

TOWN OF LITTLETON, MASSACHUSETTS
LITTLETON MUNICIPAL WATER
DEPARTMENT

Financial Statements

June 30, 2020

(With Accountants' Report Thereon)

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Town of Littleton, Massachusetts
Littleton Municipal Water Department
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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

Board of Water Commissioners
Town of Littleton, Massachusetts
Littleton Municipal Water Department
39 Ayer Road
P.O. Box 2406
Littleton, Massachusetts 01460

Report on the Financial Statements

We have audited the accompanying basic financial statements and the related notes to the financial statements of the Littleton Municipal Water Department, an enterprise fund of the Town of Littleton, Massachusetts, as of and for the year ended June 30, 2020.

Management's Responsibility for the Financial Statements

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.

Auditor's 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Littleton Municipal Water Department, an enterprise fund of the Town of Littleton, Massachusetts, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note I, the financial statements present only the Littleton Water Department and do not purport to, and do not, present fairly the financial position of the Town of Littleton, Massachusetts, as of June 30, 2020, the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the retirement system schedules and the other post employment benefit schedules listed in the table of contents 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 sufficient evidence to express an opinion or provide any assurance.

Giusti, Hingston and Company

Giusti, Hingston and Company

Certified Public Accountants

February 8, 2021

***Town of Littleton, Massachusetts Municipal Water Department
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2020***

As management of the Littleton, Massachusetts Municipal Water Department, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Littleton, Massachusetts Municipal Water Department for the fiscal year ended June 30, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the Littleton, Massachusetts Municipal Water Department exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,700,834 (*net position*).
- The Department's total net position increased by \$674,138 or 7.47%.
- At the end of the current fiscal year, the balance in the unrestricted net position account was \$1,126,122 which is 29.7% of total expenses of the Department.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Littleton Water Department's basic financial statements.

Proprietary fund. The Town of Littleton, Massachusetts Municipal Water Department maintains one proprietary fund type. The Department uses an enterprise fund to account for its water operations.

Water rates are structured to cover most of the operating costs related to the Department.

Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed net position for the past two fiscal years.

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 4,191,187	\$ 3,159,205
Non-Current and Capital Assets	15,690,904	14,697,303
Total Assets	<u>19,882,091</u>	<u>17,856,508</u>
Deferred Outflows of Resources	<u>531,110</u>	<u>444,298</u>
Current Liabilities	4,090,274	2,485,770
Long Term Liabilities	6,460,991	6,636,283
Total Liabilities	<u>10,551,265</u>	<u>9,122,053</u>
Deferred Inflows of Resources	<u>161,102</u>	<u>152,057</u>
Net Position:		
Net Investment in Capital Assets	8,574,712	8,522,074
Unrestricted	1,126,122	504,622
Total Net Position	<u>\$ 9,700,834</u>	<u>\$ 9,026,696</u>

Changes in Net Position

The following condensed financial information was derived from the Department's Statement of Revenues, Expenses and Changes in Net Position. It reflects how the Department's Net Position has changed during the last two fiscal years.

Revenues	<u>2020</u>	<u>2019</u>
Operating:		
Metered Sales	\$ 2,731,745	\$ 2,003,916
Debt Service Fee	635,296	508,762
Non-Operating:		
Merchandising and Jobbing Revenue	584,983	578,552
Earnings on Investments	27,819	-
Intergovernmental	20,442	73,658
Contribution of Services by Light Department	316,876	302,371
Miscellaneous	11,753	16,270
Rental Revenue	132,996	129,122
Capital Contributions:		
Betterments	-	870,000
Total Revenues	<u>4,461,910</u>	<u>4,482,651</u>

Changes in Net Position (Continued)

	Business-Type Activities	
	<u>2020</u>	<u>2019</u>
Expenses		
Operating Expenses:		
Operating	234,972	279,249
Maintenance	1,612,021	1,158,614
General and Administrative	1,116,144	893,593
Depreciation	659,081	626,427
Non-Operating:		
Sustainable Water Management Initiative Grant	-	73,658
Interest Expense	165,554	136,067
Total Expenses	<u>3,787,772</u>	<u>3,167,608</u>
Increase (Decrease) in Net Position	<u>\$ 674,138</u>	<u>\$ 1,315,043</u>

Financial Analysis of the Department's Funds

Components of Net Position

The following table reflects the trend in all components of net position for the past ten years.

<u>Fiscal Year</u>	Invested in Capital Assets Net of Related	Total	
	<u>Debt</u>	<u>Unrestricted</u>	<u>Net Position</u>
2011	\$ 7,247,071	\$ 385,482	\$ 7,632,553
2012	7,277,850	371,684	7,649,534
2013	7,191,497	599,907	7,791,404
2014	7,161,139	(461,403)	6,699,736
2015	6,930,804	3,562	6,934,366
2016	7,124,501	307,715	7,432,216
2017	7,671,686	(337,441)	7,334,245
2018	8,155,242	(443,589)	7,711,653
2019	8,522,074	504,622	9,026,696
2020	8,574,712	1,126,122	9,700,834

Capital Asset and Debt Administration

Capital assets. The Town of Littleton, Massachusetts Municipal Water Department's investment in capital assets (net of accumulated depreciation) as of June 30, 2020, amounts to \$14,890,504. This investment in capital assets includes land, buildings and improvements, infrastructure and machinery and equipment.

