

CITY OF AGAWAM, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2021

CITY OF AGAWAM, MASSACHUSETTS

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JUNE 30, 2021

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Agawam, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Agawam, Massachusetts as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Agawam, Massachusetts, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022, on our consideration of the City of Agawam, Massachusetts' 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 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 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 City of Agawam, Massachusetts' internal control over financial reporting and compliance.



May 2, 2022

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Agawam, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. The City complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Agawam's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and liabilities, with the difference between the two 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 government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance

sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Agawam adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its golf, water and sewer activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to workers' compensation.

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

Notes to the basic 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental activity liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$178.1 million at the close of 2021.

| | 2021 | 2020 (As revised) |
|---|-------------------------|-------------------------|
| Assets: | | |
| Current assets..... | \$ 62,302,879 | \$ 56,441,970 |
| Capital assets, non depreciable..... | 4,429,427 | 4,749,436 |
| Capital assets, net of accumulated depreciation.... | 76,023,543 | 77,336,057 |
| Total assets..... | 142,755,849 | 138,527,463 |
| Deferred outflows of resources..... | 43,307,880 | 50,903,989 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 12,595,835 | 10,408,457 |
| Noncurrent liabilities (excluding debt)..... | 292,593,681 | 283,193,807 |
| Current debt..... | 1,909,173 | 3,408,196 |
| Noncurrent debt..... | 10,344,822 | 10,778,995 |
| Total liabilities..... | 317,443,511 | 307,789,455 |
| Deferred inflows of resources..... | 46,713,260 | 49,043,579 |
| Net position: | | |
| Net investment in capital assets..... | 68,111,689 | 68,244,784 |
| Restricted..... | 13,991,048 | 12,603,057 |
| Unrestricted..... | (260,195,779) | (248,249,423) |
| Total net position..... | \$ (178,093,042) | \$ (167,401,582) |

| | 2021 | 2020 (As revised) |
|---|-------------------------|-------------------------|
| Program Revenues: | | |
| Charges for services..... | \$ 6,079,634 | \$ 6,957,240 |
| Operating grants and contributions..... | 46,483,351 | 39,779,730 |
| Capital grants and contributions..... | 1,263,798 | 203,221 |
| General Revenues: | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 64,667,125 | 64,004,989 |
| Tax and other liens..... | 507,696 | 322,234 |
| Motor vehicle and other excise taxes..... | 4,432,676 | 4,146,798 |
| Community preservation tax..... | 632,124 | 595,698 |
| Penalties and interest on taxes..... | 306,843 | 251,259 |
| Payments in lieu of taxes..... | 51,960 | 52,189 |
| Grants and contributions not restricted to specific programs..... | 4,088,417 | 4,342,691 |
| Unrestricted investment income..... | 678,663 | 595,539 |
| Miscellaneous..... | 13,883 | 17,454 |
| Total revenues..... | 129,206,170 | 121,269,042 |
| Expenses: | | |
| General government..... | 15,807,294 | 13,859,864 |
| Public safety..... | 21,769,375 | 21,471,086 |
| Education..... | 89,026,985 | 84,894,439 |
| Public works..... | 6,833,625 | 6,825,570 |
| Health and human services..... | 2,667,137 | 2,582,331 |
| Culture and recreation..... | 3,680,369 | 3,733,952 |
| Community preservation..... | 78,989 | 17,147 |
| Interest..... | 33,856 | 443,837 |
| Total expenses..... | 139,897,630 | 133,828,226 |
| Excess (Deficiency) before transfers..... | (10,691,460) | (12,559,184) |
| Transfers..... | - | (17,746) |
| Change in net position..... | (10,691,460) | (12,576,930) |
| Net position, beginning of year (as revised)..... | (167,401,582) | (154,824,652) |
| Net position, end of year..... | \$ (178,093,042) | \$ (167,401,582) |

Beginning net position of the governmental activities has been revised by \$60,891 to reflect the implementation of GASB Statement #84, *Fiduciary Activities*.

Net position of \$68.1 million reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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.

The restricted portion of the governmental net position of \$14.0 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* resulted in a \$260.2 million deficit mainly relating to the cumulative effect of recording \$213.5 million of other postemployment benefit liabilities and a net pension liability of \$77.4 million through June 30, 2021.

The governmental activities net position decreased by \$10.7 million during the current year. The decrease in net position is due to an increase in the net other postemployment benefits liability and the related deferred inflows/outflows of \$12.7 million and an increase to the net pension liability and the related deferred inflows/outflows of \$1.9 million. These changes were offset by the capital grant receipts of \$1.3 million as well as \$2.5 million of revenues coming in higher than budgeted.

The governmental expenses totaled \$139.9 million of which \$53.8 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$75.4 million, primarily coming from property taxes, motor vehicle excise, and non-restricted state aid.

Business-Type Activities Financial Analysis

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.9 million at the close of 2021.

