums	744,064	-	(84,092)	659,972	(84,091)	575,881
Subtotal	24,746,794	-	(2,718,342)	22,028,452	(2,389,531)	19,638,921
Net pension liability	13,007,685	2,366,711	-	15,374,396	-	15,374,396
Net OPEB liability	15,769,572	-	(229,172)	15,540,400	-	15,540,400
Accrued employee benefits	437,747	-	(6,818)	430,929	(107,732)	323,197
Totals	\$ 53,961,798	\$ 2,366,711	\$ (2,954,332)	\$ 53,374,177	\$ (2,497,263)	\$ 50,876,914

	Total Balance 7/1/18	Additions	Reductions	Total Balance 6/30/19	Less Current Portion	Equals Long-Term Portion 6/30/19
<u>Business-Type Activities</u>						
General obligation bonds	\$ 5,195,900	\$ -	\$ (500,900)	\$ 4,695,000	\$ (360,000)	\$ 4,335,000
Unamortized debt premiums	146,339	7,175	(14,742)	138,772	(14,742)	124,030
Subtotal	5,342,239	7,175	(515,642)	4,833,772	(374,742)	4,459,030
Net pension liability	8,425,104	4,131,552	(2,598,802)	9,957,854	-	9,957,854
Net OPEB liability	2,593,375	677,697	(697,686)	2,573,386	-	2,573,386
Accrued employee benefits	333,458	66,161	(90,306)	309,313	(75,837)	233,476
Totals	\$ 16,694,176	\$ 4,882,585	\$ (3,902,436)	\$ 17,674,325	\$ (450,579)	\$ 17,223,746

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

Refunding on Long-term Debt

On December 15, 2007, the Town issued \$4,670,000 of General Obligation Refunding Bonds with an average interest rate of 3.63% to 5.00% to advance refund \$4,420,000 of outstanding debt with interest rates from 4.80% to 7.00%. The net proceeds (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased. The refunded debt was paid in fiscal year 2019.

On December 7, 2012, the Town issued general obligation bonds in the amount of \$5,437,000 with an average interest rate of 1.43% and utilized those proceeds along with \$8,169,365 from the Massachusetts School Building Authority to advance refund \$13,485,000 of debt that had an average interest rate of 4.91%. After paying issuance

costs and other costs, the net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are matured in January of 2023. The advance refunding met the requirements of an in-substance debt defeasance and the refunded term bonds were removed from the Town's financial statements. The net present benefit as a result of the refunding issue is \$2,576,302. The Town shared in the savings with the Massachusetts School Building Authority.

15. Deferred Inflows of Resources

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

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

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2019 receivable balances, except real and personal property taxes that were collected within 60 days of year end. Other governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

16. Governmental Fund Balances

The following is a breakdown of the Town's governmental fund balances at June 30, 2019:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:			
Nonexpendable permanent funds:			
Perpetual care	\$ -	\$ 286,804	\$ 286,804
Education	-	609,121	609,121
Library	-	462,354	462,354
Culture and recreation	-	50,242	50,242
Total Nonexpendable	-	1,408,521	1,408,521

(continued)

(continued)

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Restricted:			
Bond premium for debt service	112,818	-	112,818
Town special revenue accounts:			
Ambulance	-	658,015	658,015
Recreation reserve	-	518,360	518,360
Littleton cable television	-	536,987	536,987
Community housing reserves	-	490,248	490,248
Annual fund	-	458,717	458,717
Library building gift fund	-	379,794	379,794
Lakes FD	-	356,388	356,388
IOD Police and Fire	-	350,000	350,000
Open space reserve	-	321,469	321,469
School special revenue accounts:			
School choice	-	1,548,300	1,548,300
Tiger's den	-	753,345	753,345
Circuit breaker	-	607,071	607,071
Various other special revenue funds	-	2,285,311	2,285,311
Capital project funds:			
Fire station	-	185,590	185,590
Alumni field	-	181,141	181,141
Expendable permanent funds			
Perpetual care	-	271,786	271,786
Education	-	1,005,233	1,005,233
Library	-	839,441	839,441
Culture and recreation	-	160,079	160,079
Total Restricted	112,818	11,907,275	12,020,093
Committed:			
Capital stabilization	155,046	-	155,046
Debt exclusion stabilization	706,118	-	706,118
Senior Center stabilization	3,004,953	-	3,004,953
2020 Annual Town Meeting Articles for:			
Facilities and infrastructure	939,978	-	939,978
Stabilization fund	300,000	-	300,000
Stabilization fund	108,045	-	108,045
Fiscal year 2018 bills	2,400	-	2,400
Capital articles	1,498,084	-	1,498,084
Library building	-	105,383	105,383
Total Committed	6,714,624	105,383	6,820,007
Assigned:			
Encumbered for:			
General government	420,604	-	420,604
Public safety	118,589	-	118,589
Public works	289,576	-	289,576
Other	80,146	-	80,146
Total Assigned	908,915	-	908,915
Unassigned:			
General fund	8,718,794	-	8,718,794
Stabilization*	2,272,908	-	2,272,908
Nonmajor fund deficits	-	(468,522)	(468,522)
Total Unassigned	10,991,702	(468,522)	10,523,180
Total Fund Balance	\$ 18,728,059	\$ 12,952,657	\$ 31,680,716