Major capital asset acquisitions during the year included the following:

Treatment Facilities	\$908,359
Construction in Progress PFAS Treatment	\$377,759
Vehicles	\$73,396

Capital Assets at June 30, 2020 and June 30, 2019
(Net of Accumulated Depreciation)

	Business-Type Activities	
	<u>2020</u>	<u>2019</u>
Land	\$ 934,228	\$ 934,228
Construction Work in Process	908,309	-
Maintenance Facilities	12,645	14,329
Pump Facilities	166,636	173,509
Treatment Facilities	5,092,298	4,898,064
Standpipes	914,352	867,615
Pumping Plant	580,951	613,069
Wells	1,144,441	1,164,754
Water Quality Equipment	445,676	496,974
Transmission and Distribution	3,132,678	3,156,504
Services	259,807	272,243
Customer Meters	877,395	854,724
Hydrants and Gates	113,855	113,824
SCADA & Communication Equipment	6,183	14,852
Vehicles	255,103	225,666
Laboratory Equipment	1,644	8,671
Miscellaneous Equipment	44,303	61,777
Total Capital Assets	<u>\$ 14,890,504</u>	<u>\$ 13,870,803</u>

Debt

The Department's long term debt decreased by (\$392,196) or (8.11%). The Department paid long term debt principal of \$450,000. In addition, during fiscal year 2020, the Department issued \$78,000 in new bonds, received \$1,721 in new premiums and amortized \$21,917 of premiums. The outstanding balances for the past two years are noted below:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
General Obligation Bonds	\$ 4,323,000	\$ 4,695,000	\$ (372,000)
Premiums	118,576	138,772	(20,196)
Total Bonds Payable	<u>\$ 4,441,576</u>	<u>\$ 4,833,772</u>	<u>\$ (392,196)</u>

Fiscal Year 2021 Budget

For the fiscal year 2021, the Water Department has a total budget of \$4,140,672 consisting of:

Salaries and Wages	\$1,150,000
General Operating Expenses	1,526,369
Debt-Principal and Interest	884,303
Reserve	200,000
Capital	<u>380,000</u>
Total	<u>\$4,140,672</u>

The fiscal year 2021 budget represents an increase of \$59,736 or 1.46% from the prior fiscal year.

Request for Information

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

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

Littleton Municipal Water Department
Statement of Net Position
Proprietary Fund Type
June 30, 2020

	Proprietary Fund Type <u>Enterprise</u>
Assets	
Current:	
Cash and Cash Investments	\$ 3,545,486
Accounts Receivable:	
User Charges (Net of Allowance for Uncollectable)	235,337
Unbilled User Charges	297,841
Merchandising and Jobbing	18,800
Intergovernmental	5,390
Inventory	88,333
Noncurrent:	
Accounts Receivable:	
Betterments Not Yet Due	800,400
Capital Assets Not Being Depreciated	1,842,537
Capital Assets Being Depreciated, Net	13,047,967
Total Assets	<u>19,882,091</u>
Deferred Outflows of Resources	
Other Post Employment Benefits	228,064
Pensions	303,046
Total Deferred Outflows of Resources	<u>531,110</u>
Liabilities	
Current:	
Accounts Payable	73,396
Legal Settlement Payable	58,000
Accrued Interest Payable	43,558
Bond Anticipation Notes Payable	3,492,000
Compensated Absences Payable	47,856
Bonds Payable	375,464
Noncurrent:	
Compensated Absences Payable	71,785
Other Post Employment Benefits Payable	823,275
Net Pension Liability	1,499,819
Bonds Payable	4,066,112
Total Liabilities	<u>10,551,265</u>
Deferred Inflows of Resources	
Debt Refunding Issue	13,410
Other Post Employment Benefits	52,333
Pensions	95,359
Total Deferred Inflows of Resources	<u>161,102</u>
Net Position	
Net Investment in Capital Assets	8,574,712
Unrestricted	1,126,122
Total Net Position	<u>\$ 9,700,834</u>

Littleton Municipal Water Department
 Statement of Revenues, Expenses and
 Changes in Net Position
 Proprietary Fund Type
 For the Year Ended June 30, 2020

	Proprietary Fund Type <u>Enterprise</u>
Operating Revenues:	
Metered Sales	\$ 2,731,745
Debt Service Fee	635,296
Total Operating Revenues	<u>3,367,041</u>
Operating Expenses:	
Operating	234,972
Maintenance	1,612,021
General and Administrative	1,116,144
Depreciation	659,081
Total Operating Expenses	<u>3,622,218</u>
Operating Income	<u>(255,177)</u>
Non-operating Revenues (Expenses):	
Merchandising and Jobbing Revenue	584,983
Earnings on Investments	27,819
Intergovernmental	20,442
Cell Tower Leasing	132,996
Contribution of Services by Light Department	316,876
Miscellaneous	11,753
Interest Expense	(165,554)
Total Non-Operating Revenues (Expenses)	<u>929,315</u>
Change in Net Position	<u>674,138</u>
Total Net Position July 1, 2019	<u>9,026,696</u>
Total Net Position June 30, 2020	<u><u>\$ 9,700,834</u></u>

Littleton Municipal Water Department
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended June 30, 2020

	Proprietary Fund Type <u>Enterprise</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,419,821
Payments to Vendors and Employees	(2,416,101)
Net Cash Flow from Operating Activities	<u>1,003,720</u>
Cash Flows from Non Capital Related Financing Activities:	
Merchandising and Jobbing	577,790
Grant	52,591
Rental Income	132,996
Miscellaneous	11,753
Net Cash Flow from Non Capital Related Financing Activities	<u>775,130</u>
Cash Flows from Capital and Related Financing Activities:	
Betterments	26,100
Acquisition of Fixed Assets	(1,678,782)
Interest Expense	(189,237)
Proceeds from Bond Anticipation Notes	3,492,000
Payments of Bond Anticipation Notes	(1,994,000)
Proceeds Long Term Debt	78,000
Principal Payments on Long Term Debt	(436,590)
Net Cash Flow from Capital and Related Financing Activities	<u>(702,509)</u>
Cash Flows from Investing Activities	
Investment Income	27,819
Net Cash Flows from Investing Activities	<u>27,819</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,104,160
Cash and Cash Equivalents, July 1, 2019	<u>2,441,326</u>
Cash and Cash Equivalents, June 30, 2020	<u><u>\$ 3,545,486</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (255,177)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	659,081
Contribution of Services by Light Department	316,876
(Increase) Decrease in Assets:	
Accounts Receivable	52,780
Deferred Outflows of Resources	(86,812)
Increase (Decrease) in Liabilities:	
Payroll and Vendor Payables	96,143
Other Post Employment Benefits Payable	113,155
Compensated Absences Payable	18,920
Net Pension Liability	93,119
Deferred Inflows of Resources	(4,365)
Net Cash Provided by Operating Activities	<u><u>\$ 1,003,720</u></u>

