



TOWN OF BOXFORD, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Boxford, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Boxford, Massachusetts (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Boxford, Massachusetts, as of June 30, 2021, and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, in fiscal year 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. 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 budgetary comparison for the general fund and major special revenue funds, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,



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

A handwritten signature in black ink that reads "Melanson". The script is fluid and cursive, with the first letter "M" being particularly large and stylized.

Andover, Massachusetts
March 17, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Boxford, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, interest, and intergovernmental expense.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

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

An annual appropriated budget is adopted for the General Fund and major Community Preservation Fund. A budgetary comparison statement has been provided for the General Fund and major Community Preservation Fund to demonstrate compliance with this budget.

Fiduciary Funds

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

Notes to Financial Statements

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

Required Supplementary Information

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

Financial Highlights

- At the end of the current fiscal year, net position in governmental activities was \$42,196,060, a change of \$1,048,105.
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$10,940,361, a change of \$(1,577,905) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,813,249 a change of \$59,037 in comparison to the prior year.

Government-Wide Financial Analysis

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

<u>NET POSITION (in thousands)</u>		
	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 15,976	\$ 13,571
Capital assets	<u>63,964</u>	<u>62,065</u>
Total assets	79,940	75,636
Deferred outflows of resources	2,426	3,412
Liabilities		
Other liabilities	4,691	828
Long-term liabilities	<u>33,289</u>	<u>35,854</u>
Total liabilities	37,980	36,682
Deferred inflows of resources	2,190	1,260
Net Position		
Net investment in capital assets	56,213	54,972
Restricted	6,325	4,758
Unrestricted	<u>(20,342)</u>	<u>(18,624)</u>
Total net position	\$ <u>42,196</u>	\$ <u>41,106</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$42,196,060, a change of \$1,048,105 in comparison to the prior year.

The largest portion of net position \$56,212,551 reflects our investment in capital assets (e.g., land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$6,325,238 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(20,341,729) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,906	\$ 2,075
Operating grants and contributions	6,967	5,161
Capital grants and contributions	850	483
General revenues:		
Property taxes	31,664	31,133
Excises	1,640	1,658
Penalties, interest, and other taxes	96	78
Grants and contributions not restricted to specific programs	710	695
Investment income	291	211
Miscellaneous	713	595
Total revenues	<u>44,837</u>	<u>42,089</u>
Expenses		
General government	3,670	2,360
Public safety	4,402	3,886
Education	31,327	30,814
Public works	3,384	3,765
Health and human services	432	438
Culture and recreation	241	905
Interest on long-term debt	160	170
Intergovernmental	173	168
Total expenses	<u>43,789</u>	<u>42,506</u>
Change in net position	1,048	(417)
Transfers in	-	40
Change in net position	1,048	(377)
¹ Net position - beginning of year, as restated	<u>41,148</u>	<u>41,483</u>
Net position - end of year	<u>\$ 42,196</u>	<u>\$ 41,106</u>

¹ Restatement of net position for GASB 84 implementation, see Note 22 for additional information.

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,048,105. Key elements of this change are as follows:

Community Preservation fund change in fund balance	\$ 640,831
Depreciation expense in excess of principal debt service	(1,008,854)
Change in pension expense from GASB 75	(121,253)
Change in OPEB expense from GASB 68	(415,882)
Capitalized expenditures by the Town Hall Construction	2,154,494
Other	<u>(201,231)</u>
Total	<u>\$ 1,048,105</u>

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,813,249, while total fund balance was \$6,501,285. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>	% of General Fund Expenditures*
Unassigned fund balance	\$ 4,813,249	\$ 4,754,212	\$ 59,037	13.2%
Total fund balance	\$ 6,501,285	\$ 7,211,432	\$ (710,147)	17.8%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$1,436,191.

The total fund balance of the general fund changed by \$(710,147) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 484,221
Expenditures less than budget	417,613
Use of free cash	(1,327,159)
Change in stabilization fund balance	(415,723)
Other	<u>130,901</u>
Total	\$ <u><u>(710,147)</u></u>

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

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
General stabilization fund	\$ 930,029	\$ 902,152	\$ 27,877
Library stabilization fund	<u>54,161</u>	<u>497,761</u>	<u>(443,600)</u>
	\$ <u><u>984,190</u></u>	\$ <u><u>1,399,913</u></u>	\$ <u><u>(415,723)</u></u>

Nonmajor Governmental Funds

The fund balance of nonmajor governmental fund changed by \$45,905 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$70,000 for retroactive salaries under collective bargaining agreements, funded by free cash. The actual results of both revenues and expenditures were comparable to the budget.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental activities at year end amounted to \$63,963,985 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles, and infrastructure.

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

- \$2,278,013 for various buildings and building improvements.
- \$581,911 for various machinery, equipment, and vehicles.
- \$1,352,490 for various infrastructure.
- \$127,079 of construction in progress for various projects.
- \$(2,186,602) of depreciation expense.

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$6,015,000, all of which was backed by the full faith and credit of the Town.

The Town maintained their AAA rating from S&P for general obligation debt.

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

Requests for Information

This financial report is designed to provide a general overview of the Town'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:

Director of Municipal Finance/Town Accountant
Town of Boxford, Massachusetts
7A Spofford Road, 2nd Floor
Boxford, Massachusetts 01921

TOWN OF BOXFORD, MASSACHUSETTS

Statement of Net Position
June 30, 2021

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 9,679,993
Investments	5,542,908
Receivables, net of allowance for uncollectibles:	
Property taxes	181,862
Excises	114,465
Departmental and other	153,408
Intergovernmental	<u>254,771</u>
Total Current Assets	15,927,407
Noncurrent:	
Receivables:	
Property taxes	48,413
Capital assets:	
Nondepreciable capital assets	20,979,917
Other capital assets, net of accumulated depreciation	<u>42,984,068</u>
Total Noncurrent Assets	<u>64,012,398</u>
Total Assets	79,939,805
Deferred Outflows of Resources	
Related to pensions	1,147,696
Related to OPEB	<u>1,278,070</u>
Total Deferred Outflows of Resources	2,425,766

(continued)

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

(continued)