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Assets: | | |
| Current assets..... | \$ 12,529,413 | \$ 12,877,924 |
| Noncurrent assets (excluding capital)..... | 1,392 | 1,392 |
| Capital assets, non depreciable..... | 2,580,230 | 2,641,431 |
| Capital assets, net of accumulated depreciation.... | 20,937,967 | 21,442,259 |
| Total assets..... | 36,049,002 | 36,963,006 |
| Deferred outflows of resources..... | 1,700,035 | 2,072,156 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 155,283 | 244,274 |
| Noncurrent liabilities (excluding debt)..... | 12,038,345 | 11,964,130 |
| Current debt..... | 845,689 | 1,766,190 |
| Noncurrent debt..... | 7,015,827 | 6,568,345 |
| Total liabilities..... | 20,055,144 | 20,542,939 |
| Deferred inflows of resources..... | 1,812,358 | 1,800,215 |
| Net position: | | |
| Net investment in capital assets..... | 17,102,774 | 17,083,991 |
| Unrestricted..... | (1,221,239) | (391,983) |
| Total net position..... | \$ 15,881,535 | \$ 16,692,008 |

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Program Revenues: | | |
| Charges for services..... | \$ 9,429,903 | \$ 8,755,034 |
| Operating grants and contributions..... | 2,748 | 9,867 |
| General Revenues: | | |
| Unrestricted investment income..... | 2,245 | 7,182 |
| Total revenues..... | 9,434,896 | 8,772,083 |
| Expenses: | | |
| Water..... | 5,324,094 | 4,463,125 |
| Sewer..... | 3,898,819 | 3,676,808 |
| Golf course..... | 1,022,456 | 849,321 |
| Total expenses..... | 10,245,369 | 8,989,254 |
| Excess (Deficiency) before transfers..... | (810,473) | (217,171) |
| Transfers..... | - | 17,746 |
| Change in net position..... | (810,473) | (199,425) |
| Net position, beginning of year..... | 16,692,008 | 16,891,433 |
| Net position, end of year..... | \$ 15,881,535 | \$ 16,692,008 |

Business-type water, sewer and golf course activities had total net position of \$15.9 million. Net position of \$17.1 million represents the net investment in capital assets, while the unrestricted fund balance has a deficit of \$1.2 million.

The water enterprise fund ended 2021 with \$8.8 million in net position, of which \$9.2 million was invested in capital assets. Net position decreased by \$619,000, which is due to an increase of \$143,000 in the net other postemployment benefits liability and the related deferred inflows/outflows as well as an operating deficit of \$479,000.

The sewer enterprise fund ended 2021 with \$7.3 million in net position, of which \$6.8 million was invested in capital assets. Net position decreased by \$275,000, which is due to an increase of \$93,000 in the net other postemployment benefits liability and the related deferred inflows/outflows as well as an operating deficit of \$185,000.

The golf course enterprise fund ended 2021 with a deficit of \$194,000 in net position, consisting of \$1.1 million in the net investment in capital assets and a deficit of \$1.3 million in the unrestricted fund balance. Net position increased by \$83,000 which is due to an operating surplus of \$81,000.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$47.2 million, of which \$33.2 million is for the general fund and \$14.0 million is for nonmajor governmental funds. There was an increase of \$4.9 million in fund balances from the prior year.

The general fund is the chief operating fund. It had an increase in fund balance of \$2.6 million when compared to the prior year. The increase is the result of a surplus of actual revenues compared to the expenditures lower than the budget. At the end of the current year, unassigned fund balance of the general fund was \$29.5 million, while total fund balance was \$33.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27.0% of total general fund budgeted expenditures, while total fund balance represents 30.4% of that same amount.

Nonmajor governmental funds, which are comprised of special revenue funds, capital project funds and permanent funds, ended the year with a fund balance of \$14.0 million, which is an increase of \$2.3 million from the prior year. The increase is primarily due to the timing between when grant revenues are received and when expenditures are incurred, along with an increase in spending on the capital projects.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides funding to assist communities in paying costs incurred between March 1, 2020, and December 31, 2021, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion, which is to be allocated amongst local governments based on population. As of June 30, 2021, the City has received the CARES federal funding totaling \$1.9 million and has incurred \$1.5 million of corresponding expenditures. In addition to the CARES Act, on March 11, 2021, the United States Federal Government established the American Rescue Plan Act (ARPA) to enhance the United States' recovery from the economic and health effects of the COVID-19 pandemic. As of June 30, 2021, the City has received the ARPA federal funding totaling \$1.5 million and has not incurred corresponding expenditures until fiscal year 2022. As such, unearned revenue totaling \$1.9 million has been recorded on the City's financial statements and will be recognized as the expenditures are incurred (See Note 15 for further details).

General Fund Budgetary Highlights

The City's 2021 annual operating budget totaled \$101.5 million. The City budgeted to use approximately \$3.7 million in available reserves to balance the 2021 budget. Actual revenues exceed budgeted revenues by \$2.5 million, while actual expenditures, including carryovers, were less than budgeted amounts by \$4.0 million.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the City annually prepares a capital budget for the upcoming year and a Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$104.0 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building improvements, land improvements, equipment, vehicles and infrastructure.

During the current year, the City acquired \$3.8 million in governmental activities capital assets which include \$1.7 million of equipment, \$1.2 million of infrastructure, \$1.1 million for land and building improvements, and \$542,000 of other assets.

