

# **LITTLETON WATER DEPARTMENT**

Financial Statements  
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Fiduciary Fund:	
Fiduciary Fund – Other Post-Employment Benefits Trust Statement of Fiduciary Net Position	10
Fiduciary Fund – Other Post-Employment Benefits Trust Statement of Changes in Fiduciary Net Position	11
Notes to Financial Statements	12
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
<b>Pension:</b>	
Schedule of Proportionate Share of the Net Pension Liability	33
Schedule of Pension Contributions	34
<b>OPEB:</b>	
Schedule of Changes in Net OPEB Liability	35
Schedules of Net OPEB Liability, Contributions, and Investment Returns	36



## INDEPENDENT AUDITORS' REPORT

To the Board of Water Commissioners  
Littleton Water Department

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Littleton Water Department (the Department) (an enterprise fund of the Town of Littleton, Massachusetts) and its Other Post-Employment Benefits Fund (fiduciary fund), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department'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 Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Littleton Water Department (enterprise fund) and the Other Post-Employment Benefits Fund (fiduciary fund) as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Reporting Entity***

As discussed in Note 1, the financial statements of the Littleton Water Department are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the Town of Littleton, Massachusetts, that is attributable to the transactions of the Littleton Water Department. They do not purport to, and do not, present fairly the financial position of the Town of Littleton, Massachusetts as of June 30, 2021, and the changes in its financial position and its cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

Andover, Massachusetts  
June 17, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Littleton Water Department's (the Department) annual financial report, management provides a narrative discussion and analysis of the financial activities for the year ended June 30, 2021. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

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

The basic financial statements include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, (4) the Statements of Fiduciary Net Position, (5) the Statements of Changes in Fiduciary Net Position, and (6) Notes to Financial Statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

#### ***Proprietary Funds***

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

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, or (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The accounting used for fiduciary funds is much like that used for proprietary funds.

#### ***Notes to Financial Statements***

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

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

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

## Financial Highlights

The Statement of Net Position is designed to indicate our financial position as of a specific point in time. At June 30, 2021, it shows the Department's net position of \$10,560,405, which comprises \$9,428,118 invested in capital assets and \$1,132,287 unrestricted.

The Statement of Revenues, Expenses, and Changes in Net Position summarizes the Department's operating results and reveals how much, if any, of a profit was earned for the year. The Department's increase in net position for the year ended June 30, 2021 was \$1,315,995.

The Statement of Cash Flows provides information about the Department's cash receipts and cash payments during the accounting period. It also provides information about the Department's investing and financing activities for the same period. A review of our Statement of Cash Flows indicates that cash receipts from operating activities adequately cover the Department's operating expenses and debt service costs.

The following is a summary of the Department's financial data for the current and prior year.

### SUMMARY OF NET POSITION

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 8,659,981	\$ 4,991,587
Capital assets	<u>17,662,253</u>	<u>14,890,504</u>
Total assets	26,322,234	19,882,091
Deferred outflows of resources	449,444	531,110
Liabilities		
Long-term liabilities	6,454,647	6,884,311
Other liabilities	<u>9,105,765</u>	<u>3,680,364</u>
Total liabilities	15,560,412	10,564,675
Deferred inflows of resources	650,861	147,692
Net position		
Net investment in capital assets	9,428,118	8,574,712
Unrestricted	<u>1,132,287</u>	<u>1,126,122</u>
Total net position	<u>\$ 10,560,405</u>	<u>\$ 9,700,834</u>

## SUMMARY OF CHANGES IN NET POSITION

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 4,083,613	\$ 3,927,380
Operating expenses	<u>(3,453,946)</u>	<u>(3,622,218)</u>
Operating income	629,667	305,162
Nonoperating revenues (expenses), net	<u>686,328</u>	<u>368,976</u>
Change in net position	1,315,995	674,138
Beginning net position, as restated	<u>9,244,410</u>	<u>9,026,696</u>
Ending net position	<u>\$ 10,560,405</u>	<u>\$ 9,700,834</u>

Water sales were \$2,740,598 in fiscal year 2021, an increase of 0.3% from the prior year.