TOWN OF BOXFORD, MASSACHUSETTS

Statement of Net Position
June 30, 2021

	Governmental <u>Activities</u>
Liabilities	
Current:	
Accounts payable	659,510
Accrued liabilities	308,796
Notes payable	3,039,000
Unearned revenue	415,075
Other current liabilities	268,338
Current portion of long-term liabilities:	
Bonds payable	1,025,000
Compensated absences	96,171
Landfill liability	58,919
Total Current Liabilities	5,870,809
Noncurrent:	
Bonds payable, net of current portion	4,990,000
Net pension liability	14,629,494
Net OPEB liability	10,974,982
Compensated absences, net of current portion	865,539
Landfill liability, net of current portion	648,502
Total Noncurrent Liabilities	32,108,517
Total Liabilities	37,979,326
Deferred Inflows of Resources	
Related to pensions	1,400,381
Related to OPEB	789,804
Total Deferred Inflows of Resources	2,190,185
Net Position	
Net investment in capital assets	56,212,551
Restricted for:	
Community preservation funds	3,849,460
Grants and other statutory restrictions	2,459,530
Permanent funds:	
Nonexpendable	5,000
Expendable	11,248
Unrestricted	(20,341,729)
Total Net Position	\$ 42,196,060

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

TOWN OF BOXFORD, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2021

					Net (Expenses) Revenues and Changes in Net Position
Program Revenues					
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
General government	\$ 3,669,686	\$ 618,639	\$ 839,195	\$ -	\$ (2,211,852)
Public safety	4,402,320	824,420	67,258	-	(3,510,642)
Education	31,326,734	283,058	5,987,984	112,907	(24,942,785)
Public works	3,384,055	70,699	45,229	737,156	(2,530,971)
Health and human services	432,398	28,920	27,132	-	(376,346)
Culture and recreation	240,803	80,550	-	-	(160,253)
Interest on long-term debt	160,140	-	-	-	(160,140)
Intergovernmental	<u>172,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(172,759)</u>
Total Governmental Activities	<u>\$ 43,788,895</u>	<u>\$ 1,906,286</u>	<u>\$ 6,966,798</u>	<u>\$ 850,063</u>	(34,065,748)
General Revenues					
Property taxes					31,664,189
Excises					1,639,511
Penalties, interest and other taxes					95,935
Grants and contributions not restricted to specific programs					709,601
Investment income					291,838
Miscellaneous					<u>712,779</u>
Total general revenues					<u>35,113,853</u>
Change in Net Position					1,048,105
Net Position					
Beginning of year, as restated					<u>41,147,955</u>
End of year					<u>\$ 42,196,060</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2021

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Town Hall Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and short-term investments	\$ 6,531,316	\$ 26,904	\$ 621,506	\$ 2,500,267	\$ 9,679,993
Investments	1,203,410	3,825,759	-	513,739	5,542,908
Receivables:					
Property taxes	226,788	3,487	-	-	230,275
Excises	138,092	-	-	-	138,092
Departmental and other	-	-	-	153,408	153,408
Intergovernmental	-	-	-	254,771	254,771
Total Assets	\$ <u>8,099,606</u>	\$ <u>3,856,150</u>	\$ <u>621,506</u>	\$ <u>3,422,185</u>	\$ <u>15,999,447</u>
Liabilities					
Accounts payable	\$ 659,510	\$ -	\$ -	\$ -	\$ 659,510
Accrued liabilities	308,796	-	-	-	308,796
Notes payable	-	-	2,176,000	863,000	3,039,000
Unearned revenue	-	-	-	415,075	415,075
Other liabilities	<u>265,135</u>	<u>3,203</u>	<u>-</u>	<u>-</u>	<u>268,338</u>
Total Liabilities	1,233,441	3,203	2,176,000	1,278,075	4,690,719
Deferred Inflows of Resources					
Unavailable revenues	364,880	3,487	-	-	368,367
Fund Balances					
Nonspendable	-	-	-	5,000	5,000
Restricted	-	3,849,460	-	2,761,546	6,611,006
Committed	902,054	-	-	91,734	993,788
Assigned	785,982	-	-	-	785,982
Unassigned	<u>4,813,249</u>	<u>-</u>	<u>(1,554,494)</u>	<u>(714,170)</u>	<u>2,544,585</u>
Total Fund Balances	<u>6,501,285</u>	<u>3,849,460</u>	<u>(1,554,494)</u>	<u>2,144,110</u>	<u>10,940,361</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>8,099,606</u>	\$ <u>3,856,150</u>	\$ <u>621,506</u>	\$ <u>3,422,185</u>	\$ <u>15,999,447</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2021

Total governmental fund balances	\$ 10,940,361
☐ Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	63,963,985
☐ Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.	1,147,696
☐ Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	1,278,070
☐ Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(6,015,000)
Net pension liability	(14,629,494)
Net OPEB liability	(10,974,982)
Compensated absences	(961,710)
Landfill liability	(707,421)
☐ Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.	(1,400,381)
☐ Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(789,804)
☐ Other	<u>344,740</u>
Net position of governmental activities	\$ <u><u>42,196,060</u></u>

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

TOWN OF BOXFORD, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Town Hall Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 30,851,643	\$ 768,973	\$ -	\$ -	\$ 31,620,616
Excises	1,619,559	-	-	-	1,619,559
Penalties, interest and other taxes	94,575	1,360	-	-	95,935
Charges for services	549,945	-	-	878,803	1,428,748
Intergovernmental	3,912,731	306,970	-	2,483,350	6,703,051
Licenses and permits	454,711	-	-	-	454,711
Fines and forfeitures	22,827	-	-	-	22,827
Investment income	82,993	190,751	-	18,094	291,838
Miscellaneous	<u>95,638</u>	<u>-</u>	<u>-</u>	<u>617,141</u>	<u>712,779</u>
Total Revenues	37,684,622	1,268,054	-	3,997,388	42,950,064
Expenditures					
Current:					
General government	1,787,399	102,263	2,154,494	1,229,121	5,273,277
Public safety	3,198,529	-	-	510,818	3,709,347
Education	25,524,508	-	-	1,126,644	26,651,152
Public works	2,579,325	-	-	759,611	3,338,936
Health and human services	311,528	-	-	96,295	407,823
Culture and recreation	461,399	-	-	89,207	550,606
Employee benefits	3,031,929	-	-	39,721	3,071,650
Debt service:					
Principal	780,248	397,500	-	-	1,177,748
Interest	72,211	102,460	-	-	174,671
Intergovernmental	<u>172,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,759</u>
Total Expenditures	<u>37,919,835</u>	<u>602,223</u>	<u>2,154,494</u>	<u>3,851,417</u>	<u>44,527,969</u>
Excess (deficiency) of revenues over expenditures	(235,213)	665,831	(2,154,494)	145,971	(1,577,905)
Other Financing Sources (Uses)					
Transfers in	51,066	-	600,000	101,000	752,066
Transfers out	<u>(526,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(201,066)</u>	<u>(752,066)</u>
Total Other Financing Sources (Uses)	<u>(474,934)</u>	<u>(25,000)</u>	<u>600,000</u>	<u>(100,066)</u>	<u>-</u>
Change in fund balance	(710,147)	640,831	(1,554,494)	45,905	(1,577,905)
Fund Balances, at Beginning of Year, as restated	<u>7,211,432</u>	<u>3,208,629</u>	<u>-</u>	<u>2,098,205</u>	<u>12,518,266</u>
Fund Balances, at End of Year	\$ <u><u>6,501,285</u></u>	\$ <u><u>3,849,460</u></u>	\$ <u><u>(1,554,494)</u></u>	\$ <u><u>2,144,110</u></u>	\$ <u><u>10,940,361</u></u>