Town of Littleton, Massachusetts Municipal Water Department
Notes to Financial Statements
June 30, 2020

I. **Summary of Significant Accounting Policies**

The accounting policies for financial reporting purposes of the Town of Littleton, Massachusetts Municipal Water Department conform to accounting principles generally accepted in the United States of America for local governmental units. The Department applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The following is a summary of the more significant accounting policies:

A. **Reporting Entity**

The Department's financial statements include the operations of the Water Department only. The Water Department is an enterprise fund of the Town of Littleton, Massachusetts.

B. **Measurement Focus and Basis of Accounting**

i. **Fund Accounting**

The Department reports its financial activities in one proprietary fund type in order to comply with the limitations and restrictions placed on both the resources available and the services provided.

This fund is used to account for water operations that are financed and operated in a manner similar to private business enterprises where the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

ii. **Basis of Accounting**

The accompanying financial statements have been prepared and presented on the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when the related liability is incurred.

Revenue Recognition

Water user charges as presented are considered as revenue when they are committed for collection. Recognition has also been applied to used, but unbilled usage.

Expenses

Expenses are recorded during the year on an accrual basis.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

i. Deposits and Investments

The Department's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Department. Deposits allowed include demand deposits, term deposits and certificates of deposit. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates or no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust ("MMDT").

ii. Capital Assets

Capital assets including land, treatment facilities, transmission and distribution systems, standpipes and wells are reported. Capital assets are currently defined by the Department as assets that have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of the donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives is not capitalized.

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

iii. Compensated Absences

Vacation Leave

All permanent full time employees are granted vacation leave based on years of employment. Vacation leave may only be carried forward to the subsequent fiscal year with the approval of the Supervisor and if appropriate within the terms of the employee's contract. The accumulated vacation leave benefit liability as of June 30, 2020 is reflected in the financial statements.

Sick Leave

All permanent full time employees are granted sick leave based on length of service. Employees with five or more years of service for the Department and five or fewer sick days used in the immediate prior year must elect to either accumulate unused sick time for future use or have any portion of the immediate prior year's unused sick days redeemed at the rate of one day's salary for every two days redeemed. The accumulated sick leave benefit liability as of June 30, 2020 is reflected in the financial statements.

iv. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department's financial statements include deferred outflows of resources related to pensions and to other post employment benefits.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department's financial statements include deferred inflows of resources related to pensions, debt refundings and to other post employment benefits.

v. Net Position

Net position is reported in two accounts. "Net Investment in Capital Assets" is used as an offset account to capital assets net of accumulated depreciation and any related outstanding debt (unspent debt proceeds are not considered "related" debt). Unrestricted net position is used to account for the residual portion of net position that is not externally restricted.

v. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

vi. Pensions

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 Middlesex County Retirement System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

i. General Budget Policies

Budget requests are submitted to the Commissioners for review during January, February and March of each year. The Commissioners have until May (which is when the annual Town meeting is, typically, held) to make any changes to the budget. The Water Department's budget must be approved at the annual Town meeting.

III. Detailed Notes

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. The Department's deposits are pooled with the deposits of the Town of Littleton, Massachusetts. As a result, the custodial credit risk of the Department is intermingled with the custodial credit risk of the Town. The Town has a formal deposit policy that addresses custodial credit risk.

Key sections of the policy are detailed below:

- Bank accounts or Certificate of Deposit accounts (CD's) with no limit to the length of maturity from the date of purchase may be made for unlimited amounts if the depository institution is a member of the Depository Insurance Fund (DIF) or the Share Insurance Fund (SIF). These funds insure all deposits held at a member Massachusetts state chartered savings bank or co-operative bank, respectively.
- Bank accounts, Certificate of Deposit accounts (CD's) and/or brokered CD's with no limit to the length of maturity from the date of purchase up to the FDIC coverage limits. All account balances in a single depository institution are considered in the aggregate to determine FDIC coverage limits.
- Bank accounts or Certificate of Deposit accounts (CD's) with no limit to the length of maturity from the date of purchase may be made for unlimited amounts if the deposit is fully collateralized by a third party agreement or securities owned by a depository institution that have been segregated from the day-to-day assets of the institution in order to provide collateralization.

- Uninsured or unsecured bank accounts or Certificate of Deposit accounts (CD's) with a final maturity no greater than one year from the date of purchase are allowed to be held by the Town subject to the following limitations:
 - The aggregate uninsured portion of deposits held at any one institution cannot exceed 5% of the institutions total deposits reflected on the bank's last filed FDIC Call Report.
 - No more than 10% of the Town's funds, applicable to this section, may be held in uninsured accounts.
 - The credit worthiness of the depository will be tracked by Treasurer utilizing the Veribanc rating report.

B. Investments

i) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates is as follows:

- Short-term investments for funds covered in Section I are by statute limited to one year or less in maturity with all securities held to maturity.
- Longer term investments, other than trust funds under the direction of the Commissioners of Trust Funds, will be made for periods not longer than five years, maintaining an average maturity no greater than three years for the portfolio.

ii) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy relating to credit risk is as follows.