Operating expenses totaled \$3,453,946 in fiscal 2021, a decrease of (4.6)%. The largest portion of operating expenses, \$2,780,433, was for general operating, administrative, and maintenance costs. Other operating expenses included \$673,513 in depreciation expense.

### Capital Assets and Debt Administration

#### ***Capital Assets***

Total investment in capital assets at year-end amounted to \$17,662,253 (net of accumulated depreciation), an increase of \$2,771,749 from the prior year. This investment in capital assets includes land, buildings and structures, machinery and equipment, construction in progress, and infrastructure.

#### ***Debt and Other Long-Term Obligations***

At the end of the current fiscal year, total bonds outstanding including unamortized premium were \$4,066,111, all of which was backed by the full faith and credit of the Department.

Additional information on capital assets and other long-term obligations can be found in the Notes to Financial Statements.

## **Requests for Information**

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

Accounting/Business Manager  
Littleton Water Department  
39 Ayer Road  
Littleton, Massachusetts 01460-3406



# LITTLETON WATER DEPARTMENT

## Enterprise Fund Statement of Net Position June 30, 2021

### **Assets**

#### Current:

Unrestricted cash and short-term investments	\$ 7,057,826
Receivables:	
User fees	729,198
Other	15,423
Inventory	<u>91,934</u>

Total current assets 7,894,381

#### Noncurrent:

Betterments receivable	765,600
Capital assets:	
Nondepreciable capital assets	2,712,903
Other capital assets, net of accumulated depreciation	<u>14,949,350</u>

Total noncurrent assets 18,427,853

Total Assets 26,322,234

### **Deferred Outflows of Resources**

Related to pension	210,105
Related to OPEB	<u>239,339</u>

Total Deferred Outflows of Resources 449,444

### **Liabilities**

#### Current:

Accounts payable	490,801
Accrued payroll and withholdings	56,896
Bond anticipation notes payable	8,504,316
Other liabilities	53,752
Current portion of long-term liabilities:	
Bonds payable	364,464
Accrued employee compensated absences	<u>41,011</u>

Total current liabilities 9,511,240

#### Noncurrent:

Bonds payable, net of current portion	3,701,647
Compensated absences, net of current portion	43,975
Net pension liability	1,900,013
Net OPEB liability	<u>403,537</u>

Total noncurrent liabilities 6,049,172

Total Liabilities 15,560,412

### **Deferred Inflows of Resources**

Related to pension	177,103
Related to OPEB	<u>473,758</u>

Total Deferred Inflows of Resources 650,861

### **Net Position**

Net investment in capital assets	9,428,118
Unrestricted	<u>1,132,287</u>

Total Net Position \$ 10,560,405

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

**LITTLETON WATER DEPARTMENT**

Enterprise Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2021

<b>Operating Revenues</b>	
Charges for services	\$ 2,740,598
Debt service fees	865,554
Other	<u>477,461</u>
Total Operating Revenues	4,083,613
<b>Operating Expenses</b>	
Operating	301,208
Maintenance	1,448,919
General and administrative	1,030,306
Depreciation	<u>673,513</u>
Total Operating Expenses	<u>3,453,946</u>
Operating Income	629,667
<b>Nonoperating Revenues (Expenses)</b>	
Earnings on investments	31,858
Contribution of services from Electric Fund	319,103
Interest on long term debt	(145,091)
Cell tower leasing	140,185
Intergovernmental revenue	200,000
Other income	<u>140,273</u>
Total Nonoperating (Expenses), net	<u>686,328</u>
Change in Net Position	1,315,995
Net Position at Beginning of Year, as restated	<u>9,244,410</u>
Net Position at End of Year	<u><u>\$ 10,560,405</u></u>