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

TOWN OF BOXFORD, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2021

Net changes in fund balances - total governmental funds	\$ (1,577,905)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	4,085,335
Depreciation	(2,186,602)

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

Repayments of debt	1,177,748
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Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue, net of change in allowance for doubtful accounts.

68,175

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

Change in net pension liability and related deferred outflows and inflows	(121,253)
Change in net OPEB liability and related deferred outflows and inflows	(415,882)
Change in compensated absences	(48,044)
Change in landfill liability	56,653

Other differences.	<u>9,880</u>
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Change in net position of governmental activities	\$ <u>1,048,105</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 495	\$ 1,422
Investments:			
Corporate bonds	-	2,883	-
Corporate equities	-	29,663	-
External investment pool	4,292,646	-	-
Federal agency securities	-	5,748	-
Fixed income mutual funds	-	16,481	-
Market-linked certificates of deposit	-	4,141	-
U.S. Treasury notes	-	8,679	-
Total Investments	<u>4,292,646</u>	<u>67,595</u>	<u>-</u>
Total Assets	4,292,646	68,090	1,422
Net Position			
Restricted for OPEB purposes	4,292,646	-	-
Restricted for individuals and organizations	<u>-</u>	<u>68,090</u>	<u>1,422</u>
Total Net Position	<u>\$ 4,292,646</u>	<u>\$ 68,090</u>	<u>\$ 1,422</u>

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

TOWN OF BOXFORD, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	Other Post Employment Benefits <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Additions			
Employer contributions	\$ 1,076,946	\$ -	\$ -
Amounts withheld from employees	-	-	73,072
Interest income	958,102	2,710	-
Other	-	14,558	-
Total Additions	2,035,048	17,268	73,072
Deductions			
Benefit payments to plan members and beneficiaries	776,946	-	-
Payments on behalf of employees	-	-	80,023
Other	-	16,850	-
Total Deductions	776,946	16,850	80,023
Net Increase (Decrease)	1,258,102	418	(6,951)
Net Position Restricted for OPEB and Other Purposes			
Beginning of year	3,034,544	67,672	8,373
End of year	\$ 4,292,646	\$ 68,090	\$ 1,422

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

TOWN OF BOXFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Boxford, Massachusetts (the Town) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Select Board. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants

and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* is used to account for revenues and expenditures related to the levy of a property tax surcharge that is authorized by the Community Preservation Act. This fund was established by the Town for the purpose of acquiring open land for conservation, developing affordable housing, and preserving historical property.
- The *Town Hall Construction Fund* is used to account for revenues and expenditures related to the building envelope repair, HVAC replacement, and library interior renovation projects at Town Hall.

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

The Town reports the following fiduciary funds:

- The *OPEB Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in permanent funds, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements.

Cash and Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, savings accounts, and money market accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

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

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

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

Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth) unless an override or debt exemption is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of \$1,435,870. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost that exceeds \$25,000, depending on the asset's category, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50
Vehicles	6
Office equipment	5
Computer equipment	5

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

Fund Equity

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

Fund Balance

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2021. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

Massachusetts General Laws (MGL) Chapter 44, Section 55 places certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having (or which have) maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasury of the commonwealth of Massachusuetts, meets the criteria established by Governmental Accounting Standards Board (GASB), 79. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town's policy is to minimize custodial credit risk by limiting unsecured bank deposits to no more than 5% of an institution's assets and no more than 10% of the Town's total cash.

As of June 30, 2021, \$72,310, of the Town's bank balance of \$10,144,609 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$211,020 was invested in a state pool, which is not subject to this disclosure.

Investment Summary

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

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 2,462,161
Corporate equities	1,367,948
External investment pool	4,292,646
Federal agency securities	477,055
Fixed income mutual funds	343,696
Market-linked certificates of deposit	239,279
U.S. Treasury notes	<u>720,364</u>
Total investments	<u>\$ 9,903,149</u>

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town's investment policy also requires that all securities be held in the Town's name and federal tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. In addition, as of June 30, 2021, all of the Town's investments were held in financial institutions that are members of the Securities Investor Protection Corporation (SIPC).

As of June 30, 2021, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investment policy allows unlimited investment in United States Treasury and Agency obligations, as these investments carry an Aaa rating. All other investments must be in investment grade securities, a high concentration of which must be rated A or above.

As of June 30, 2021, the credit quality ratings, as rated by Moody's Investors Service, Inc./S&P Global Ratings/Fitch Ratings, Inc., of the Town's debt securities are as follows (U.S. Treasury Notes have an implied rating of AAA):

<u>Investment Type</u>	<u>Rating as of Year End</u>							
	<u>Amount</u>	<u>Aaa</u>	<u>A2</u>	<u>A1</u>	<u>Aa3</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Not Readily Available</u>
Corporate bonds	\$ 2,462,161	\$ -	\$ 862,765	\$ 248,663	\$ 63,805	\$ 829,775	\$ 457,153	\$ -
Federal agency securities	477,055	477,055	-	-	-	-	-	-
Fixed income mutual funds	343,696	-	-	-	-	-	-	343,696
Market-linked certificates of deposit	239,279	-	-	-	-	-	-	239,279
Total	<u>\$ 3,522,191</u>	<u>\$ 477,055</u>	<u>\$ 862,765</u>	<u>\$ 248,663</u>	<u>\$ 63,805</u>	<u>\$ 829,775</u>	<u>\$ 457,153</u>	<u>\$ 582,975</u>

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town's policy to limit the amount the Town may invest in any one issuer is a diversification concept that prohibits the over-concentration of investments in a specific instrument-type and issuer by limiting investments (other than U.S. treasuries, government agencies, and mutual funds) to no more than 5% of an institution's assets and no more than 10% of the Town's cash.