- Longer term investments in fixed income securities, other than trust funds under the direction of the Commissioners of Trust Funds, will be made principally for capital preservation and income potential. Corporate debt must be rated "A" or better by either S&P or Moody's rating services. If a security falls below the "A" rating, the security will be monitored by the Treasurer and advisor, if applicable. The security will be noted as an exception to policy if held in the portfolio. The Treasurer and/or advisor may sell the security if a further decline in value is expected.

iii) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy relating to concentration of credit risk is as follows:

- The Town will minimize any 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.

iv) Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The Town's policy states that it will not invest in any instrument exposed to foreign currency risk.

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives 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 three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Departments' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Department's own data.

The Department holds investments that are measured at fair value on a recurring basis. Since the Department's investments are pooled with the Town and Light Department's investments, the exact amount of each type of investment cannot be determined. However, all of the Town's (and therefore the Department's) investments are considered Level 1.

C. Capital Assets

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

<u>Assets</u>	<u>Cost</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Cost</u> <u>June 30, 2020</u>	<u>Accumulated</u> <u>Depreciation</u> <u>July 1, 2019</u>	<u>Depreciation</u>	<u>Depreciation on</u> <u>Contributed Assets</u> <u>or (Reversed</u> <u>Depreciation)</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2020</u>	<u>Net Book</u> <u>Value</u>
Capital Assets Not Being Depreciated:									
Land	\$ 934,228	\$ -	\$ -	\$ 934,228	\$ -	\$ -	\$ -	\$ -	\$ 934,228
Construction Work in Process	-	908,309	-	908,309	-	-	-	-	908,309
Total Capital Assets Not Being Depreciated:	934,228	908,309	-	1,842,537	-	-	-	-	1,842,537
Capital Assets Being Depreciated:									
Maintenance Facilities	60,896	-	-	60,896	46,567	1,684	-	48,251	12,645
Pump Facilities	248,549	-	-	248,549	75,040	6,873	-	81,913	166,636
Treatment Facilities	6,638,898	908,359	(530,550)	7,016,707	1,740,834	183,575	-	1,924,409	5,092,298
Standpipes	2,377,386	112,474	-	2,489,860	1,509,771	65,737	-	1,575,508	914,352
Pumping Plant	1,161,528	-	-	1,161,528	548,459	32,118	-	580,577	580,951
Wells	1,809,142	29,710	-	1,838,852	644,388	50,023	-	694,411	1,144,441
Water Quality Equipment	1,855,185	-	-	1,855,185	1,358,211	51,298	-	1,409,509	445,676
Transmission and Distribution	5,081,457	116,684	-	5,198,141	1,924,953	140,510	-	2,065,463	3,132,678
Services	480,223	842	-	481,065	207,980	13,278	-	221,258	259,807
Customer Meters	1,094,505	52,935	-	1,147,440	239,781	30,264	-	270,045	877,395
Hydrants and Gates	238,382	6,623	-	245,005	124,558	6,592	-	131,150	113,855
Office Equipment	17,907	-	-	17,907	17,907	-	-	17,907	-
SCADA & Communication Equipment	86,684	-	-	86,684	71,832	8,669	-	80,501	6,183
Tools	63,782	-	-	63,782	63,782	-	-	63,782	-
Vehicles	439,600	73,396	(48,456)	464,540	213,934	43,959	(48,456)	209,437	255,103
Laboratory Equipment	140,516	-	-	140,516	131,845	7,027	-	138,872	1,644
Miscellaneous Equipment	196,017	-	-	196,017	134,240	17,474	-	151,714	44,303
Total Capital Assets Being Depreciated:	21,990,657	1,301,023	(579,006)	22,712,674	9,054,082	659,081	(48,456)	9,664,707	13,047,967
Total Capital Assets	\$ 22,924,885	\$ 2,209,332	\$ (579,006)	\$ 24,555,211	\$ 9,054,082	\$ 659,081	\$ (48,456)	\$ 9,664,707	\$ 14,890,504

D. Accounts Receivable

The accounts receivable on the balance sheet are listed below:

User Charges:

Water Rates	<u>\$ 235,337</u>
Unbilled Water Rates	<u>\$ 297,841</u>
Merchandising and Jobbing	<u>\$ 18,800</u>
Intergovernmental	
Due from Commonwealth of Massachusetts	<u>\$ 5,390</u>
Betterments Not Yet Due	<u>\$ 800,400</u>

E. Debt

i Bond Anticipation Notes Payable

The Department's short term borrowing activity for the year ended June 30, 2020, is as follows:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Bond Anticipation Notes</u>						
Whitcomb Avenue Wells	\$ 1,994,000	\$ 1,993,000	\$ (1,994,000)	\$ 1,993,000	1.75%	11/20/2020
Water Treatment	-	1,499,000	-	1,499,000	1.75%	11/20/2020
Total Bond Anticipation Notes Payable	<u>\$ 1,994,000</u>	<u>\$ 3,492,000</u>	<u>\$ (1,994,000)</u>	<u>\$ 3,492,000</u>		

ii Long Term Debt

General obligation bonds outstanding at June 30, 2020, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2020:

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>
Water Mains - Capital	2010	191,088	3.49%	2029	\$ 100,000	\$ -	\$ (100,000)	\$ -
Water Tank-Refunding - Oak Hill	2013	652,000	1.31%	2023	230,000	-	(60,000)	170,000
Water Capital Improvement	2015	274,200	3.00%-3.25%	2035	215,000	-	(15,000)	200,000
Well Redevelopment	2015	3,720,000	3.00%-3.25%	2035	2,960,000	-	(185,000)	2,775,000
Water Cobbs Well	2015	178,800	3.00%	2032	130,000	-	(10,000)	120,000
Water Capital Improvement Well #2	2015	118,300	3.00%	2027	80,000	-	(10,000)	70,000
Well #2 Design	2015	194,700	3.00%-3.25%	2034	150,000	-	(10,000)	140,000
Land Acquisition - Nashoba Rd - Water	2018	87,000	2.00% - 4.00%	2023	70,000	-	(20,000)	50,000
Route 119 Bond	2018	803,900	3.00% - 5.00%	2038	760,000	-	(40,000)	720,000
Water Mains - Capital (Refunding Issue)	2020	191,088	3.49%	2029	-	78,000	-	78,000
				Total	<u>\$ 4,695,000</u>	<u>\$ 78,000</u>	<u>\$ (450,000)</u>	<u>\$ 4,323,000</u>