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

# **LITTLETON WATER DEPARTMENT**

## Enterprise Fund Statement of Cash Flows For the Year Ended June 30, 2021

<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 4,215,463
Payments of employees and vendors	<u>(2,296,737)</u>
Net Cash Provided By Operating Activities	1,918,726
<b>Cash Flows From Noncapital Financing Activities</b>	
Other	<u>140,273</u>
Net Cash Provided By Noncapital Financing Activities	140,273
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(3,445,262)
Betterments	34,800
Intergovernmental revenues	200,000
Cell tower leasing	140,185
Proceeds from bond anticipation notes	5,715,316
Payments of bond anticipation notes	(703,000)
Principal payments on long term debt	(359,000)
Interest expense	<u>(161,556)</u>
Net Cash From Capital and Related Financing Activities	1,421,483
<b>Cash Flows From Investing Activities</b>	
Investment income	<u>31,858</u>
Net Cash Provided By Investing Activities	<u>31,858</u>
Net Change in Cash and Short-Term Investments	3,512,340
Total Cash and Short Term Investments, Beginning of Year	<u>3,545,486</u>
Total Cash and Short Term Investments, End of Year	<u><u>\$ 7,057,826</u></u>
<b>Reconciliation of Operating Income to Net Cash</b>	
Operating income	\$ 629,667
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	673,513
Contributions of services by Electric Fund	319,103
Changes in assets, liabilities, and deferred outflows/inflows:	
Receivables	(187,253)
Inventory	(3,601)
Deferred outflows of resources	81,666
Accounts payable and accrued liabilities	416,301
Compensated absences	(34,655)
Net pension liability	(56,230)
Net OPEB liability	(419,738)
Deferred inflows of resources	489,759
Other	<u>10,194</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,918,726</u></u>

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

## LITTLETON WATER DEPARTMENT

Fiduciary Fund – Other Post-Employment Benefits Trust

Statement of Fiduciary Net Position

June 30, 2021

### Assets

Cash and short-term investments	\$ 3,183
Investments:	
Domestic equities	300,806
Domestic bonds	175,614
International equities	154,711
International bonds	33,939
Alternative investments	<u>80,914</u>
Total investments	<u>745,984</u>
Total Assets	749,167

### Net Position

Restricted for post-employment benefits	\$ <u><u>749,167</u></u>
---	--------------------------

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

## **LITTLETON WATER DEPARTMENT**

### **Fiduciary Fund – Other Post-Employment Benefits Trust Statement of Changes in Fiduciary Net Position For the Year Ended June 30, 2021**

#### **Additions**

Employer contributions	\$ 100,231
Net investment income	<u>155,392</u>
Total additions	255,623

#### **Deductions**

Benefit payments	<u>50,231</u>
Change in net position	205,392

#### **Net position restricted for OPEB**

Beginning of year	<u>543,775</u>
End of year	<u>\$ 749,167</u>

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

**TOWN OF LITTLETON, MASSACHUSETTS  
LITTLETON WATER DEPARTMENT**

Notes to Financial Statements

**1. Summary of Significant Accounting Policies**

The significant accounting policies of the Littleton Water Department (the Department) are as follows:

***Reporting Entity***

The Department is an enterprise fund and a component unit of the Town of Littleton, Massachusetts.

***Business Activity***

The Department distributes public water to residences and businesses within the Town of Littleton, Massachusetts. The Department is governed by a five-member Board of Commissioners. Commissioners are elected by Littleton voters to a three-year term. Commissioners select and support Department management as well as establish policies and procedures to assure long-term, consistent service to the rate-paying public.

***Basis of Accounting***

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.

***Fiduciary Fund***

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

The Other Post-Employment Benefits Trust Fund (the OPEB Trust) was established by the Littleton Water Board pursuant to Chapter 32B, Section 20 of the General Laws of the Commonwealth of Massachusetts.

The OPEB Trust constitutes the principal instrument of a plan established by the Littleton Water Board to fund the Department's annual actuarially determined OPEB contribution for future retirees.

#### ***Cash and Short-term Investments***

For the purposes of the Statement of Cash Flows, the Department considers investments with original maturities of three months or less to be short-term investments.

#### ***Investments***

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.

Investments for the OPEB Trust Fund consist of equities, bonds, and alternative investments. These investments are reported at fair market value.

#### ***Inventory***

Inventory consists of supplies and materials purchased for use in construction, operation, and maintenance purposes. Inventory is stated at average cost.