The water enterprise fund reported additions totaling \$378,000 mainly for equipment and infrastructure projects. The sewer enterprise fund reported additions totaling \$107,000 mainly for infrastructure projects. The golf enterprise fund reported additions totaling \$171,000 for golf carts.

Outstanding long-term debt of the governmental activities, as of June 30, 2021, totaled \$11.9 million, of which \$8.0 million is related to school projects.

The sewer, water and golf course enterprise fund outstanding long-term debt at year-end totaled \$7.7 million. Enterprise fund debt is fully supported by rates and does not rely on a general fund subsidy.

Please refer to the notes for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the City of Agawam'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 the City Auditor, 36 Main Street, Agawam, Massachusetts 01001.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2021

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 49,006,009 | \$ 9,078,490 | \$ 58,084,499 |
| Investments..... | 7,379,310 | - | 7,379,310 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 689,411 | - | 689,411 |
| Tax liens..... | 735,770 | - | 735,770 |
| Community preservation fund surtax..... | 1,004 | - | 1,004 |
| Motor vehicle and other excise taxes..... | 476,316 | - | 476,316 |
| User charges..... | - | 3,677,764 | 3,677,764 |
| Departmental and other..... | 474,531 | - | 474,531 |
| Intergovernmental..... | 3,091,802 | - | 3,091,802 |
| Community preservation state share..... | 214,811 | - | 214,811 |
| Tax foreclosures..... | 7,074 | - | 7,074 |
| Internal balances..... | 226,841 | (226,841) | - |
| Total current assets..... | <u>62,302,879</u> | <u>12,529,413</u> | <u>74,832,292</u> |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Intergovernmental - subsidy..... | - | 1,392 | 1,392 |
| Capital assets, nondepreciable..... | 4,429,427 | 2,580,230 | 7,009,657 |
| Capital assets, net of accumulated depreciation..... | <u>76,023,543</u> | <u>20,937,967</u> | <u>96,961,510</u> |
| Total noncurrent assets..... | <u>80,452,970</u> | <u>23,519,589</u> | <u>103,972,559</u> |
| TOTAL ASSETS..... | <u>142,755,849</u> | <u>36,049,002</u> | <u>178,804,851</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions..... | 7,904,681 | 466,364 | 8,371,045 |
| Deferred outflows related to other postemployment benefits..... | <u>35,403,199</u> | <u>1,233,671</u> | <u>36,636,870</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>43,307,880</u> | <u>1,700,035</u> | <u>45,007,915</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 890,439 | 11,494 | 901,933 |
| Accrued payroll..... | 5,895,469 | - | 5,895,469 |
| Tax refunds payable..... | 65,941 | - | 65,941 |
| Accrued interest..... | 37,506 | 31,427 | 68,933 |
| Other liabilities..... | 1,724,796 | 7,362 | 1,732,158 |
| Unearned Revenue..... | 1,913,684 | - | 1,913,684 |
| Capital lease obligations..... | 143,749 | 30,521 | 174,270 |
| Compensated absences..... | 2,068,000 | 105,000 | 2,173,000 |
| Bonds payable..... | <u>1,765,424</u> | <u>815,168</u> | <u>2,580,592</u> |
| Total current liabilities..... | <u>14,505,008</u> | <u>1,000,972</u> | <u>15,505,980</u> |
| NONCURRENT: | | | |
| Capital lease obligations..... | 214,998 | 132,650 | 347,648 |
| Compensated absences..... | 1,722,000 | 33,000 | 1,755,000 |
| Net pension liability..... | 77,406,981 | 4,566,891 | 81,973,872 |
| Net other postemployment benefits liability..... | 213,464,700 | 7,438,454 | 220,903,154 |
| Bonds payable..... | <u>10,129,824</u> | <u>6,883,177</u> | <u>17,013,001</u> |
| Total noncurrent liabilities..... | <u>302,938,503</u> | <u>19,054,172</u> | <u>321,992,675</u> |
| TOTAL LIABILITIES..... | <u>317,443,511</u> | <u>20,055,144</u> | <u>337,498,655</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions..... | 7,642,161 | 450,875 | 8,093,036 |
| Deferred inflows related to other postemployment benefits..... | <u>39,071,099</u> | <u>1,361,483</u> | <u>40,432,582</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>46,713,260</u> | <u>1,812,358</u> | <u>48,525,618</u> |
| NET POSITION | | | |
| Net investment in capital assets..... | 68,111,689 | 17,102,774 | 85,214,463 |
| Restricted for: | | | |
| Capital purposes..... | 482,730 | - | 482,730 |
| Permanent funds: | | | |
| Expendable..... | 769,333 | - | 769,333 |
| Nonexpendable..... | 380,028 | - | 380,028 |
| Gifts and grants..... | 7,505,432 | - | 7,505,432 |
| Community preservation..... | 4,853,525 | - | 4,853,525 |
| Unrestricted..... | <u>(260,195,779)</u> | <u>(1,221,239)</u> | <u>(261,417,018)</u> |
| TOTAL NET POSITION..... | <u>\$ (178,093,042)</u> | <u>\$ 15,881,535</u> | <u>\$ (162,211,507)</u> |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 15,807,294 | \$ 565,151 | \$ 3,586,582 | \$ - | \$ (11,655,561) |
| Public safety..... | 21,769,375 | 3,968,602 | 867,528 | - | (16,933,245) |
| Education..... | 89,026,985 | 534,166 | 40,490,085 | 286,251 | (47,716,483) |
| Public works..... | 6,833,625 | 667,489 | 97,926 | 821,382 | (5,246,828) |
| Health and human services..... | 2,667,137 | 107,169 | 712,487 | - | (1,847,481) |
| Culture and recreation..... | 3,680,369 | 237,057 | 728,743 | - | (2,714,569) |
| Community preservation..... | 78,989 | - | - | 156,165 | 77,176 |
| Interest..... | 33,856 | - | - | - | (33,856) |
| Total Governmental Activities..... | 139,897,630 | 6,079,634 | 46,483,351 | 1,263,798 | (86,070,847) |
| <i>Business-Type Activities:</i> | | | | | |
| Water..... | 5,324,094 | 4,704,899 | - | - | (619,195) |
| Sewer..... | 3,898,819 | 3,621,342 | 2,748 | - | (274,729) |
| Golf course..... | 1,022,456 | 1,103,662 | - | - | 81,206 |
| Total Business-Type Activities..... | 10,245,369 | 9,429,903 | 2,748 | - | (812,718) |
| Total Primary Government..... | \$ 150,142,999 | \$ 15,509,537 | \$ 46,486,099 | \$ 1,263,798 | \$ (86,883,565) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2021