As of June 30, 2021, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy includes a diversification concept that prohibits the over-concentration of investment maturities; however, the Town places no limit on the length of maturity from date of purchase for Community Preservation, Stabilization, and Trust funds that are invested in U.S. Treasuries or U.S. Agency obligations that may be sold prior to maturity. As of June 30, 2021, the Town's investments are in compliance with these policies.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Not Readily Available</u>
Corporate bonds	\$ 2,462,161	\$ 343,167	\$ 1,902,426	\$ 216,568	\$ -
Federal agency securities	477,055	-	377,709	99,346	-
Fixed income mutual funds	343,696	-	-	-	343,696
Market-linked certificates of deposit	239,279	-	239,279	-	-
U.S. Treasury notes	720,364	380,259	340,105	-	-
Total	\$ <u>4,242,555</u>	\$ <u>723,426</u>	\$ <u>2,859,519</u>	\$ <u>315,914</u>	\$ <u>343,696</u>

Foreign Currency Risk – Investments

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

Fair Value

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

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

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

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

The Town 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:				
Corporate bonds	\$ 2,462,161	\$ -	\$ 2,462,161	\$ -
Corporate equities	1,367,948	1,367,948	-	-
Federal agency securities	477,055	-	477,055	-
Fixed income mutual funds	343,696	343,696	-	-
Market-linked certificates of deposit	239,279	-	239,279	-
U.S. Treasury notes	720,364	720,364	-	-
Investments measured at net asset value (NAV):				
External investment pool	<u>4,292,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,903,149</u>	<u>\$ 2,432,008</u>	<u>\$ 3,178,495</u>	<u>\$ -</u>

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

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

4. Property Taxes and Excises Receivables

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements accordingly.

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

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

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls.

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

Property taxes and excise receivables at June 30, 2021 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 158,015	\$ -	\$ 158,015	\$ -
Personal property taxes	684	-	684	-
Community preservation act	3,487	-	3,487	-
Tax liens	<u>68,089</u>	<u>-</u>	<u>19,676</u>	<u>48,413</u>
Total property taxes	<u>\$ 230,275</u>	<u>\$ -</u>	<u>\$ 181,862</u>	<u>\$ 48,413</u>
Motor vehicle excise	<u>\$ 138,092</u>	<u>\$ (23,627)</u>	<u>\$ 114,465</u>	
Total excises	<u>\$ 138,092</u>	<u>\$ (23,627)</u>	<u>\$ 114,465</u>	

5. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2021.

6. Interfund Accounts

Transfers

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

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 51,066	\$ 526,000
Community Preservation - Major Fund	-	25,000
Town Hall Construction - Major Fund	600,000	-
Nonmajor Governmental Funds:		
Special Revenue Funds	-	201,066
Capital Project Funds	11,000	-
Expendable Trust Funds	<u>90,000</u>	<u>-</u>
Subtotal Nonmajor Governmental Funds	<u>101,000</u>	<u>201,066</u>
Total	\$ <u>752,066</u>	\$ <u>752,066</u>

Of the transfers out of the general fund, \$450,000 was transferred to the major Town Hall Construction Fund for the library renovations at Town Hall.

7. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Land improvements	\$ 475	\$ -	\$ -	\$ 475
Buildings and building improvements	27,259	2,278	-	29,537
Machinery, equipment, and vehicles	7,651	582	-	8,233
Infrastructure	<u>40,927</u>	<u>1,352</u>	<u>-</u>	<u>42,279</u>
Total capital assets, being depreciated	76,312	4,212	-	80,524
Less accumulated depreciation for:				
Land improvements	(270)	(19)	-	(289)
Buildings and building improvements	(12,251)	(773)	-	(13,024)
Machinery, equipment, and vehicles	(4,952)	(465)	-	(5,417)
Infrastructure	<u>(17,881)</u>	<u>(929)</u>	<u>-</u>	<u>(18,810)</u>
Total accumulated depreciation	<u>(35,354)</u>	<u>(2,186)</u>	<u>-</u>	<u>(37,540)</u>
Capital assets, being depreciated, net	40,958	2,026	-	42,984
Capital assets, not being depreciated:				
Land	20,588	-	-	20,588
Construction in progress	<u>519</u>	<u>392</u>	<u>(519)</u>	<u>392</u>
Total capital assets, not being depreciated	<u>21,107</u>	<u>392</u>	<u>(519)</u>	<u>20,980</u>
Governmental activities capital assets, net	<u>\$ 62,065</u>	<u>\$ 2,418</u>	<u>\$ (519)</u>	<u>\$ 63,964</u>

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

Governmental Activities	
General government	\$ 288
Public safety	327
Education	493
Public works	967
Health and human services	2
Culture and recreation	<u>109</u>
Total depreciation expense - governmental activities	<u>\$ 2,186</u>

8. Deferred Outflows of Resources

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

9. Accounts Payable

Accounts payable represent fiscal year 2021 expenditures paid after July 1, 2021.

10. Accrued Liabilities

Accrued liabilities primarily represents fiscal year 2021 salaries paid after year end.

11. Notes Payable

The following summarizes activity in notes payable during fiscal year 2021:

<u>Purpose</u>	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Lockwood Lane Bridge	\$ -	\$ 475,000	\$ -	\$ 475,000
Harry Lee Cole & Spofford School Design	-	388,000	-	388,000
Municipal Buildings Renovation	-	2,176,000	-	2,176,000
Total	\$ -	\$ 3,039,000	\$ -	\$ 3,039,000

12. Long-Term Debt

General Obligation Bonds

The Town issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General

obligation bonds currently outstanding are as follows. The Town did not have any direct borrowings outstanding as of June 30, 2021.