#### ***Capital Assets and Depreciation***

Capital assets, which include buildings and structures, equipment, machinery and vehicles, and infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value.

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

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value, and any cash proceeds, is charged to the Department's unrestricted net position account.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the Department's assets. Estimated useful lives of the Department's assets range from 5 to 60 years.

#### ***Accrued Compensated Absences***

Employee vacation leave is vested annually but may only be carried forward to the succeeding year with supervisor approval and, if appropriate, within the terms of the applicable Department union contract. Generally, sick leave may accumulate according to union and Department contracts and policies and is paid upon normal termination at the current rate of pay. Employees of the Department are allowed 120 hours of sick leave per year. Sick leave may be accumulated and bought back upon retirement or after 20 years

of service. The buyback is limited to 50% of up to 1,160 hours of accumulated sick leave at the employees' current rate of pay.

### ***Pension and OPEB Obligations***

In accordance with GASB Statement No. 68, Accounting and Reporting for Pensions, employers report a net pension liability and related deferred outflows and inflows and related pension expense as determined by the plan. Disclosures required under GASB Statement No. 68 apply to the Department for its participation in the Middlesex County Retirement System defined benefit plan.

In accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, the Department reports a net OPEB liability and related deferred outflows and inflows and related OPEB expense associated with the Department's OPEB plan.

### ***Net Position***

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

### ***Use of Estimates***

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates that were used.

## **2. Unrestricted Cash and Short-Term Investments**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Because the Department pools its cash and short-term investments with the Town of Littleton, and bank accounts are maintained in the name of the Town, the amount of the Department's bank balance exposed to custodial credit risk at June 30, 2021, cannot be reasonably determined.



### 3. Investments – OPEB Trust

The following is a summary of the OPEB Trust's investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Equities	\$ 566,680
Fixed income mutual funds	<u>179,304</u>
Total Investments	<u>\$ 745,984</u>

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

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

The OPEB Trust minimizes credit risk by diversifying the investment portfolio so that the impact of potential losses from any one issuer will be minimized. The OPEB Trust purchases investment grade fixed income securities. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange traded funds. Investments in fixed income securities will be made primarily for income and capital preservation.

As of June 30, 2021, the credit quality ratings, as rated by S&P Global Ratings, of the OPEB Trust's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Ratings as of Year End</u>			
		<u>AAA-A</u>	<u>BBB-B</u>	<u>&lt; B</u>	<u>Unrated/ Other</u>
Fixed income mutual funds	\$ <u>179,304</u>	\$ <u>81,832</u>	\$ <u>75,955</u>	\$ <u>7,570</u>	\$ <u>13,947</u>

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the OPEB 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 OPEB 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, 2021, none of the OPEB Trust's investments were subject to custodial credit risk as all securities were registered solely in the name of the Town.

***Concentration of Credit Risk***

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

The OPEB Trust 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 issuer do not exceed 5% of the portfolio value.

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

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The OPEB Trust's investments are long-term investments. Given a stated discount rate target, this long-term approach enables the OPEB 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 OPEB Trust understands the longer-term nature of these funds and designs a portfolio consistent with the long-term health of the OPEB Trust.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		Less <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ <u>179,304</u>	\$ <u>6,676</u>	\$ <u>38,097</u>	\$ <u>82,244</u>	\$ <u>52,287</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 OPEB Trust will not directly invest in any instrument exposed to foreign currency risk. This risk, however, may be inherent in some securities contained within the portfolio such as mutual funds or ETFs.