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

17. Retirement System

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

Plan Description

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

Participant Retirement Benefits

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

If a participant was a member prior to February 2012 a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

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

Participants Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

Participants Contributions

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

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, 2019 was \$2,185,944, 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, 2019, the Town reported a liability of \$25,332,250 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2018, the Town's proportion was 1.62% percent.

For the year ended June 30, 2019, the Town recognized a pension expense of \$3,790,009. No contributions were made between January 1, 2019 to June 30, 2019. The Town reported deferred outflows of resources and deferred (inflows) of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 1,129,151	\$ -
Difference between expected and actual experience	51,828	(88,297)
Change in assumptions	1,574,350	-
Change in proportion	<u>3,155,407</u>	<u>(1,382,261)</u>
Total	<u>\$ 5,910,736</u>	<u>\$ (1,470,558)</u>

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

Year ended June 30:	Net Deferred Outflows/(Inflows) of Resources
2020	\$ 1,726,999
2021	1,269,588
2022	657,433
2023	<u>786,158</u>
Total	<u>\$ 4,440,178</u>

Actuarial Assumptions

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

Valuation Date	January 1, 2018
Actuarial cost method	Individual entry age normal
Remaining amortization period	17 years from July 1, 2018
Inflation	3.25%
Projected salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2, and 4.50% for Group 4
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost of living adjustments	3.00% of first \$14,000

Mortality rates were based on the following:

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study, which was as of January 1, 2018.

Target Allocation

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	17.50%	6.15%
International developed markets equity	15.50%	7.11%
International emerging markets equity	6.00%	9.41%
Core fixed income	12.00%	1.68%
High-yield fixed income	10.00%	4.13%
Real estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge fund, GTAA, risk parity	13.00%	3.94%
Private equity	12.00%	10.28%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the current discount rate of 7.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower and 1 percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
For the Year Ended			
June 30, 2019	\$ 65,904,846	\$ 25,332,250	\$ 43,405,282

Pension Plan Fiduciary Net Position

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

18. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

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

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

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and

contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

Contributions

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

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 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, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

- (a) 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.

- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.0%	5.0%
Portfolio completion strategies	13.0%	3.7%
Core fixed income	12.0%	0.9%
Private equity	12.0%	6.6%
Real estate	10.0%	3.8%
Value added fixed income	10.0%	3.8%
Timber/natural resources	4.0%	3.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2018. 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:

<u>Fiscal Year Ended</u>	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
June 30, 2018	\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

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 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$38,067,628 and \$3,857,603 respectively, based on a proportionate share of 0.1601%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense as both a revenue and expense in the governmental activities.

19. 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. Several years ago, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

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

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

Town OPEB Plan

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

A. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	156
Active employees	373
	<hr/>
Total	529
	<hr/>

B. Investments

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

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary increases	3 %, average, including inflation
Investment rate of return	7.5 %, net of OPEB plan investment expense
Municipal bond rate	3.50%
Discount rate	7.50%
Healthcare cost trend rates	8 % decreasing 0.5% annually to 5.5%
Retirees' share of benefit-related costs	26 - 50 %
Participation rate	85% of eligible retired employees

Mortality rates were based on:

- Pre-retirement (General and Public Safety employees) – reflects RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D
- Post-retirement (General and Public Safety employees) – reflects RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D
- Pre-retirement (Teachers) – RP-2014 White Collar Mortality Table, base year 2014, project with generational mortality improvement using scale MP-2016.
- Post-retirement (Teachers) – RP-2014 White Collar Mortality Table, base year 2014, project with generational mortality improvement using scale MP-2016.