Governmental Activities

		Serial	Interest	Amount
	Original	Maturities	Rate(s) %	Outstanding
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Through</u>		<u>as of</u>
				<u>6/30/21</u>
Town Hall construction refunding	\$ 1,955,000	08/15/22	1.36%	\$ 375,000
Sawyer/Richardson land refunding	1,393,000	08/15/22	1.38%	295,000
Spofford Pond Road drainage refunding	85,000	08/15/22	1.35%	15,000
Dump truck	205,000	09/15/22	1.24%	40,000
Cummings House historic restoration	245,350	08/01/24	1.25%	195,000
Land acquisition	86,000	10/01/25	1.78%	41,000
Fire station floor drain/tank replacement	102,000	10/01/25	1.79%	49,000
Wood School interior renovations	667,000	10/01/25	1.81%	334,500
Wood School exterior renovations	125,000	10/01/25	1.82%	65,500
Anvil Farm land acquisition	850,000	06/15/26	3.90%	225,000
Haynes land acquisition	1,900,000	06/15/27	3.94%	600,000
Lincoln Hall building renovations	675,000	06/15/27	3.93%	210,000
School remodeling	355,000	09/15/27	1.60%	155,000
Land acquisition	190,000	09/15/27	1.55%	70,000
Fire truck	430,000	09/15/27	1.70%	230,000
Water treatment plant	400,000	09/15/27	1.70%	205,000
Recreational fields	1,050,000	08/01/30	1.56%	950,000
Spofford Pond roof and windows	2,079,650	08/01/37	1.96%	<u>1,960,000</u>
Total general obligation bonds				<u>6,015,000</u>
Total governmental activities				\$ <u><u>6,015,000</u></u>

Future Debt Service

The annual payments to retire all general obligation bonds outstanding as of June 30, 2021 are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,025,000	\$ 196,920
2023	955,000	163,885
2024	645,000	136,765
2025	635,000	112,255
2026	590,000	69,489
2027	450,000	59,112
2028	315,000	49,650
2029	215,000	40,142
2030	215,000	31,608
2031	165,000	23,958
2032 - 2036	575,000	28,658
2037 - 2040	230,000	45,799
Total	<u>\$ 6,015,000</u>	<u>\$ 958,241</u>

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable	\$ 7,190	\$ -	\$ (1,175)	\$ 6,015	\$ (1,025)	\$ 4,990
Loans payable (direct borrowings)	<u>3</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	7,193	-	(1,178)	6,015	(1,025)	4,990
Net pension liability	15,710	-	(1,081)	14,629	-	14,629
Net OPEB liability	11,274	-	(299)	10,975	-	10,975
Compensated absences	913	57	(8)	962	(96)	866
Landfill liability	<u>764</u>	<u>-</u>	<u>(56)</u>	<u>708</u>	<u>(59)</u>	<u>649</u>
Total	<u>\$ 35,854</u>	<u>\$ 57</u>	<u>\$ (2,622)</u>	<u>\$ 33,289</u>	<u>\$ (1,180)</u>	<u>\$ 32,109</u>

Long-Term Debt Supporting Governmental Activities

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

13. Landfill Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$707,421 reported as landfill postclosure care liability at June 30, 2021 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town 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. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

15. Governmental Funds - Balances

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

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

The following types of fund balances are reported as of June 30, 2021:

Nonspendable

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

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes Community Preservation funds, various special revenue and expendable trust funds, capital projects funded by borrowing and state grants, and the income portion of permanent funds.

Committed

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

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, the remaining balance of premiums received on the issuance of excluded debt, general fund surplus fund balance that has been appropriated as a funding source for the subsequent fiscal period, and petty cash.

Unassigned

Represents amounts that are available to spend in future periods, general stabilization, and deficit funds.

The following is a breakdown of the Town's fund balance as of June 30, 2021:

	General <u>Fund</u>	Community Preservation <u>Fund</u>	Town Hall Construction <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Total Nonspendable	-	-	-	5,000	5,000
Restricted					
Community preservation funds	-	3,849,460	-	-	3,849,460
Special revenue funds	-	-	-	2,367,797	2,367,797
Capital projects funded by borrowing	-	-	-	382,501	382,501
Expendable permanent funds	-	-	-	11,248	11,248
Total Restricted	-	3,849,460	-	2,761,546	6,611,006
Committed					
Unemployment fund	-	-	-	38,901	38,901
Insurance fund	-	-	-	52,833	52,833
Library stabilization fund	54,161	-	-	-	54,161
Article carryforwards:					
General government	304,870	-	-	-	304,870
Public safety	138,026	-	-	-	138,026
Education	66,511	-	-	-	66,511
Public works	336,486	-	-	-	336,486
Health and human services	2,000	-	-	-	2,000
Total Committed	902,054	-	-	91,734	993,788
Assigned					
Encumbrances:					
General government	44,898	-	-	-	44,898
Education	132,444	-	-	-	132,444
Public works	99,189	-	-	-	99,189
Culture and recreation	1,314	-	-	-	1,314
Next year's expenditures:					
Capital	422,168	-	-	-	422,168
Other	74,100	-	-	-	74,100
Petty cash	2,525	-	-	-	2,525
Debt service	9,344	-	-	-	9,344
Total Assigned	785,982	-	-	-	785,982
Unassigned					
General fund	3,883,220	-	-	-	3,883,220
General stabilization fund	930,029	-	-	-	930,029
Special revenue fund deficits	-	-	-	(437,836)	(437,836)
Capital project fund deficits	-	-	(1,554,494)	(276,334)	(1,830,828)
Total Unassigned	4,813,249	-	(1,554,494)	(714,170)	2,544,585
Total Fund Balances	\$ 6,501,285	\$ 3,849,460	\$ (1,554,494)	\$ 2,144,110	\$ 10,940,361

16. Essex Regional Retirement System

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

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Essex Regional Retirement System (the System), a cost-sharing, multiple-employer, public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports, which are publicly available at the System's administrative offices at 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025. Reports are also available on the System's website at www.essexregional.com.

Participants' Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired 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 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

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

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the 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 Town’s contribution to the System for the year ended June 30, 2021 was \$1,423,044, 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 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 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 Town reported a liability of \$14,629,494 for its proportionate share of the System's total 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. The Town's proportion of the net pension liability was based on an actuarially determined projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2020, the Town's proportion was 3.686%.

For the year ended June 30, 2021, the Town recognized total pension expense of \$1,545,737. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 1,598	\$ 12,544
Changes of assumptions	978,688	-
Net difference between projected and actual earnings on pension plan investments	-	1,088,442
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>167,410</u>	<u>299,395</u>
Total	\$ <u>1,147,696</u>	\$ <u>1,400,381</u>

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

Year ended June 30:

2022	\$ 85,498
2023	138,592
2024	(271,631)
2025	<u>(205,144)</u>
Total	\$ <u>(252,685)</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 a measurement date of December 31, 2020:

COLA	2% of the first \$14,000 for fiscal 2021 and 3% of the first \$14,000 thereafter
Salary increases	Based on years of service, ranging from 7.5% at 0 years of service decreasing to 3.75% after 5 years of service
Investment rate of return	7.30%, previously 7.50%

Mortality rates for pre-retirement were based on the RP-2014 Employee Mortality Table projected generationally with Scale MP-2019. Mortality rates for healthy retirees were based on the RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019. Mortality rates for disabled retirees were based on the RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP-2019.