### ***Fair Value***

The OPEB Trust 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 or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The OPEB Trust'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 has the following fair value measurements as of June 30, 2021:

		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:				
Equities	\$ 566,680	\$ 566,680	\$ -	\$ -
Fixed income mutual funds	<u>179,304</u>	<u>-</u>	<u>179,304</u>	<u>-</u>
Total	<u>\$ 745,984</u>	<u>\$ 566,680</u>	<u>\$ 179,304</u>	<u>\$ -</u>

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

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

#### 4. Receivables

Receivables consist of the following at June 30, 2021:

User fees receivable:	
Billed	\$ 423,118
Unbilled	<u>306,080</u>
Subtotal	729,198
Other receivables:	
Other	<u>15,423</u>
Subtotal	<u>15,423</u>
Total	<u><u>\$ 744,621</u></u>

#### 5. Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	2021			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and structures	\$ 12,816,392	\$ 2,359,972	\$ -	\$ 15,176,364
Infrastructure	7,071,649	158,318	-	7,229,967
Machinery and equipment	<u>2,824,631</u>	<u>56,608</u>	<u>-</u>	<u>2,881,239</u>
Total capital assets, being depreciated	22,712,672	2,574,898	-	25,287,570
Less accumulated depreciation for:				
Buildings and structures	(4,905,069)	(353,448)	-	(5,258,517)
Infrastructure	(2,687,916)	(195,021)	-	(2,882,937)
Machinery and equipment	<u>(2,071,722)</u>	<u>(125,044)</u>	<u>-</u>	<u>(2,196,766)</u>
Total accumulated depreciation	<u>(9,664,707)</u>	<u>(673,513)</u>	<u>-</u>	<u>(10,338,220)</u>
Total capital assets, being depreciated, net	13,047,965	1,901,385	-	14,949,350
Capital assets, not being depreciated:				
Land	934,228	-	-	934,228
Construction in progress	<u>908,309</u>	<u>870,366</u>	<u>-</u>	<u>1,778,675</u>
Total capital assets, not being depreciated	<u>1,842,537</u>	<u>870,366</u>	<u>-</u>	<u>2,712,903</u>
Capital assets, net	<u>\$ 14,890,502</u>	<u>\$ 2,771,751</u>	<u>\$ -</u>	<u>\$ 17,662,253</u>

## 6. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Department 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 pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

## 7. Accounts Payable

Accounts payable represents fiscal year 2021 expenses that were paid after June 30, 2021.

## 8. Long-Term Liabilities

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

The Littleton Water Department issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds outstanding at June 30, 2021 are as follows:

<u>Description</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/21</u>
Water Tank Refunding - Oak Hill	01/15/23	1.31%	\$ 110,000
Water Capital Improvements	08/15/34	3.00-3.25%	185,000
Well Redevelopment	08/15/34	3.00-3.25%	2,590,000
Water Cobbs Well	08/15/31	3.00%	110,000
Water Capital Improvement Well #2	08/15/26	3.00%	60,000
Well #2 Design	08/15/33	3.00-3.25%	130,000
Land Acquisition - Rashoba Road	03/15/23	2.00-4.00%	30,000
Route 119 Bond	05/15/38	3.00-5.00%	680,000
Water Mains Refunding	05/01/29	3.49%	<u>69,000</u>
Total			<u>\$ 3,964,000</u>

**Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2021 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 348,000	\$ 123,432	\$ 471,432
2023	348,000	112,433	460,433
2024	278,000	101,582	379,582
2025	279,000	92,283	371,283
2026	279,000	82,932	361,932
2027	279,000	73,583	352,583
2028	269,000	64,382	333,382
2029	269,000	55,333	324,333
2030	260,000	47,082	307,082
2031	255,000	39,358	294,358
2032 - 2036	1,020,000	83,956	1,103,956
2037 - 2038	<u>80,000</u>	<u>3,940</u>	<u>83,940</u>
Total	\$ <u>3,964,000</u>	\$ <u>880,296</u>	\$ <u>4,844,296</u>

**Changes in Long-Term Liabilities**

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	<u>Beginning Balance 7/1/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/21</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Bonds payable	\$ 4,323,000	\$ -	\$ (359,000)	\$ 3,964,000	\$ (348,000)	\$ 3,616,000
Unamortized premium	<u>118,576</u>	<u>-</u>	<u>(16,465)</u>	<u>102,111</u>	<u>(16,464)</u>	<u>85,647</u>
Bonds payable subtotal	4,441,576	-	(375,465)	4,066,111	(364,464)	3,701,647
Compensated absences	119,641	-	(34,655)	84,986	(41,011)	43,975
Net pension liability	1,499,819	400,194	-	1,900,013	-	1,900,013
Net OPEB liability	<u>823,275</u>	<u>-</u>	<u>(419,738)</u>	<u>403,537</u>	<u>-</u>	<u>403,537</u>
Totals	\$ <u>6,884,311</u>	\$ <u>400,194</u>	\$ <u>(829,858)</u>	\$ <u>6,454,647</u>	\$ <u>(405,475)</u>	\$ <u>6,049,172</u>