| | Primary Government | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... \$ | (86,070,847) | (812,718) | (86,883,565) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 64,667,125 | - | 64,667,125 |
| Tax and other liens..... | 507,696 | - | 507,696 |
| Motor vehicle and other excise taxes..... | 4,432,676 | - | 4,432,676 |
| Community preservation tax..... | 632,124 | - | 632,124 |
| Penalties and interest on taxes..... | 306,843 | - | 306,843 |
| Payments in lieu of taxes..... | 51,960 | - | 51,960 |
| Grants and contributions not restricted to specific programs..... | 4,088,417 | - | 4,088,417 |
| Unrestricted investment income..... | 678,663 | 2,245 | 680,908 |
| Miscellaneous..... | 13,883 | - | 13,883 |
| Total general revenues and transfers..... | <u>75,379,387</u> | <u>2,245</u> | <u>75,381,632</u> |
| Change in net position..... | (10,691,460) | (810,473) | (11,501,933) |
| <i>Net position:</i> | | | |
| Beginning of year (as revised)..... | <u>(167,401,582)</u> | <u>16,692,008</u> | <u>(150,709,574)</u> |
| End of year..... \$ | <u><u>(178,093,042)</u></u> | <u><u>15,881,535</u></u> | <u><u>(162,211,507)</u></u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 35,747,201 | \$ 13,052,984 | \$ 48,800,185 |
| Investments..... | 4,490,663 | 1,782,070 | 6,272,733 |
| Receivables, net of uncollectibles: | | | |
| Real estate and personal property taxes..... | 689,411 | - | 689,411 |
| Tax liens..... | 735,770 | - | 735,770 |
| Community preservation fund surtax..... | - | 1,004 | 1,004 |
| Motor vehicle and other excise taxes..... | 476,316 | - | 476,316 |
| Departmental and other..... | 80,004 | 394,527 | 474,531 |
| Intergovernmental..... | - | 3,091,802 | 3,091,802 |
| Community preservation state share..... | - | 214,811 | 214,811 |
| Tax foreclosures..... | 7,074 | - | 7,074 |
| Due from other funds..... | 226,841 | - | 226,841 |
| TOTAL ASSETS..... | \$ 42,453,280 | \$ 18,537,198 | \$ 60,990,478 |
| LIABILITIES | | | |
| Warrants payable..... | \$ 686,047 | \$ 204,392 | \$ 890,439 |
| Accrued payroll..... | 5,603,479 | 291,990 | 5,895,469 |
| Tax refunds payable..... | 65,941 | - | 65,941 |
| Other liabilities..... | 1,143,931 | 580,865 | 1,724,796 |
| Unearned Revenue..... | - | 1,913,684 | 1,913,684 |
| TOTAL LIABILITIES..... | 7,499,398 | 2,990,931 | 10,490,329 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue..... | 1,780,094 | 1,555,219 | 3,335,313 |
| FUND BALANCES | | | |
| Nonspendable..... | - | 380,028 | 380,028 |
| Restricted..... | - | 13,611,020 | 13,611,020 |
| Assigned..... | 3,709,759 | - | 3,709,759 |
| Unassigned..... | 29,464,029 | - | 29,464,029 |
| TOTAL FUND BALANCES..... | 33,173,788 | 13,991,048 | 47,164,836 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 42,453,280 | \$ 18,537,198 | \$ 60,990,478 |