E. Debt (Continued)

(b) Summary of Debt Service Requirements to Maturity

	<u>Long Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$359,000	\$134,555
2022	348,000	123,432
2023	348,000	112,433
2024	278,000	101,582
2025	279,000	92,283
2026	279,000	82,932
2027	279,000	73,583
2028	269,000	64,382
2029	269,000	55,333
2030	260,000	47,082
2031	255,000	39,358
2032	255,000	31,707
2033	245,000	23,951
2034	245,000	16,069
2035	235,000	8,329
2036	40,000	3,900
2037	40,000	2,620
2038	<u>40,000</u>	<u>1,320</u>
Total	<u>\$4,323,000</u>	<u>\$1,014,851</u>

(c) Bond Authorizations

The Water Department's loan authorizations that remained unissued as of June 30, 2020 are as follows:

<u>Purpose</u>	<u>Date</u>	
	<u>Authorized</u>	<u>Amount</u>
Whitcomb Ave Wells	5/7/2018	\$ 7,000,000
Water Treatment PFAS	10/28/2019	6,000,000
Total Loans Authorized and Unissued		<u>\$ 13,000,000</u>

iii Refunding of Long Term Debt

During fiscal year 2020, the Water Department issued \$78,000 General Obligation Refunding Bonds (as part of a larger refunding by the Town). 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.

<u>Fiscal Year</u>	<u>New</u>	<u>Old</u>	<u>Savings</u>
	<u>Bonds</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Principal</u>	
	<u>& Interest</u>	<u>& Interest</u>	
2020	<u>\$97,572</u>	<u>\$108,000</u>	<u>\$10,428</u>

E. Debt (Continued)

iii Prior Year Defeased Debt

In prior years, the government defeased general obligation bonds by placing the proceeds of the new bonds into an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2020, \$245,000 of defeased bonds remain outstanding.

iv Changes in Long Term Debt

Changes in the government's long-term liabilities for the year ended June 30, 2020 are as follows:

	Balance			Balance	
	Beginning			End	Current
<u>Long Term Obligations</u>	<u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>of Year</u>	<u>Portion</u>
General Obligation Bonds	\$ 4,695,000	\$ 78,000	\$ (450,000)	\$4,323,000	\$359,000
Premium	138,772	1,721	(21,917)	118,576	16,464
Total Bonds Payable	4,833,772	79,721	(471,917)	4,441,576	375,464
Compensated Absences	100,721	59,208	(40,288)	119,641	47,856
Other Post Employment Benefits	710,120	379,361	(266,206)	823,275	-
Net Pension Liability	1,406,700	653,644	(560,525)	1,499,819	-
Total Long Term Obligations	<u>\$ 7,051,313</u>	<u>\$ 1,171,934</u>	<u>\$ (1,338,936)</u>	<u>\$ 6,884,311</u>	<u>\$ 423,320</u>

IV. Other Information

A. Pension Plans

a. General Information about the Pension Plan

The Department provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public at: <https://middlesexretirement.org/wp-content/uploads/2020/08/FINAL-Audit-Report-Middlesex-Retirement-12-31-2019.pdf> or by writing to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Benefits Provided

The Middlesex County Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3).

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or before April 1 2012</u>		
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age and years of creditable service of the member at retirement:

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on after April 1 2012</u>		
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55. Members of Group 4 may retire upon attainment of age 50 with ten years of creditable service.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund

of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Middlesex County Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Department is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The contribution requirements are established by and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2020 was 23.53% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$3,086,111 (the Water Department contributed \$127,853) for the year ending June 30, 2020.

b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$26,056,611 for its proportionate share of the net pension liability (**the Water Department's share was \$1,499,819**). The net pension liability was measured as of January 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Accordingly, update procedures were utilized to roll back the liability to the measurement date. 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 members, actuarially determined. At December 31, 2019, the Town's proportion was 1.628481% (the Water Department is 5.793% of that percentage).

For the year ended June 30, 2020, the Town recognized pension expense of \$4,642,460 (the Water Department recognized \$268,938). At June 30, 2020, the Town and Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Littleton, Massachusetts

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 634,013	\$ 59,012
Change in assumptions	1,794,417	-
Net differences between projected and actual earnings on pension plan investments	-	676,167
Changes in proportion and differences between contributions and proportionate share of contributions	2,836,447	921,507
Contributions subsequent to the measurement date	-	-
	<u>\$ 5,264,877</u>	<u>\$ 1,656,686</u>

Littleton Water Department

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,493	\$ 3,397
Change in assumptions	103,287	-
Net differences between projected and actual earnings on pension plan investments	-	38,920
Changes in proportion and differences between contributions and proportionate share of contributions	163,266	53,042
Contributions subsequent to the measurement date	-	-
	<u>\$ 303,046</u>	<u>\$ 95,359</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The Town/Department did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and

deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Littleton, Massachusetts	Year ended June 30:		Amount
	2020	\$	1,494,286
	2021		881,183
	2022		1,009,987
	2023		222,735
	Total	\$	<u>3,608,191</u>

Littleton Water Department	Year ended June 30:		Amount
	2020	\$	86,010
	2021		50,721
	2022		58,135
	2023		12,821
	Total	\$	<u>207,687</u>

Actuarial Assumptions

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

Valuation date	January 1, 2020
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal year 2020 through fiscal year 2027, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI Liability amortized in level payments.
Remaining Amortization Period	17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI, 2 years from July 1, 2018 for 2033 ERI, and 4 years from July 1, 2018 for 2010 ERI.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted, as necessary, to be within 20% of market value.
Investment Rate of Return/Discount Rate	7.3% net of pension plan investment expense, including inflation (7.5% in previous valuation)
Inflation Rate	3.25% (3.25% in previous valuation)
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
Cost of Living Adjustments	3.00% of first \$16,000 of retirement income as of July 1, 2019

Mortality Rates were based on the tables noted below:

Healthy:

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

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. The mortality tables listed in the assumption table were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

Changes in Assumptions and Plan Provisions

The following changes were reflected in the January 1, 2020 actuarial valuation:

Changes in Assumptions

- The net investment rate of return assumption was reduced from 7.50% to 7.30%.