Bonds issued by the Department for various projects are approved by the Board of Commissioners. Bonds and other long-term debt are repaid with user fees.

## 9. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net position by the Department that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

## 10. Retirement System

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

### ***Participant Contributions***

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

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

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

### *Participant Retirement Benefits*

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

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

There are 4 classes of membership in the retirement system, but 1 of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other 3 classes are as follows:

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

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

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that



participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

#### *Methods of Payment*

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

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

#### *Participant Refunds*

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

#### *Employer Contributions*

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

The Department's contribution to the System for the year ended June 30, 2021 was \$137,869, 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, 2021, the Department reported a liability of \$1,900,013 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to the plan's measurement date of December 31, 2020. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020, the Department's proportion was 0.1241% a decrease of 0.0028% from the prior year.

For the year ended June 30, 2021, the Department recognized pension expense of \$256,323. In addition, the Department reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources as of June 30, 2021:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 34,751	\$ 2,248
Changes of assumptions	72,531	-
Net difference between projected and actual investment earnings on pension plan investments	-	107,709
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>102,823</u>	<u>67,146</u>
Total	<u>\$ 210,105</u>	<u>\$ 177,103</u>

For the year ended June 30, 2021, amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2022	\$ 35,386
2023	45,366
2024	(15,214)
2025	<u>(32,536)</u>
Total	\$ <u>33,002</u>

### ***Actuarial Assumptions***

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

Inflation	2.10%
Projected salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1 and 4.25% for Group 2
Investment rate of return	7.30%

Pre-Retirement mortality rates were based on RP-2014 Blue Collar Mortality Table projected generationally with Scale MP-2017. Healthy retiree mortality rates were based on RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. Disabled retirees' mortality rates were based on the RP-2014 Blue Collar Mortality Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.

### ***Target Allocations***

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	22.00%	6.28%
International developed markets equity	12.00%	7.00%
International emerging market equity	5.00%	8.82%
Core fixed income	15.00%	0.38%
High-yield fixed income	8.00%	2.97%
Real estate	10.00%	3.50%
Timber	4.00%	3.45%
Hedge fund, GTAA, risk parity	10.00%	2.35%
Private equity	<u>14.00%</u>	10.11%
Total	<u>100.00%</u>	

#### ***Discount Rate***

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
<u>Year Ended</u>	<u>(6.30%)</u>	<u>(7.30%)</u>	<u>(8.30%)</u>
June 30, 2021	\$2,367,620	\$1,900,013	\$1,506,605

***Pension Plan Fiduciary Net Position***

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

**11. 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 GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs.

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

All the following OPEB disclosures are based on a measurement date of June 30, 2021.

***General Information about the OPEB Plan******Plan Description***

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

***Benefits Provided***

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

***Funding Policy***

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

### *Plan Membership*

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	4
Active employees	<u>10</u>
Total	<u><u>14</u></u>

### *Investments*

The OPEB Trust's assets consist of equities, bonds, and alternative investments.

### *Rate of Return*

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 26.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### ***Actuarial Assumptions and Other Inputs***

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	3.5% per year
Investment rate of return	6.5% compounded annually, net of fees
	2.16% based on the Bond Buyer 20-Bond Go Index published on June
Municipal bond rate	30, 2021
	6.50%, net of investment expenses, including inflation (previously
Discount rate	6.75%)
Healthcare cost trend rates	7.00% decreasing annually to 4.00%
Retirees' share of benefit-related costs	26-50%
Participation rate	80%

Mortality rates were based on:

- Pre-Retirement Mortality – RP-2014 Mortality Table for Blue Collar Employee Mortality Table projected generational mortality improvement using scale MP-2017.
- Post-Retirement Mortality – RP-2014 Blue Collar Healthy Annuitant Mortality Table projected with generational mortality improvement using scale MP-2017.