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

| | | |
|--|--------------------|--------------------------------|
| Total governmental fund balances..... | | \$ 47,164,836 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 80,452,970 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | | 3,335,313 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred..... | | (3,405,380) |
| The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position..... | | 1,312,401 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | (37,506) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Bonds payable..... | (11,895,248) | |
| Net pension liability..... | (77,406,981) | |
| Net other postemployment benefits liability..... | (213,464,700) | |
| Capital lease obligations..... | (358,747) | |
| Compensated absences..... | <u>(3,790,000)</u> | |
| Net effect of reporting long-term liabilities..... | | <u>(306,915,676)</u> |
| Net position of governmental activities..... | | \$ <u><u>(178,093,042)</u></u> |

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2021

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 64,896,224 | \$ - | \$ 64,896,224 |
| Tax liens..... | 403,421 | - | 403,421 |
| Motor vehicle and other excise taxes..... | 4,561,161 | - | 4,561,161 |
| Penalties and interest on taxes..... | 306,843 | - | 306,843 |
| Payments in lieu of taxes..... | 51,960 | - | 51,960 |
| Licenses and permits..... | 319,342 | - | 319,342 |
| Fines and forfeitures..... | 17,862 | - | 17,862 |
| Intergovernmental - Teachers Retirement..... | 14,755,000 | - | 14,755,000 |
| Intergovernmental..... | 25,569,861 | 11,367,671 | 36,937,532 |
| Departmental and other..... | 333,905 | 4,763,523 | 5,097,428 |
| Community preservation taxes..... | - | 549,770 | 549,770 |
| Community preservation state match..... | - | 156,165 | 156,165 |
| Contributions and donations..... | - | 379,041 | 379,041 |
| Investment income..... | 469,232 | 143,086 | 612,318 |
| Miscellaneous..... | 585 | 13,883 | 14,468 |
| TOTAL REVENUES..... | 111,685,396 | 17,373,139 | 129,058,535 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government..... | 9,628,127 | 3,249,317 | 12,877,444 |
| Public safety..... | 10,281,053 | 3,675,077 | 13,956,130 |
| Education..... | 46,082,863 | 6,939,120 | 53,021,983 |
| Public works..... | 2,955,361 | 875,191 | 3,830,552 |
| Health and human services..... | 1,158,397 | 458,006 | 1,616,403 |
| Culture and recreation..... | 1,325,995 | 980,093 | 2,306,088 |
| Community preservation..... | - | 490,724 | 490,724 |
| Pension benefits..... | 6,748,183 | - | 6,748,183 |
| Pension benefits - Teachers Retirement..... | 14,755,000 | - | 14,755,000 |
| Property and liability insurance..... | 602,748 | - | 602,748 |
| Employee benefits..... | 11,318,641 | - | 11,318,641 |
| State and county charges..... | 1,657,634 | - | 1,657,634 |
| Capital outlay..... | 498,049 | - | 498,049 |
| Debt service: | | | |
| Principal..... | 1,859,304 | - | 1,859,304 |
| Interest..... | 396,602 | 2,723 | 399,325 |
| TOTAL EXPENDITURES..... | 109,267,957 | 16,670,251 | 125,938,208 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 2,417,439 | 702,888 | 3,120,327 |
| OTHER FINANCING SOURCES (USES): | | | |
| Issuance of bonds..... | - | 1,475,000 | 1,475,000 |
| Premium from issuance of bonds..... | - | 372,827 | 372,827 |
| Transfers in..... | 270,000 | 12,572 | 282,572 |
| Transfers out..... | (62,572) | (270,000) | (332,572) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 207,428 | 1,590,399 | 1,797,827 |
| NET CHANGE IN FUND BALANCES..... | 2,624,867 | 2,293,287 | 4,918,154 |
| FUND BALANCES AT BEGINNING OF YEAR (AS REVISED)..... | 30,548,921 | 11,697,761 | 42,246,682 |
| FUND BALANCES AT END OF YEAR..... | \$ 33,173,788 | \$ 13,991,048 | \$ 47,164,836 |