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

D. Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, netting with investment expense and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.00%	5.92%
International Equity	20.00%	2.73%
Domestic Bond	20.00%	3.69%
International Fixed Income	5.00%	3.80%
Alternatives	20.00%	3.50%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the net OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

F. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 28,339,744
Plan fiduciary net position	<u>12,089,224</u>
Net OPEB liability	<u>\$ 16,250,520</u>

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

G. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, beginning of year	\$ 25,609,877	\$ 9,003,920	\$ 16,605,957
Changes for the year:			
Service cost	923,015	-	923,015
Interest	1,949,574	-	1,949,574
Contributions - employer	-	3,498,393	(3,498,393)
Net investment income	-	664,043	(664,043)
Change in experience	(1,661,369)		(1,661,369)
Change in assumptions	2,595,779		2,595,779
Benefit payments	(1,077,132)	(1,077,132)	-
Net Changes	2,729,867	3,085,304	(355,437)
Balances, end of year	\$ 28,339,744	\$ 12,089,224	\$ 16,250,520

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

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

1% Decrease	Current Discount Rate	1% Increase
\$ 20,372,486	\$ 16,250,520	\$ 12,899,825

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

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

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 12,160,589	\$ 16,250,520	\$ 21,716,349

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

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$2,290,603. At June 30, 2019, 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>
Change in assumptions	\$ 2,269,676	\$ -
Change in experience	-	(1,452,654)
Net difference between projected and actual OPEB investment earnings	135,391	-
Total	<u>\$ 2,405,067</u>	<u>\$ (1,452,654)</u>

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

Year Ended June 30:

2020	\$ 157,490
2021	157,490
2022	157,490
2023	132,475
2024	117,388
2025	117,388
2026	112,692
Total	<u>\$ 952,413</u>

Electric Light OPEB Plan

All the following OPEB disclosures are based on a measurement date of December 31, 2018.

A. General Information about the OPEB Plan

Plan Description

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

the Massachusetts General Laws. The Department's Board of Commissioners has the authority to establish and amend benefit terms.

Benefits Provided

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

Contributions

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

Funding Policy

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

Plan Membership

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	26
Active employees	26
Total	<u>52</u>

B. Investments

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

Rate of return. For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Investment Rate of Return	7.50%, net of investment expense, including inflation
Discount Rate	7.50%, per year
Health Cost Trend Rates	8.0% decreasing by 0.5% per year to 5.50% per year, then graduating down to an ultimate trend rate of 3.8%. The ultimate medical inflation rate is reached in 2075.

Mortality rates were based on:

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

D. Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, netting with investment expense and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.00%	6.11%
Domestic Bond	20.00%	3.82%
International Equity	20.00%	2.78%
International Bond	5.00%	3.94%
Cash and equivalents	0.00%	0.00%
Other	20.00%	3.67%
Total	<u>100.00%</u>	

E. Discount Rate

As of December 31, 2018, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Projected benefit payments are discounted to their actuarial present value using a single discount rate of 7.50%.

F. Net OPEB Liability

The components of the net OPEB liability, measured as of December 31, 2018, were as follows:

Total OPEB liability	\$	4,044,793
Plan fiduciary net position		<u>(2,181,527)</u>
Net OPEB liability	\$	<u><u>1,863,266</u></u>

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

G. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 4,010,312	\$ 2,253,322	\$ 1,756,990
Changes for the year:			
Service cost	72,190	-	72,190
Interest	294,181	-	294,181
Contributions - employer	-	370,182	(370,182)
Net investment income	-	(121,795)	121,795
Change in experience	(237,629)		(237,629)
Change in assumptions	225,921		225,921
Benefit payments	(320,182)	(320,182)	-
Administrative expense	-	-	-
Net Changes	<u>34,481</u>	<u>(71,795)</u>	<u>106,276</u>
Balances, end of year	\$ <u><u>4,044,793</u></u>	\$ <u><u>2,181,527</u></u>	\$ <u><u>1,863,266</u></u>

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

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

	1% Decrease	Current Discount Rate	1% Increase
\$	2,356,055	\$ 1,863,266	\$ 1,457,320

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$	1,384,012	\$ 1,863,266	\$ 2,482,425