**Target Allocations**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 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%	5.34%
International equity	20.00%	6.10%
Domestic bond	20.00%	1.62%
Alternative	20.00%	4.21%
International bond	<u>5.00%</u>	1.26%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the net OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 1,152,704
Plan fiduciary net position	<u>749,167</u>
Net OPEB liability	<u>\$ 403,537</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.99%

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

**Changes in the Net OPEB Liability**

The following summarizes the changes in the net OPEB liability for the year ending June 30, 2021:

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 1,367,050	\$ 543,775	\$ 823,275
Changes for the year:			
Service cost	27,231	-	27,231
Interest	92,419	-	92,419
Contributions - employer	-	100,231	(100,231)
Net investment income	-	155,392	(155,392)
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(358,149)	-	(358,149)
Changes in assumptions	74,384	-	74,384
Benefit payments	(50,231)	(50,231)	-
Net Changes	(214,346)	205,392	(419,738)
Balances, end of year	\$ 1,152,704	\$ 749,167	\$ 403,537

**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%	Current Discount Rate	1%
<u>Year Ended</u>	<u>Decrease</u>		<u>Increase</u>
June 30, 2021	\$ 578,333	\$ 403,537	\$ 262,722

**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 was 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%	Current Healthcare Cost Trend Rates	1%
<u>Year Ended</u>	<u>Decrease</u>		<u>Increase</u>
June 30, 2021	\$ 240,904	\$ 403,537	\$ 609,835



***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the years ended June 30, 2021, the Department recognized an OPEB expense of \$90,643. At June 30, 2021, the Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 395,082
Change in assumptions	239,339	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>78,676</u>
Total	<u>\$ 239,339</u>	<u>\$ 473,758</u>

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

<u>Year Ended June 30:</u>	
2022	\$ (39,251)
2023	(40,245)
2024	(40,845)
2025	(46,426)
2026	(20,853)
Thereafter	<u>(46,799)</u>
Total	<u>\$ (234,419)</u>

**12. Commitments and Contingencies**

***COVID-19***

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

***Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the Department is involved. The Department'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.

**13. Beginning Net Position Restatement**

The beginning (July 1, 2020) net position of the Department has been restated as follows:

As previously reported	\$ 9,700,834
Net pension liability adjustment	<u>(456,424)</u>
As restated	<u>\$ 9,244,410</u>

**14. Subsequent Events**

Management has evaluated subsequent events through June 17, 2022, which is the date the financial statements were available to be issued.

**15. New Pronouncements**

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

**LITTLETON WATER DEPARTMENT**

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

June 30, 2021  
(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, 2021	December 31, 2020	0.1241%	\$ 1,900,013	\$ 975,629	194.75%	53.42%
June 30, 2020	December 31, 2019	0.1268%	\$ 2,029,606	\$1,021,818	198.63%	49.45%
June 30, 2019	December 31, 2018	0.0902%	\$ 1,406,700	\$ 677,008	207.78%	46.40%
June 30, 2018	December 31, 2017	0.0839%	\$ 1,190,252	\$ 648,980	183.40%	49.27%
June 30, 2017	December 31, 2016	0.8780%	\$ 1,243,478	\$ 575,152	216.20%	45.49%
June 30, 2016	December 31, 2015	0.0799%	\$ 1,031,350	\$ 519,721	198.44%	46.13%
June 30, 2015	December 31, 2014	0.0761%	\$ 913,744	\$ 498,044	183.47%	47.65%

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

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

See Independent Auditors' Report.