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2021

| | | |
|--|---------------------|-------------------------------|
| Net change in fund balances - total governmental funds..... | | \$ 4,918,154 |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Capital outlay..... | 3,704,268 | |
| Capital asset deletions..... | 80,797 | |
| Depreciation expense..... | <u>(5,417,588)</u> | |
| Net effect of reporting capital assets..... | | (1,632,523) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p> | | |
| | | 81,290 |
| <p>The issuance of long-term debt 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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p> | | |
| Principal payments on capital leases..... | 141,992 | |
| Issuance of bonds..... | (1,475,000) | |
| Premium from issuance of bonds..... | (372,827) | |
| Net amortization of premium from issuance of bonds..... | 372,827 | |
| Debt service principal payments..... | <u>1,859,304</u> | |
| Net effect of reporting long-term debt..... | | 526,296 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p> | | |
| Net change in compensated absences accrual..... | (46,000) | |
| Net change in accrued interest on long-term debt..... | (7,358) | |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | (7,746,737) | |
| Net change in net pension liability..... | 5,828,732 | |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits... | 2,480,947 | |
| Net change in net other postemployment benefits liability..... | <u>(15,210,606)</u> | |
| Net effect of recording long-term liabilities..... | | (14,701,022) |
| The net activity of internal service funds is reported with Governmental Activities..... | | <u>116,345</u> |
| Change in net position of governmental activities..... | | \$ <u><u>(10,691,460)</u></u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Fund |
|---|---|---------------------|---------------------|----------------------|--|
| | Water | Sewer | Golf Course | Total | |
| ASSETS | | | | | |
| CURRENT: | | | | | |
| Cash and cash equivalents..... | \$ 5,187,198 | \$ 3,234,027 | \$ 657,265 | \$ 9,078,490 | \$ 205,824 |
| Investments..... | - | - | - | - | 1,106,577 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| User charges..... | 1,938,402 | 1,739,362 | - | 3,677,764 | - |
| Total current assets..... | 7,125,600 | 4,973,389 | 657,265 | 12,756,254 | 1,312,401 |
| NONCURRENT: | | | | | |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Intergovernmental - subsidy..... | - | 1,392 | - | 1,392 | - |
| Capital assets, non depreciable..... | 331,485 | 1,459,188 | 789,557 | 2,580,230 | - |
| Capital assets, net of accumulated depreciation..... | 12,168,276 | 8,333,573 | 436,118 | 20,937,967 | - |
| Total noncurrent assets..... | 12,499,761 | 9,794,153 | 1,225,675 | 23,519,589 | - |
| TOTAL ASSETS..... | 19,625,361 | 14,767,542 | 1,882,940 | 36,275,843 | 1,312,401 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to pensions..... | 285,405 | 180,959 | - | 466,364 | - |
| Deferred outflows related to other postemployment benefits..... | 592,685 | 375,789 | 265,197 | 1,233,671 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | 878,090 | 556,748 | 265,197 | 1,700,035 | - |
| LIABILITIES | | | | | |
| CURRENT: | | | | | |
| Warrants payable..... | 3,137 | 5,507 | 2,850 | 11,494 | - |
| Due to other funds..... | - | - | 226,841 | 226,841 | - |
| Accrued interest..... | 16,007 | 15,420 | - | 31,427 | - |
| Other liabilities..... | - | - | 7,362 | 7,362 | - |
| Capital lease obligations..... | - | - | 30,521 | 30,521 | - |
| Compensated absences..... | 43,000 | 18,000 | 44,000 | 105,000 | - |
| Bonds payable..... | 392,600 | 422,568 | - | 815,168 | - |
| Total current liabilities..... | 454,744 | 461,495 | 311,574 | 1,227,813 | - |
| NONCURRENT: | | | | | |
| Capital lease obligations..... | - | - | 132,650 | 132,650 | - |
| Compensated absences..... | 20,000 | 7,000 | 6,000 | 33,000 | - |
| Net pension liability..... | 2,794,839 | 1,772,052 | - | 4,566,891 | - |
| Net other postemployment benefits liability..... | 3,573,613 | 2,265,830 | 1,599,011 | 7,438,454 | - |
| Bonds payable..... | 3,916,400 | 2,966,777 | - | 6,883,177 | - |
| Total noncurrent liabilities..... | 10,304,852 | 7,011,659 | 1,737,661 | 19,054,172 | - |
| TOTAL LIABILITIES..... | 10,759,596 | 7,473,154 | 2,049,235 | 20,281,985 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions..... | 275,926 | 174,949 | - | 450,875 | - |
| Deferred inflows related to other postemployment benefits..... | 654,089 | 414,722 | 292,672 | 1,361,483 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | 930,015 | 589,671 | 292,672 | 1,812,358 | - |
| NET POSITION | | | | | |
| Net investment in capital assets..... | 9,236,886 | 6,803,384 | 1,062,504 | 17,102,774 | - |
| Unrestricted..... | (423,046) | 458,081 | (1,256,274) | (1,221,239) | 1,312,401 |
| TOTAL NET POSITION..... | \$ 8,813,840 | \$ 7,261,465 | \$ (193,770) | \$ 15,881,535 | \$ 1,312,401 |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2021