Target Allocations

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 adjusted by a 2.75% inflation assumption. Best estimates of arithmetic real rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return Geometric Average</u>
Domestic equity	23.10%	6.40%
International developed markets equity	14.40%	6.60%
International merging markets equity	5.80%	8.40%
Core fixed income	15.80%	2.70%
Value added fixed income	7.40%	6.20%
Private equity	12.40%	10.20%
Real estate	8.30%	6.00%
Timberland	3.30%	6.60%
Hedge funds, PCS	8.80%	5.20%
Liquidating portfolios	0.10%	0.00%
Overlay	0.60%	0.00%
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 plan member contributions at the current contribution rate and employer contributions 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 to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease <u>(6.30%)</u>	Current Discount Rate <u>(7.30%)</u>	1% Increase <u>(8.30%)</u>
\$18,732,464	\$14,629,494	\$11,180,910

Pension Plan Fiduciary Net Position

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

17. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

Target Allocation

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

included in the PRIT Fund's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.70%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease to <u>6.15%</u>	Current Discount Rate <u>7.15%</u>	1% Increase to <u>8.15%</u>
\$ 35,411,955	\$ 28,544,844	\$ 22,908,510

Special Funding Situation

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

Town Proportions

In fiscal year 2020 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$26,390,483 based on a proportionate share of 0.092453%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$1,436,191 as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of \$1,823,412 as both a revenue and expense in the governmental activities.

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

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

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

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	146
Active employees	<u>181</u>
Total	<u><u>327</u></u>

Investments

The OPEB trust fund assets consist of investments held in SRBT.

Rate of return. For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3%, average, including inflation
Investment rate of return	6.77%, net of OPEB plan investment expense
Municipal bond rate	2.18%
Discount rate	6.75% (previously 7.00%)
Healthcare cost trend rates	4.5% for 2021, fluctuating 0% to an ultimate rate of 4.5% in future years
Retirees' share of benefit-related costs	50% for premiums for the Medex 2 plan, 34% for Managed Blue for Seniors plan, and 21% for all other individual plans
Participation rate	80% of employees eligible to receive retirement benefits would enroll in the retiree medical plans upon retirement

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

projected generationally with scale MP-2016 for males and females. Mortality rates for disabled were based on RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of January 1, 2015.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 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 - Large Cap	14.50%	4.90%
Domestic Equity - Small/Mid Cap	3.50%	5.40%
International Equity - Developed Market	16.00%	5.32%
International Equity - Emerging Market	6.00%	6.26%
Domestic Fixed Income	20.00%	1.40%
International Fixed Income	3.00%	1.30%
Alternatives	23.00%	6.32%
Real Estate	<u>14.00%</u>	6.25%
Total	<u>100.00%</u>	

Contributions

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

Discount Rate

The discount rate used to measure the net OPEB liability was 6.75%. 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	\$ 15,267,628
Plan fiduciary net position	<u>4,292,646</u>
Net OPEB liability	<u>\$ 10,974,982</u>
Plan fiduciary net position as a percentage of the total OPEB liability	28.12%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 14,308,230	\$ 3,034,544	\$ 11,273,686
Changes for the year:			
Service cost	299,406	-	299,406
Interest	995,801	-	995,801
Contributions - employer	-	1,076,946	(1,076,946)
Net investment income	-	958,102	(958,102)
Changes in assumptions	441,137	-	441,137
Benefit payments	<u>(776,946)</u>	<u>(776,946)</u>	<u>-</u>
Net Changes	<u>959,398</u>	<u>1,258,102</u>	<u>(298,704)</u>
Balances, end of year	<u>\$ 15,267,628</u>	<u>\$ 4,292,646</u>	<u>\$ 10,974,982</u>

Changes in assumptions reflect a change in the discount rate from 7.00% in 2020 to 6.75% in 2021.

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

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

1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
\$ 12,848,224	\$ 10,974,982	\$ 9,414,538

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

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

1% Decrease <u>(3.50%)</u>	Current Healthcare Cost Trend Rates <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
\$ 9,234,706	\$ 10,974,982	\$ 13,079,658

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$465,912. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 370,847	\$ 269,088
Change in assumptions	907,223	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>520,716</u>
Total	\$ <u>1,278,070</u>	\$ <u>789,804</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	\$ 413,050
2023	61,204
2024	56,702
2025	(52,187)
2026	<u>9,497</u>
Total	<u>\$ 488,266</u>

19. Subsequent Events

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

Debt

Subsequent to June 30, 2021, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ 6,960,000	2 - 5%	10/20/21	09/01/41

The bond anticipation notes outstanding as of June 30, 2021 included in Note 11 were permanently borrowed as part of this general obligation bond issued on October 20, 2021.

20. Change in Accounting Principle

During fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Beginning fund balance/net position was restated in Nonmajor Governmental Funds and Governmental Activities; see more information in Note 22.

21. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on the Town's operational and financial performance will depend on certain developments, including the duration and

spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Town's financial condition or results of operations is uncertain.

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end the Town's general fund has \$277,845 in encumbrances that will be honored in the next fiscal year.

22. Beginning Fund Balance/Net Position Restatement

The beginning (July 1, 2020) balances of the Town have been restated as follows:

	Nonmajor Governmental Funds	Governmental Activities
As previously reported	\$ 2,056,005	\$ 41,105,755
GASB 84 implementation	<u>42,200</u>	<u>42,200</u>
As restated	<u>\$ 2,098,205</u>	<u>\$ 41,147,955</u>