Changes in Plan Provisions

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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 real rates of return (expected returns, net of pension plan 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	21.00%	6.15%
International Developed Markets Equity	13.00%	6.78%
International Emerging Markets Equity	5.00%	8.65%
Core Fixed Income	15.00%	1.11%
High-Yield Fixed Income	8.00%	3.51%
Real Estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge Funds, GTAA, risk parity	11.00%	3.19%
Private Equity	13.00%	9.99%
	<u>100.00%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2019 (net of investment expenses) was 16.21% (negative 2.52% for December 31, 2018). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.3% (7.5% in the previous valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Middlesex County Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary 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 of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Middlesex County Retirement System, calculated using the discount rate of 7.3%, as well as what the Middlesex County System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.3%) or 1-percentage-point higher (8.3%) than the current rate:

	1% Decrease (6.3%)	Discount Rate (7.3%)	1% Increase (8.3%)
Town's proportionate share of the Net Pension Liability	<u>\$32,021,511</u>	<u>\$26,056,611</u>	<u>\$21,037,301</u>
Department's proportionate share of the Town's Net Pension Liability (5.793%)	<u>\$1,843,158</u>	<u>\$1,499,819</u>	<u>\$1,210,907</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Middlesex County Retirement System financial report. The System issues a stand-alone financial report is available that can be obtained through the System's website at: <https://middlesexretirement.org/wp-content/uploads/2020/08/FINAL-Audit-Report-Middlesex-Retirement-12-31-2019.pdf>

c. Payables to the Pension Plan

As of June 30, 2020, the Department did not have any payables due to the Middlesex County Retirement System.

B. Other Postemployment Benefits (OPEB) Disclosures

Summary of Significant Accounting Policies (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Department's Plan and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

General Information About the Plan

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Department. Management of the plan is vested in the Town's Board of Selectmen and the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

Plan Membership: At June 30, 2020, the plans membership consisted of the following:

Inactive Plan Members or beneficiaries currently receiving benefits	4
Inactive Plan Members entitled to but not receiving benefits	0
Active Plan Members	<u>10</u>
Total	14

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

Contributions. For employees hired prior to July 1, 2010, the Department will contribute 70% of the premiums. The retiree or surviving spouse will be responsible for the remaining 30%. For employees hired after July 1, 2010, the Department will contribute 50% of the premium. The retiree or surviving spouse will be responsible for the remaining 50%. Benefits paid by the Department are on a pay-as-you-go basis. However, contributions are made to an OPEB Trust. The contribution requirements of plan members and the Department are established by contractual negotiations and may be amended from time to time.

Net OPEB Liability

The Department's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Total OPEB Liability	\$1,367,050
Plan Fiduciary Net Position	<u>(543,775)</u>
Net OPEB Liability	<u><u>\$823,275</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	39.78%
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.4% (previously 2.6%)
Discount Rate	6.75% (previously 7.5%)
Health Cost Trend Rates	8.0% for 2018, decreasing by 0.5% per year to of 5.5% then grading down to an ultimate trend rate of 3.9% utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation is reached in 2075.

Mortality Rates were based on the tables noted below:

Healthy:

Pre-Retirement	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D.
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Post-Retirement	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D.
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Investments

Investment Policy: 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 Selectmen. The policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

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. The target allocations and best estimates of arithmetic real rates of return for each major asset class summarized in the target asset allocation as of June 30, 2020, are summarized in the table below:

	Target <u>Allocation</u>	Long Term Expected <u>Rate of Return</u>
Domestic Equity	35%	4.96%
International Equity	20%	7.01%
Domestic Bond	20%	2.22%
Alternative	20%	2.76%
International Bond	5%	1.53%
Cash & Equivalents	0%	0.00%
	<u>100.00%</u>	

Concentrations

The OPEB plan did not hold investments in any one organization that represent 5% or more of the OPEB plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.11% (6.73% in the prior year). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total OPEB liability was 6.75% (7.5% in the prior measurement). The projection of cash flows used to determine the discount rate assumed that Department contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

		Increase (Decrease)		
		Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<u>Town</u>				
Balances 6/30/19	\$	28,339,744	\$ 12,089,224	\$ 16,250,520
Service cost		1,022,757	-	1,022,757
Interest		2,157,973	-	2,157,973
Changes of benefit terms		(406,443)	-	(406,443)
Difference between expected and actual experience		-	-	-
Changes in assumptions		3,264,788	-	3,264,788
Contributions - employer		-	3,441,437	(3,441,437)
Net investment income		-	274,805	(274,805)
Benefit payments		(1,179,063)	(1,179,063)	-
Net changes		4,860,012	2,537,179	2,322,833
Balances 6/30/20	\$	33,199,756	\$ 14,626,403	\$ 18,573,353
<u>Water Department</u>				
Balances 6/30/20	\$	1,367,050	\$ 543,775	\$ 823,275

Change in Benefit Terms

The discount rate was changed from 7.5% as of June 30, 2019 to 6.75% as of June 30, 2020. In addition, the inflation rate was changed from 2.6% to 2.4%

Changes in assumptions:

The Patient Protection and Affordable Care Act (PPACA) applied a 40% excise tax, commonly referred to as the "Cadillac Tax", to the cost of plan benefits in excess of statutory thresholds beginning in 2022. This tax was repealed in December, 2019.