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Fund |
|--|---|--------------|----------------|---------------|--|
| | Water | Sewer | Golf Course | Total | |
| OPERATING REVENUES: | | | | | |
| Charges for services..... | \$ 4,704,899 | \$ 3,621,342 | \$ 1,103,662 | \$ 9,429,903 | \$ - |
| OPERATING EXPENSES: | | | | | |
| Cost of services and administration..... | 3,670,559 | 2,606,887 | 547,843 | 6,825,289 | - |
| Salaries and wages..... | 944,435 | 598,814 | 422,587 | 1,965,836 | - |
| Depreciation..... | 568,579 | 600,906 | 52,026 | 1,221,511 | - |
| TOTAL OPERATING EXPENSES..... | 5,183,573 | 3,806,607 | 1,022,456 | 10,012,636 | - |
| OPERATING INCOME (LOSS)..... | (478,674) | (185,265) | 81,206 | (582,733) | - |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Investment income..... | - | - | 2,245 | 2,245 | 66,345 |
| Interest expense..... | (140,521) | (92,212) | - | (232,733) | - |
| Intergovernmental - subsidy..... | - | 2,748 | - | 2,748 | - |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET..... | (140,521) | (89,464) | 2,245 | (227,740) | 66,345 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS..... | (619,195) | (274,729) | 83,451 | (810,473) | 66,345 |
| TRANSFERS: | | | | | |
| Transfers in..... | - | - | - | - | 50,000 |
| CHANGE IN NET POSITION..... | (619,195) | (274,729) | 83,451 | (810,473) | 116,345 |
| NET POSITION AT BEGINNING OF YEAR..... | 9,433,035 | 7,536,194 | (277,221) | 16,692,008 | 1,196,056 |
| NET POSITION AT END OF YEAR..... | \$ 8,813,840 | \$ 7,261,465 | \$ (193,770) | \$ 15,881,535 | \$ 1,312,401 |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Fund |
|--|---|---------------------|-------------------|---------------------|--|
| | Water | Sewer | Golf Course | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts from customers and users..... | \$ 4,749,600 | \$ 3,913,125 | \$ 1,103,662 | \$ 9,766,387 | \$ - |
| Payments to vendors..... | (3,574,396) | (2,557,777) | (158,178) | (6,290,351) | - |
| Payments to employees..... | (951,435) | (601,814) | (420,853) | (1,974,102) | - |
| NET CASH FROM OPERATING ACTIVITIES..... | 223,769 | 753,534 | 524,631 | 1,501,934 | - |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfers in..... | - | - | - | - | 50,000 |
| Intergovernmental..... | - | 2,748 | - | 2,748 | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES..... | - | 2,748 | - | 2,748 | 50,000 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Proceeds from the issuance of bonds and notes..... | 100,000 | 1,030,000 | - | 1,130,000 | - |
| Acquisition and construction of capital assets..... | (378,090) | (106,721) | (171,207) | (656,018) | - |
| Principal payments on bonds and notes..... | (455,000) | (1,311,190) | - | (1,766,190) | - |
| Interest expense..... | (142,344) | (84,402) | - | (226,746) | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (875,434) | (472,313) | (171,207) | (1,518,954) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Purchase of investments..... | - | - | - | - | (136,987) |
| Investment income..... | - | - | 2,245 | 2,245 | 66,345 |
| NET CASH FROM INVESTING ACTIVITIES..... | - | - | 2,245 | 2,245 | (70,642) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (651,665) | 283,969 | 355,669 | (12,027) | (20,642) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 5,838,863 | 2,950,058 | 301,596 | 9,090,517 | 226,466 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 5,187,198 | \$ 3,234,027 | \$ 657,265 | \$ 9,078,490 | \$ 205,824 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | | | | |
| FROM OPERATING ACTIVITIES: | | | | | |
| Operating income (loss)..... | \$ (478,674) | \$ (185,265) | \$ 81,206 | \$ (582,733) | \$ - |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | | |
| Depreciation..... | 568,579 | 600,906 | 52,026 | 1,221,511 | - |
| Deferred (outflows)/inflows related to pensions..... | 287,767 | 182,219 | - | 469,986 | - |
| Deferred (outflows)/inflows related to other postemployment benefits.... | (43,642) | (27,586) | (14,494) | (85,722) | - |
| Changes in assets and liabilities: | | | | | |
| User charges..... | 44,701 | 291,783 | - | 336,484 | - |
| Warrants payable..... | (40,372) | (42,509) | (6,166) | (89,047) | - |
| Accrued payroll..... | - | - | (2,266) | (2,266) | - |
| Other liabilities..... | - | - | 1,335 | 1,335 | - |
| Capital lease obligations..... | - | - | 163,171 | 163,171 | - |
| Compensated absences..... | (7,000) | (3,000) | 4,000 | (6,000) | - |
| Net pension liability..... | (294,271) | (184,099) | - | (478,370) | - |
| Other postemployment benefits..... | 186,681 | 121,085 | 245,819 | 553,585 | - |
| Total adjustments..... | 702,443 | 938,799 | 443,425 | 2,084,667 | - |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 223,769 | \$ 753,534 | \$ 524,631 | \$ 1,501,934 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

| | <u>Other Postemployment Benefit Trust Fund</u> | <u>Private Purpose Trust Funds</u> |
|---|--|--|
| ASSETS | | |
| Cash and cash equivalents..... | \$ 3,741 | \$ 75 |
| Investments: | | |
| Equity securities..... | 1,086,179 | - |
| Fixed income mutual funds..... | 295,337 | - |
| Other investments..... | <u>-</u> | <u>211,638</u> |
| TOTAL ASSETS..... | <u>1,385,257</u> | <u>211,713</u> |
| NET POSITION | | |
| Restricted for other postemployment benefits..... | 1,385,257 | - |
| Held in trust for other purposes..... | <u>-</u> | <u>211,713</u> |
| TOTAL NET POSITION..... | <u>\$ 1,385,257</u> | <u>\$ 211,713</u> |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