# **LITTLETON WATER DEPARTMENT**

## **Required Supplementary Information Schedule of Pension Contributions**

June 30, 2021  
(Unaudited)

### **Middlesex County Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contributions in Relation to the</u>		<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
		<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>			
June 30, 2021	December 31, 2020	\$ 137,869	\$ 137,869	\$ -	\$ 975,629	14.13%
June 30, 2020	December 31, 2019	\$ 127,853	\$ 127,853	\$ -	\$1,021,818	12.51%
June 30, 2019	December 31, 2018	\$ 114,440	\$ 114,440	\$ -	\$ 677,008	16.90%
June 30, 2018	December 31, 2017	\$ 106,617	\$ 106,617	\$ -	\$ 648,980	16.43%
June 30, 2017	December 31, 2016	\$ 133,657	\$ 133,657	\$ -	\$ 575,152	23.24%
June 30, 2016	December 31, 2015	\$ 84,751	\$ 84,751	\$ -	\$ 519,721	16.31%
June 30, 2015	December 31, 2014	\$ 101,662	\$ 101,662	\$ -	\$ 498,044	20.41%

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

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

See Independent Auditors' Report.

**LITTLETON WATER DEPARTMENT**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 27,231	\$ 19,338	\$ 18,172	\$ 43,010
Interest	92,419	89,077	92,870	88,142
Changes of benefit terms	-	(9,554)	-	-
Differences between expected and actual experience	(358,149)	-	(209,074)	-
Changes of assumptions	74,384	123,734	91,175	-
Benefit payments, including refunds of member contributions	<u>(50,231)</u>	<u>(47,798)</u>	<u>(41,964)</u>	<u>(44,582)</u>
Net change in total OPEB liability	(214,346)	174,797	(48,821)	86,570
Total OPEB liability - beginning	<u>1,367,050</u>	<u>1,192,253</u>	<u>1,241,074</u>	<u>1,154,504</u>
Total OPEB liability - ending (a)	1,152,704	1,367,050	1,192,253	1,241,074
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	100,231	97,798	91,964	95,053
Net investment income	155,392	11,642	28,000	26,213
Benefit payments, including refunds of member contributions	<u>(50,231)</u>	<u>(47,798)</u>	<u>(41,964)</u>	<u>(44,582)</u>
Net change in plan fiduciary net position	205,392	61,642	78,000	76,684
Plan fiduciary net position - beginning	<u>543,775</u>	<u>482,133</u>	<u>404,133</u>	<u>327,449</u>
Plan fiduciary net position - ending (b)	<u>749,167</u>	<u>543,775</u>	<u>482,133</u>	<u>404,133</u>
Net OPEB liability (asset) - ending (a-b)	\$ <u>403,537</u>	\$ <u>823,275</u>	\$ <u>710,120</u>	\$ <u>836,941</u>

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

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

See Independent Auditors' Report.

**LITTLETON WATER DEPARTMENT**

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

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Net OPEB Liability</b>				
Total OPEB liability	\$ 1,152,704	\$ 1,367,050	\$ 1,192,253	\$ 1,241,074
Plan fiduciary net position	<u>749,167</u>	<u>543,775</u>	<u>482,133</u>	<u>404,133</u>
Net OPEB liability	<u>\$ 403,537</u>	<u>\$ 823,275</u>	<u>\$ 710,120</u>	<u>\$ 836,941</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.99%	39.78%	40.44%	32.56%
Covered employee payroll	\$ 918,400	\$ 958,286	\$ 900,353	\$ 946,363
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	43.9%	85.9%	78.9%	88.4%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Contributions</b>				
Actuarially determined contribution	\$ 118,265	\$ 103,754	\$ 111,798	\$ 115,507
Contributions in relation to the actuarially determined contribution	<u>100,231</u>	<u>97,798</u>	<u>91,964</u>	<u>95,053</u>
Contribution deficiency	<u>\$ 18,034</u>	<u>\$ 5,956</u>	<u>\$ 19,834</u>	<u>\$ 20,454</u>
Covered employee payroll	\$ 918,400	\$ 958,286	\$ 900,353	\$ 946,363
Contributions as a percentage of covered employee payroll	10.9%	10.2%	10.2%	10.0%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Investment Returns</b>				
Annual money weighted rate of return, net of investment expense	26.99%	2.11%	6.73%	5.90%

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

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

See Independent Auditors' Report.