All other benefit terms were the same as used in the prior measurement

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the Department, as well as what the Department's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>5.75%</u>	Discount Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Net OPEB Liability (asset)	\$1,049,542	\$823,275	\$640,928

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Department, as well as what the Department's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease decreasing to <u>2.9%</u>	Healthcare Cost Trend 8% decreasing to <u>3.9%</u>	1% Increase 9% decreasing to <u>4.9%</u>
Net OPEB Liability (asset)	\$599,916	\$823,275	\$1,108,283

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

For the year ended June 30, 2020, the Department recognized OPEB expense of \$80,900. At June 30, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 52,333
Change in assumptions	201,861	-
Net differences between projected and actual earnings on OPEB plan investments	26,203	-
	<u>\$ 228,064</u>	<u>\$ 52,333</u>

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

Year ended June 30:	Amount
2021	\$ 29,547
2022	29,547
2023	28,503
2024	27,873
2025	22,013
Thereafter	38,248
Total	<u>\$ 175,731</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the Town of Littleton's financial statements.

C. Subsequent Year's Authorization

At the June 13, 2020 annual Town meeting, the Town adopted the fiscal year 2021 budget for the Water Department. The \$4,140,672 budget will be funded by water user charges and other revenues generated by the Department (\$3,808,946) and by other available funds (\$331,726) in the fund.

D. Implementation of New GASB Pronouncements

During fiscal year 2020, the Town was not required to implement any new GASB pronouncements. The Town early implemented GASB Statement No. 84 in fiscal year 2019.

The following GASB pronouncements will be implemented in future fiscal years:

- Statement No. 87, Leases which is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period which is effective for reporting periods beginning after December 15, 2020.
- Statement No. 90 Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61 which is effective for reporting periods beginning after December 15, 2019.
- Statement No. 91, Conduit Debt Obligations which is effective for reporting periods beginning after December 15, 2021.
- Statement No. 92 Omnibus 2020, paragraphs 6 and 7 - fiscal years beginning after June 15, 2021; paragraphs 8, 9, and 12 - reporting periods beginning after June 15, 2021 and paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021.

- Statement No. 93 *Replacement of Interbank Offered Rates* the requirements, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- Statement No. 96 *Subscription-Based Information Technology Arrangements* which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Littleton Massachusetts' Proportionate Share of the Net Pension Liability
Middlesex County Retirement System
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportionate share of net pension liability (asset) (%)	1.628481%	1.624418%	1.510218%	1.690981%	1.658682%	1.583397%
Town's proportionate share of net pension liability (asset) (\$)	\$26,056,611	\$25,332,249	\$21,432,789	\$23,959,114	\$21,397,309	\$19,021,595
Town's covered payroll	\$13,118,371	\$12,191,742	\$11,686,136	\$11,081,928	\$10,782,598	\$10,367,883
Town's proportionate share of net pension liability (asset) as a percentage of its covered payroll	198.63%	207.78%	183.40%	216.20%	198.44%	183.47%
Plan fiduciary net position as a percentage of the pension liability	49.45%	46.40%	49.27%	45.49%	46.13%	47.65%
Littleton Water Department's proportionate share of net pension liability (asset) (\$)	\$1,499,819	\$1,406,700	\$1,190,252	\$1,243,478	1,031,350	\$913,744

** The amounts presented for each fiscal year were determined as of December 31.

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Littleton, Massachusetts' Contributions
Middlesex County Retirement System
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,206,947	\$ 2,185,944	\$ 2,054,283	\$ 1,875,271	\$ 1,762,316	\$ 1,711,410
Contributions in relation to the contractually required contribution	<u>(3,086,111)</u>	<u>(2,185,944)</u>	<u>(3,555,064)</u>	<u>(2,575,271)</u>	<u>(1,762,316)</u>	<u>(1,711,410)</u>
Contribution deficiency (excess)	<u>\$ (879,164)</u>	<u>\$ -</u>	<u>\$ (1,500,781)</u>	<u>\$ (700,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	13,118,371	12,191,742	11,686,136	11,081,928	10,782,598	10,367,883
Contributions as a percentage of covered payroll	23.53%	17.93%	30.42%	23.24%	16.34%	16.51%
Littleton Water Department's Contributions	<u>\$ 127,853</u>	<u>\$ 114,440</u>	<u>\$ 106,617</u>	<u>\$ 133,657</u>	<u>\$ 84,751</u>	<u>\$ 101,662</u>

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Littleton Municipal Water Department
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios (GASB 75 - Employer Reporting)
June 30, 2020
Last 10 Fiscal Years

<u>Town of Littleton</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 1,022,757	\$ 923,015	\$ 887,514
Interest	2,157,973	1,949,574	1,818,827
Changes of benefit terms	(406,443)	-	-
Difference between expected and actual experience	-	(1,661,369)	-
Changes in assumptions	3,264,788	2,595,779	-
Benefit payments	(1,179,063)	(1,077,132)	(919,952)
Net change in total OPEB liability	<u>4,860,012</u>	<u>2,729,867</u>	<u>1,786,389</u>
Total OPEB liability - beginning	<u>28,339,744</u>	<u>25,609,877</u>	<u>23,823,488</u>
Total OPEB liability - ending (a)	<u><u>\$ 33,199,756</u></u>	<u><u>\$ 28,339,744</u></u>	<u><u>\$ 25,609,877</u></u>
Plan Fiduciary net position			
Contributions - employer	\$ 3,441,437	\$ 3,498,393	\$ 2,352,890
Net investment income	274,805	664,043	461,845
Benefit payments	(1,179,063)	(1,077,132)	(919,952)
Administrative expense	-	-	-
Net change in plan fiduciary net position	<u>2,537,179</u>	<u>3,085,304</u>	<u>1,894,783</u>
Plan fiduciary net position - beginning	<u>12,089,224</u>	<u>9,003,920</u>	<u>7,109,137</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 14,626,403</u></u>	<u><u>\$ 12,089,224</u></u>	<u><u>\$ 9,003,920</u></u>
Town's net OPEB liability - ending (a) - (b)	<u><u>\$ 18,573,353</u></u>	<u><u>\$ 16,250,520</u></u>	<u><u>\$ 16,605,957</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	44.06%	42.66%	35.16%
Covered payroll	\$ 23,272,636	\$ 21,401,305	\$ 19,528,449
Town's net OPEB liability as a percentage of covered payroll	79.81%	75.93%	85.03%
<u>Water Department</u>			
Department's Total OPEB Liability June 30, 2020	\$ 1,367,050	\$ 1,192,253	\$ 1,241,074
Department's Plan Fiduciary Net Position June 30, 2020	543,775	482,133	404,689
Department's Total OPEB Liability June 30, 2020	<u><u>\$ 823,275</u></u>	<u><u>\$ 710,120</u></u>	<u><u>\$ 836,385</u></u>