23. New Pronouncements

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

TOWN OF BOXFORD, MASSACHUSETTS

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts	Final Budget
	<u>Budget</u>	<u>Budget</u>	(Budgetary	Positive
			Basis)	(Negative)
Revenues				
Property taxes	\$ 30,773,509	\$ 30,773,509	\$ 30,773,509	\$ -
Excises	1,600,000	1,600,000	1,619,559	19,559
Penalties, Interest, and other taxes	75,000	75,000	94,575	19,575
Charges for services	340,000	340,000	549,945	209,945
Intergovernmental	2,463,290	2,463,290	2,476,540	13,250
Licenses and permits	375,000	375,000	454,711	79,711
Fines and forfeitures	25,000	25,000	22,827	(2,173)
Investment income	-	-	48,716	48,716
Miscellaneous	-	-	95,638	95,638
Total Revenues	35,651,799	35,651,799	36,136,020	484,221
Expenditures				
General government	2,170,606	2,240,606	2,165,115	75,491
Public safety	3,232,706	3,232,706	3,200,702	32,004
Education	24,405,792	24,405,792	24,287,272	118,520
Public works	2,915,045	2,915,045	2,987,059	(72,014)
Health and human services	350,068	350,068	313,528	36,540
Culture and recreation	480,838	480,838	433,470	47,368
Employee benefits	2,879,658	2,879,658	2,731,929	147,729
Debt service	852,459	852,459	852,459	-
Intergovernmental	177,057	177,057	172,759	4,298
Prior year encumbrances	192,767	192,767	165,090	27,677
Prior year snow and ice deficit	149,679	149,679	149,679	-
Total Expenditures	37,806,675	37,876,675	37,459,062	417,613
Excess (deficiency) of revenues over expenditures	(2,154,876)	(2,224,876)	(1,323,042)	901,834
Other Financing Sources/(Uses)				
Transfers in	18,000	18,000	51,066	33,066
Transfers out	(311,000)	(311,000)	(376,000)	(65,000)
Use of prior year fund balance (carryforwards)	1,190,717	1,190,717	1,190,717	-
Use of free cash:				
Operating budget	222,150	292,150	292,150	-
Capital budget	1,018,000	1,018,000	1,018,000	-
Debt service	17,009	17,009	17,009	-
Total Other Financing Sources/Uses	2,154,876	2,224,876	2,192,942	(31,934)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 869,900	\$ 869,900

See Independent Auditors' Report

TOWN OF BOXFORD, MASSACHUSETTS

Required Supplementary Information

Community Preservation Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Property taxes	\$ 774,323	\$ 774,323	\$ 768,973	\$ (5,350)
Penalties and interest	-	-	1,360	1,360
Intergovernmental	250,000	250,000	306,970	56,970
Investment income	-	-	261,805	261,805
Total Revenues	1,024,323	1,024,323	1,339,108	314,785
Expenditures				
General government	324,126	324,126	301,364	22,762
Debt service	500,759	500,759	499,960	799
Total Expenditures	824,885	824,885	801,324	23,561
Excess of revenues over expenditures	199,438	199,438	537,784	338,346
Other Financing Sources/(Uses)				
Transfers out	(25,000)	(25,000)	(25,000)	-
Use of surplus	75,000	75,000	75,000	-
Use of prior year fund balance (carryforwards)	231,060	231,060	231,060	-
Reservations:				
Historic Resources	(26,724)	(26,724)	(26,724)	-
Community Housing	(86,132)	(86,132)	(86,132)	-
Budget reserve	(200,000)	(200,000)	(200,000)	-
Other use	(167,642)	(167,642)	(167,642)	-
Total Other Financing Sources/(Uses)	(199,438)	(199,438)	(199,438)	-
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 338,346	\$ 338,346

See Independent Auditors' Report

**Notes to Required Supplementary Information
for General Fund and Community Presentation Fund Budgets**

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
GAAP basis	\$ 37,684,622	\$ 37,919,835	\$ (474,934)
To reverse unbudgeted GASB 24 Massachusetts Teacher Retirement System	(1,436,191)	(1,436,191)	-
Current year carryforwards and continuing appropriations	-	1,125,739	-
Record budgeted use of free cash	-	-	1,327,159
To record use of carryforwards	-	-	1,190,717
Record raising of prior year's snow and ice deficit	-	149,679	-
Reverse effects of combining general fund and stabilization fund (GASB 54)	(34,277)	-	450,000
Reclassification of budgeted transfers	-	(300,000)	(300,000)
Other adjustments	(78,134)	-	-
Budgetary basis	<u>\$ 36,136,020</u>	<u>\$ 37,459,062</u>	<u>\$ 2,192,942</u>

(continued)

See Independent Auditors' Report

(continued)

<u>Community Preservation Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
GAAP basis	\$ 1,268,054	\$ 602,223	\$ (25,000)
Reverse beginning of year appropriation carryforwards from expenditures	-	-	231,060
Add end of year appropriation carryforwards to expenditures	-	199,101	-
Record budgeted use of surplus	-	-	75,000
Record budgeted reserves	-	-	(480,498)
Other timing differences	<u>71,054</u>	<u>-</u>	<u>-</u>
Budgetary basis	<u>\$ 1,339,108</u>	<u>\$ 801,324</u>	<u>\$ (199,438)</u>

See Independent Auditors' Report

TOWN OF BOXFORD, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

Essex Regional 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	3.686%	\$14,629,494	\$ 6,065,303	241.20%	59.73%
June 30, 2020	December 31, 2019	3.729%	\$15,710,208	\$ 5,832,314	269.36%	55.46%
June 30, 2019	December 31, 2018	3.797%	\$16,041,666	\$ 4,930,080	325.38%	51.89%
June 30, 2018	December 31, 2017	3.692%	\$13,895,133	\$ 4,727,147	293.94%	55.40%
June 30, 2017	December 31, 2016	3.658%	\$14,092,733	\$ 4,787,031	294.39%	51.12%
June 30, 2016	December 31, 2015	3.663%	\$13,307,669	\$ 5,080,198	261.95%	51.01%
June 30, 2015	December 31, 2014	3.652%	\$12,389,026	\$ 4,880,552	253.84%	52.27%

Massachusetts Teachers' Retirement System								
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.092453%	\$ -	\$ 26,390,483	\$ 26,390,483	\$ 7,562,572	-	50.67%
June 30, 2020	June 30, 2019	0.091337%	\$ -	\$ 23,029,746	\$ 23,029,746	\$ 7,159,323	-	53.95%
June 30, 2019	June 30, 2018	0.092036%	\$ -	\$ 21,822,869	\$ 21,822,869	\$ 6,765,909	-	54.84%
June 30, 2018	June 30, 2017	0.093014%	\$ -	\$ 21,286,632	\$ 21,286,632	\$ 6,518,035	-	54.25%
June 30, 2017	June 30, 2016	0.095524%	\$ -	\$ 21,357,123	\$ 21,357,123	\$ 6,226,940	-	51.12%
June 30, 2016	June 30, 2015	0.094803%	\$ -	\$ 19,424,725	\$ 19,424,725	\$ 6,066,283	-	55.38%
June 30, 2015	June 30, 2014	0.092382%	\$ -	\$ 14,685,326	\$ 14,685,326	\$ 5,664,397	-	61.64%

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

See Independent Auditors' Report.