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

For the year ended June 30, 2019, the Electric Light Department recognized an OPEB expense of \$253,253. At December 31, 2018, the Electric Light Department reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 191,324	\$ -
Change in experience	-	(201,239)
Net difference between projected and actual OPEB investment earnings	233,120	-
Total	<u>\$ 424,444</u>	<u>\$ (201,239)</u>

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

Year Ended December 31:

2019	\$	56,487
2020		56,487
2021		56,487
2022		56,487
2023		(1,793)
Thereafter		<u>(950)</u>
Total	\$	<u><u>223,205</u></u>

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

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

	Total OPEB <u>Liability</u>	Total Deferred Outflows of <u>Resources</u>	Total Deferred (Inflows) of <u>Resources</u>	Total OPEB <u>Expense</u>
Town OPEB Plan	\$ 16,250,520	\$ 2,405,067	\$ (1,452,654)	\$ 2,290,603
Electric Light OPEB Plan	<u>1,863,266</u>	<u>424,444</u>	<u>(201,239)</u>	<u>253,253</u>
Total	\$ <u><u>18,113,786</u></u>	\$ <u><u>2,829,511</u></u>	\$ <u><u>(1,653,893)</u></u>	\$ <u><u>2,543,856</u></u>

20. Tax Abatement Agreements

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

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

Multi-Brand Retailer – The recipient of the agreement agreed to invest approximately \$35 million in soft and hard construction development costs and \$14 million for personal property. And other investment expenses. In addition, the company agreed to create and retain 130 full time employees within seven years. Consideration to hiring town residents

and vendors will be subject to applicable laws and equal qualifications. In addition, the recipient will relocate 227 current employees to the project. The tax abatement agreement is a twelve-year agreement. The abatement is granted by reducing the company's real estate taxation by 62.1% year one with reductions in the percentages to a 33.9% reduction in year twelve.

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

For the fiscal year ended June 30, 2019, the company received a tax abatement of \$469,422.

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

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

For the fiscal year ended June 30, 2019, the company received a tax abatement of \$6,362.

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

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

For the fiscal year ended June 30, 2019, the company received a tax abatement of \$37,409.

21. 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.

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

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

Encumbrances – At year-end the Town's general fund has \$908,915 in encumbrances that will be honored in the next fiscal year.

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project

Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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

Littleton Electric Light & Water has entered into PSAs and PPAs with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

As of December 31, 2018, total capital expenditures amounted to \$1,652,338,000, of which \$17,595,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$7,110,000, of which \$0 is associated with the Department's share of Project Capability. As of December 31, 2018, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$7,419,000, of which \$0 is anticipated to be billed to the Department in the future.

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$1,113,000 and \$1,118,000 for the years ended December 31, 2018 and 2017, respectively.

22. 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, 2020. 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.

23. Subsequent Events

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

24. Beginning Net Position Restatement and Beginning Fund Balance Reclassification

The Electric Light Department's beginning net position has been restated from the previous fiscal year to conform to GASB Statement 75. In accordance with GASB Statement 75, the Electric Light Department has elected to apply the standard prospectively and not recalculate OPEB related deferred outflows and inflows of resources for prior periods.

Accordingly, the following reconciliation is provided:

	<u>Electric Light Fund</u>
As previously reported	\$ 36,537,608
Implementation of GASB 75	<u>(2,270,735)</u>
As restated	<u>\$ 34,266,873</u>

The Town's major governmental funds for fiscal year 2019, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

Fund Basis Financial Statements:

	<u>Fire Station Construction</u>	<u>Alumni Field Construction</u>	<u>Nonmajor Governmental Funds</u>
As previously reported	\$ 356,770	\$ 394,907	\$ 11,352,725
Reclass to nonmajor	<u>(356,770)</u>	<u>(394,907)</u>	<u>751,677</u>
As reclassified	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,104,402</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF LITTLETON, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND OTHER
FINANCING SOURCES AND USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
Revenues				
Property taxes, net	\$ 38,537,936	\$ 38,537,936	\$ 39,414,710	\$ 876,774
Intergovernmental	5,121,446	5,121,446	5,213,095	91,649
Motor vehicle and other taxes	1,736,116	1,736,116	2,169,285	433,169
Penalties and interest	75,000	75,000	97,091	22,091
In-lieu payments	850,000	850,000	857,264	7,264
Departmental fees and charges	300,000	300,000	326,391	26,391
Licenses and permits	100,000	100,000	544,806	444,806
Special assessments	30,000	30,000	117,790	87,790
Fines and forfeitures	25,000	25,000	48,479	23,479
Investment income	100,000	100,000	487,430	387,430
Other	-	-	46,774	46,774
Total Revenues	46,875,498	46,875,498	49,323,115	2,447,617
Expenditures				
Current:				
General government	5,156,327	5,156,327	4,592,431	563,896
Public safety	4,494,607	4,494,607	4,377,324	117,283
Education	20,370,280	20,370,280	20,358,476	11,804
Public works	4,165,035	4,167,435	3,761,329	406,106
Health and human services	514,672	514,672	428,436	86,236
Culture and recreation	739,027	739,027	695,948	43,079
State and county assessments	1,177,677	1,177,677	1,210,087	(32,410)
Debt service	4,352,430	4,352,430	4,093,701	258,729
Employee benefits	7,441,738	7,441,738	6,974,800	466,938
Total Expenditures	48,411,793	48,414,193	46,492,532	1,921,661
Excess (deficiency) of revenues over expenditures	(1,536,295)	(1,538,695)	2,830,583	4,369,278
Other Financing Sources (Uses)				
Use of free cash:				
Transfer to stabilization fund	564,897	567,297	-	(567,297)
For capital projects	1,162,001	1,162,001	-	(1,162,001)
Transfer to capital stabilization fund	2,698,502	2,698,502	-	(2,698,502)
Transfer to debt exclusion stabilization fund	242,871	242,871	-	(242,871)
Use of overlay reserve	754,841	754,841	-	(754,841)
Use of prior year encumbrances	3,175,004	3,175,004	3,175,004	-
Bond premium	25,349	25,349	25,349	-
Transfers from other funds	1,623,779	1,623,779	1,653,398	29,619
Transfers to other funds	(8,710,949)	(8,710,949)	(8,519,105)	191,844
Total Other Financing Sources(Uses)	1,536,295	1,538,695	(3,665,354)	(5,204,049)
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	\$ -	\$ -	\$ (834,771)	\$ (834,771)

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability (GASB 68)
(Unaudited)

Middlesex County Retirement System

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

Massachusetts Teachers' Retirement System

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

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

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Pension Contributions (GASB 68)
(Unaudited)

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 31, 2018	\$ 2,185,944	\$ 2,185,944	\$ -	\$ 12,191,742	17.93%
June 30, 2018	December 31, 2017	\$ 2,054,283	\$ 3,555,064	\$ (1,500,781)	\$ 11,686,136	30.42%
June 30, 2017	December 31, 2016	\$ 1,875,271	\$ 2,575,271	\$ (700,000)	\$ 11,081,928	23.24%
June 30, 2016	December 31, 2015	\$ 1,762,316	\$ 1,762,316	\$ -	\$ 10,782,598	16.34%
June 30, 2015	December 31, 2014	\$ 1,711,410	\$ 1,711,410	\$ -	\$ 10,367,883	16.51%

Massachusetts Teachers' Retirement System

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

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

TOWN OF LITTLETON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

Town Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)
(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 923,015	\$ 887,514	\$ 853,379
Interest	1,949,574	1,818,827	1,690,414
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,661,369)	-	-
Changes of assumptions	2,595,779	-	-
Benefit payments, including refunds of member contributions	<u>(1,077,132)</u>	<u>(919,952)</u>	<u>(811,562)</u>
Net change in total OPEB liability	2,729,867	1,786,389	1,732,231
Total OPEB liability - beginning	<u>25,609,877</u>	<u>23,823,488</u>	<u>22,091,257</u>
Total OPEB liability - ending (a)	<u>\$ 28,339,744</u>	<u>\$ 25,609,877</u>	<u>\$ 23,823,488</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 3,498,393	\$ 2,352,890	\$ 1,959,853
Contributions - member	-	-	-
Net investment income	664,043	461,845	541,215
Benefit payments, including refunds of member contributions	(1,077,132)	(919,952)	(811,562)
Administrative expense	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	3,085,304	1,894,783	1,689,506
Plan fiduciary net position - beginning	<u>9,003,920</u>	<u>7,109,137</u>	<u>5,419,631</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,089,224</u>	<u>\$ 9,003,920</u>	<u>\$ 7,109,137</u>
Net OPEB liability - ending (a-b)	<u>\$ 16,250,520</u>	<u>\$ 16,605,957</u>	<u>\$ 16,714,351</u>

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

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

See Independent Auditors' Report.