Change in Benefit Terms

The discount rate was changed from 7.5% as of June 30, 2019 to 6.75% as of June 30, 2020. In addition, the inflation rate was changed from 2.6% to 2.4%

Changes in assumptions:

The Patient Protection and Affordable Care Act (PPACA) applied a 40% excise tax, commonly referred to as the "Cadillac Tax", to the cost of plan benefits in excess of statutory thresholds beginning in 2022. This tax was repealed in December, 2019.

All other benefit terms were the same as used in the prior measurement

This Schedule is intended to be a ten year schedule. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Littleton Municipal Water Department
Required Supplementary Information
Schedule of Contributions - Other Post Employment Benefits (GASB 75 - Employer Reporting)
June 30, 2020
Last 10 Fiscal Years

Town of Littleton

	2020	2019	2018
Actuarially determined contribution	\$ 2,519,732	\$ 2,657,431	\$ 2,383,507
Contributions in relation to the actuarially determined contribution	3,441,437	3,498,393	2,352,890
Contribution deficiency (excess)	<u>\$ (921,705)</u>	<u>\$ (840,962)</u>	<u>\$ 30,617</u>
Covered payroll	\$ 23,272,636	\$ 21,401,305	\$ 19,528,449
Contributions as a percentage of covered payroll	14.79%	16.35%	12.05%

Water Department

Contributions in relation to the actuarially determined contribution	<u>\$ 97,798</u>	<u>\$ 91,964</u>	<u>\$ 108,584</u>
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Notes to Schedule

Valuation date:	7/1/2018	7/1/2018	7/1/2016
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Dollar
Amortization period	27 years closed
Asset valuation method	Market Value
Inflation	2.4% (previously 2.6%)
Healthcare cost trend rates	8.0% for 2018, decreasing by 0.5% per year to of 5.5% then grading down to an ultimate trend rate of 3.9% utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation is reached in 2075.
Discount Rate	6.75% (previously 7.5%)
Mortality	
Healthy:	
Pre-Retirement	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D.
Post-Retirement	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB2D.

(This Schedule is intended to be a ten year schedule. Additional years' information will be displayed as it becomes available)

See Notes to the Required Supplementary Information

Littleton Municipal Water Department
Notes to the Required Supplementary Information
June 30, 2020

I Pension Plans

a. Plan Description

The Department provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Department is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public <https://middlesexretirement.org/wp-content/uploads/2020/08/FINAL-Audit-Report-Middlesex-Retirement-12-31-2019.pdf> or by writing to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

b. Funding Plan

Active members of the Middlesex County Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Department is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The Department's contribution requirement is established and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

c. Change in Assumptions and Plan Provisions

The following changes were reflected in the January 1, 2020 actuarial valuation:

Changes in Assumptions

- The net investment rate of return assumption was reduced from 7.50% to 7.30%.

Changes in Plan Provisions

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

d. Schedule of Town's Proportionate Share of the Net Pension Liability - Middlesex County Retirement System

The schedule details the Town's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the Town's covered payroll, the Town's proportionate share of the collective net pension liability as a percentage of the Town's covered payroll and the fiduciary net position of the plan as a percentage of the total pension liability. The schedule, also, displays the Water Department's proportionate share of the Net pension liability. As more information becomes available, this will be a ten year schedule.

e. Schedule of the Town's Contributions - Middlesex County Retirement System

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll. The schedule, also, displays Water Department's contributions. As more information becomes available, this will be a ten year schedule.

II Other Postemployment Benefits (OPEB) Disclosures

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Department. Management of the plan is vested in the Town's Board of Selectmen and the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

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

Contributions. For employees hired prior to July 1, 2010, the Department will contribute 70% of the premiums. The retiree or surviving spouse will be responsible for the remaining 30%. For employees hired after July 1, 2010, the Department will contribute 50% of the premium. The retiree or surviving spouse will be responsible for the remaining 50%. Benefits paid by the Department are on a pay-as-you-go basis. However, contributions are made to an OPEB Trust. The contribution requirements of plan members and the Department are established by contractual negotiations and may be amended from time to time.

a. Schedule of Net OPEB Liability and Related Ratios

The schedule provides information about the changes in the Town's OPEB liability and the changes in the fiduciary net position of the plan. The schedule, also, provides the plan fiduciary net position as a percentage of the total OPEB liability, the covered payroll and the Town's net OPEB liability as a percentage of covered

payroll. The schedule, also, displays the Water Department's total OPEB liability, plan fiduciary net position and net OPEB liability as of June 30, 2020.

b. The Schedule of Contributions - Other Post Employment Benefits

The schedule details the Town's actuarially required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll. The schedule, also, displays the Water Department's contributions in relation to the actuarially determined contribution.

The Water Department has contributed to an OPEB Trust fund which is a fiduciary fund of the Town of Littleton, Massachusetts. The OPEB Trust fund is reported in the financial statements of the Town of Littleton, Massachusetts.