TOWN OF BOXFORD, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

Essex Regional Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	December 31, 2020	\$ 1,423,044	\$ 1,423,044	\$ -	\$ 6,145,866	23.15%
June 30, 2020	December 31, 2019	\$ 1,339,233	\$ 1,339,233	\$ -	\$ 5,936,173	22.56%
June 30, 2019	December 31, 2018	\$ 1,293,521	\$ 1,293,521	\$ -	\$ 5,985,851	21.61%
June 30, 2018	December 31, 2017	\$ 1,171,226	\$ 1,171,226	\$ -	\$ 5,560,961	21.06%
June 30, 2017	December 31, 2016	\$ 1,059,806	\$ 1,059,806	\$ -	\$ 5,647,351	22.14%
June 30, 2016	December 31, 2015	\$ 1,006,232	\$ 1,006,232	\$ -	\$ 5,251,619	19.81%
June 30, 2015	December 31, 2014	\$ 936,588	\$ 936,588	\$ -	\$ 4,610,822	19.19%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	June 30, 2020	\$ 1,436,191	\$ 1,436,191	\$ -	\$ 8,297,688	17.31%
June 30, 2020	June 30, 2019	\$ 1,318,642	\$ 1,318,642	\$ -	\$ 7,562,572	17.44%
June 30, 2019	June 30, 2018	\$ 1,210,071	\$ 1,210,071	\$ -	\$ 7,159,323	16.90%
June 30, 2018	June 30, 2017	\$ 1,149,203	\$ 1,149,203	\$ -	\$ 6,765,909	16.99%
June 30, 2017	June 30, 2016	\$ 1,074,243	\$ 1,074,243	\$ -	\$ 6,518,035	16.48%
June 30, 2016	June 30, 2015	\$ 968,817	\$ 968,817	\$ -	\$ 6,226,940	15.56%
June 30, 2015	June 30, 2014	\$ 865,967	\$ 865,967	\$ -	\$ 6,066,283	14.28%

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

See Independent Auditors' Report.

TOWN OF BOXFORD, MASSACHUSETTS

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service cost	\$ 299,406	\$ 286,453	\$ 316,568	\$ 297,469	\$ 314,494
Interest	995,801	929,803	895,274	758,436	655,663
Differences between expected and actual experience	-	(442,134)	-	1,894,235	-
Changes of assumptions	441,137	907,664	-	(369,560)	-
Benefit payments, including refunds of member contributions	<u>(776,946)</u>	<u>(727,697)</u>	<u>(650,522)</u>	<u>(639,372)</u>	<u>(497,053)</u>
Net change in total OPEB liability	959,398	954,089	561,320	1,941,208	473,104
Total OPEB liability - beginning	<u>14,308,230</u>	<u>13,354,141</u>	<u>12,792,821</u>	<u>10,851,613</u>	<u>10,378,509</u>
Total OPEB liability - ending (a)	15,267,628	14,308,230	13,354,141	12,792,821	10,851,613
Plan Fiduciary Net Position					
Contributions - employer	1,076,946	1,027,697	1,000,522	989,372	797,053
Net investment income	958,102	58,867	143,244	173,023	187,870
Benefit payments, including refunds of member contributions	<u>(776,946)</u>	<u>(727,697)</u>	<u>(650,522)</u>	<u>(639,372)</u>	<u>(497,053)</u>
Net change in plan fiduciary net position	1,258,102	358,867	493,244	523,023	487,870
Plan fiduciary net position - beginning	<u>3,034,544</u>	<u>2,675,677</u>	<u>2,182,433</u>	<u>1,659,410</u>	<u>1,171,540</u>
Plan fiduciary net position - ending (b)	<u>4,292,646</u>	<u>3,034,544</u>	<u>2,675,677</u>	<u>2,182,433</u>	<u>1,659,410</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 10,974,982</u>	<u>\$ 11,273,686</u>	<u>\$ 10,678,464</u>	<u>\$ 10,610,388</u>	<u>\$ 9,192,203</u>

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

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

See Independent Auditors' Report.

TOWN OF BOXFORD, MASSACHUSETTS

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>	<u>2017</u>
Schedule of Net OPEB Liability					
Total OPEB liability	\$ 15,267,628	\$ 14,308,230	\$ 13,354,141	\$ 12,792,821	\$ 10,851,613
Plan fiduciary net position	<u>4,292,646</u>	<u>3,034,544</u>	<u>2,675,677</u>	<u>2,182,433</u>	<u>1,659,410</u>
Net OPEB liability (asset)	<u>\$ 10,974,982</u>	<u>\$ 11,273,686</u>	<u>\$ 10,678,464</u>	<u>\$ 10,610,388</u>	<u>\$ 9,192,203</u>
Plan fiduciary net position as a percentage of the total OPEB liability	28.12%	21.21%	20.04%	17.06%	15.29%
Covered employee payroll	12,130,527	11,777,211	10,980,482	10,660,662	11,605,943
Net OPEB liability as a percentage of covered employee payroll	90.47%	95.72%	97.25%	99.53%	79.20%
Schedule of Contributions					
Actuarially determined contribution	\$ 885,368	\$ 1,135,524	\$ 1,120,810	\$ 989,774	\$ 992,163
Contributions in relation to the actuarially determined contribution	<u>1,076,946</u>	<u>1,027,697</u>	<u>1,000,522</u>	<u>989,372</u>	<u>797,053</u>
Contribution deficiency (excess)	<u>\$ (191,578)</u>	<u>\$ 107,827</u>	<u>\$ 120,288</u>	<u>\$ 402</u>	<u>\$ 195,110</u>
Covered employee payroll	12,130,527	11,777,211	10,980,482	10,660,662	11,605,943
Contributions as a percentage of covered employee payroll	8.88%	8.73%	9.11%	9.28%	6.87%
Schedule of Investment Returns					
Annual money weighted rate of return, net of investment expense	29.70%	2.03%	5.72%	9.02%	13.49%

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

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

See Independent Auditors' Report.



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

INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Boxford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Boxford, Massachusetts as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 17, 2022.

Internal Control Over Financial Reporting

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

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

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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

Compliance and Other Matters

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

Purpose of This Report

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



Andover, Massachusetts
March 17, 2022