LITTLETON ELECTRIC LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION

Electric Light Schedule of Changes in Net OPEB Liability (GASB 74 and 75)
(Unaudited)

	December 31, <u>2018</u>	December 31, <u>2017</u>
Total OPEB Liability		
Service cost	\$ 72,190	\$ 69,247
Interest	294,181	289,872
Changes of benefit terms	-	-
Differences between expected and actual experience	(237,629)	-
Changes of assumptions	225,921	-
Benefit payments, including refunds of member contributions	<u>(320,182)</u>	<u>(289,069)</u>
Net change in total OPEB liability	34,481	70,050
Total OPEB liability - beginning	<u>4,010,312</u>	<u>3,940,262</u>
Total OPEB liability - ending (a)	<u>\$ 4,044,793</u>	<u>\$ 4,010,312</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 370,182	\$ 539,069
Contributions - member	-	-
Net investment income	(121,795)	235,555
Benefit payments, including refunds of member contributions	(320,182)	(289,069)
Administrative expense	-	-
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(71,795)	485,555
Plan fiduciary net position - beginning	<u>2,253,322</u>	<u>1,767,767</u>
Plan fiduciary net position - ending (b)	<u>2,181,527</u>	<u>2,253,322</u>
Net OPEB liability - ending (a-b)	<u>\$ 1,863,266</u>	<u>\$ 1,756,990</u>

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

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

See Independent Auditors' Report.

TOWN OF LITTLETON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

Town Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)
(Unaudited)

Schedule of Net OPEB Liability

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 28,339,744	\$ 25,609,877	\$ 23,823,488
Plan fiduciary net position	<u>12,089,224</u>	<u>9,003,920</u>	<u>7,109,137</u>
Net OPEB liability	<u>\$ 16,250,520</u>	<u>\$ 16,605,957</u>	<u>\$ 16,714,351</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 42.66%	 35.16%	 29.84%

Schedule of Contributions

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

Schedule of Investment Returns

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	6.73%	5.90%	8.66%

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

See Independent Auditors' Report.

LITTLETON ELECTRIC LIGHT DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION

Electric Light Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)
(Unaudited)

	December 31, <u>2018</u>	December 31, <u>2017</u>
Schedule of Net OPEB Liability		
Total OPEB liability	\$ 4,044,793	\$ 4,010,312
Plan fiduciary net position	<u>2,181,527</u>	<u>2,253,322</u>
Net OPEB liability	<u>\$ 1,863,266</u>	<u>\$ 1,756,990</u>
Plan fiduciary net position as a percentage of the total OPEB liability	53.93%	56.19%
	December 31, <u>2018</u>	December 31, <u>2017</u>
Schedule of Contributions		
Actuarially determined contribution	\$ 237,533	\$ 279,074
Contributions in relation to the actuarially determined contribution	<u>370,182</u>	<u>539,069</u>
Contribution deficiency (excess)	<u>\$ (132,649)</u>	<u>\$ (259,995)</u>
	December 31, <u>2018</u>	December 31, <u>2017</u>
Schedule of Investment Returns		
Annual money weighted rate of return, net of investment expense	-5.38%	12.89%

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

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

See Independent Auditors' Report.

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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Notes to the Required Supplementary Information

1. Budgetary Accounting

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/Expenditures/Transfers (GAAP Basis)	\$ 51,160,224	\$ 51,111,741	\$ 653,858
Adjust tax revenue to accrual basis	443,784	-	-
Various stabilization funds investment income	(167,234)	-	-
Net down of capital stabilization transfer	-	(2,698,502)	(2,698,502)
Add in capital article expenditures and transfers in	-	(1,632,394)	(3,130,478)
Other Post Employment Benefits shown as an expenditure for GAAP purposes	-	(2,371,261)	(2,371,261)
Add end-of-year appropriation carryforwards from expenditures		-	3,175,004
To record use of bond premium as a funding source	-	-	25,349
Reverse the effect of non-budgeted state contributions for teachers retirement	(2,110,837)	2,110,837	-
Reverse other nonbudgeted activity and transfer net downs	(2,822)	(27,889)	680,676
Budgetary Basis	<u>\$ 49,323,115</u>	<u>\$ 46,492,532</u>	<u>\$ (3,665,354)</u>