| | <u>Other Postemployment Benefit Trust Fund</u> | <u>Private Purpose Trust Funds</u> |
|--|--|--|
| ADDITIONS: | | |
| Contributions: | | |
| Employer contributions..... | \$ 100,000 | \$ - |
| Employer contributions for other postemployment benefit payments.... | 3,459,920 | - |
| Total contributions..... | 3,559,920 | - |
| Net investment income: | | |
| Investment income..... | 302,137 | 12,488 |
| TOTAL ADDITIONS..... | 3,862,057 | 12,488 |
| DEDUCTIONS: | | |
| Other postemployment benefit payments..... | 3,459,920 | - |
| Educational scholarships..... | - | 15,000 |
| TOTAL DEDUCTIONS..... | 3,459,920 | 15,000 |
| NET INCREASE (DECREASE) IN NET POSITION..... | 402,137 | (2,512) |
| NET POSITION AT BEGINNING OF YEAR..... | 983,120 | 214,225 |
| NET POSITION AT END OF YEAR..... | \$ 1,385,257 | \$ 211,713 |

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Agawam, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

A. Reporting Entity

The City is a municipal corporation that is governed by an elected Mayor and City Council (the Council).

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete. It has been determined that there are no component units that meet the requirements for inclusion in the City's basic financial statements.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. 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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, capital lease obligations, and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *golf course enterprise fund* is used to account for the golf course activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to workers' compensation.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefit) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings. The City's private-purpose trust fund is primarily comprised of scholarships.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The City reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially

affect amounts reported in these financial statements. For more information on the fair value of the City's financial instruments, see Note 2– Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on November 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate and personal property taxes receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Fees

Water and Sewer user fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables are recorded as receivables in the year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

| <u>Capital Asset Type</u> | <u>Estimated Useful Life (in years)</u> |
|---------------------------------|---|
| Land improvements..... | 20-30 |
| Buildings..... | 20-40 |
| Buildings and improvements..... | 7-40 |
| Equipment..... | 5-10 |
| Vehicles..... | 5-15 |
| Infrastructure..... | 40-50 |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has reported deferred outflows of resources related to pensions and other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has reported deferred inflows of resources related to pensions and other postemployment benefits in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The City has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other purposes” represents restrictions placed on assets from outside parties.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Pensions

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

O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 year. Actual results could vary from estimates that were used.

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank failure, the City of Agawam's deposits may not be returned to it. The City has adopted a formal policy to limit custodial credit risk of deposits. The policy limits the City's uninsured, uncollateralized deposits to 5% of any one financial institution's assets. Insured and

collateralized CD's are limited to maturities of one year or less and uninsured CD's are limited to maturities of three months or less.

At year-end, the carrying amount of the City's deposits totaled \$54,731,586 and the bank balance totaled \$55,265,471. Of these bank balances, \$3,950,256 was covered by Federal Depository Insurance, \$13,696,346 was covered by the Depositors Insurance Fund, \$10,595,394 was collateralized and \$27,023,475 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2021, the City of Agawam had the following investments:

| <u>Investment Type</u> | <u>Fair value</u> | <u>Maturities</u> | | |
|---------------------------------------|----------------------|---------------------|---------------------|-------------------|
| | | <u>Under 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> |
| <u>Debt securities:</u> | | | | |
| U.S. treasury bonds..... | \$ 1,394,769 | \$ 714,505 | \$ 680,264 | \$ - |
| Government sponsored enterprises..... | 768,235 | - | 644,052 | 124,183 |
| Corporate bonds..... | <u>2,550,658</u> | <u>147,873</u> | <u>2,402,785</u> | <u>-</u> |
| Total debt securities..... | 4,713,662 | \$ <u>862,378</u> | \$ <u>3,727,101</u> | \$ <u>124,183</u> |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 3,273,376 | | | |
| Fixed income mutual funds..... | 985,426 | | | |
| Money market mutual funds..... | 104,845 | | | |
| MMDT - Cash portfolio..... | <u>3,251,884</u> | | | |
| Total investments..... | \$ <u>12,329,193</u> | | | |

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City investments in debt securities of \$4,713,662 and in equity securities of \$3,273,376 which are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The City does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the City's exposure to fair value losses arising from increasing interest rates. As a means of managing this risk, the City's investment policy limits original maturities of insured CD's to one year or less and uninsured CD's to three months or less. The City's investment policy does not limit maturities of other forms of investments.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The City has adopted a formal policy to limit credit risk of investments. For investments related to the City's General Fund, Special Revenue Funds, Capital Project Funds, and Enterprise Funds, the policy allows for unlimited investments in MMDT and U.S. Treasuries and Agencies that will be held to maturity with original maturities of one year or less. The City's Trust Funds and Stabilization Funds are also allowed to be invested in securities legal for savings banks which

are detailed on the “Legal List” which is published by the Banking Commissioner each July. The City utilizes the services of bank credit worthiness reporting systems when considering instruments for investment. The City’s investment policy does not specifically limit the credit ratings of individual investments, but does require each investment broker/dealer to provide proof of credit worthiness including a minimum of five years in operation and a minimum of \$10 million in capital.

The City’s investments at June 30, 2021 are rated as follows:

| <u>Quality Rating</u> | <u>Government Sponsored Enterprises</u> | <u>Corporate Bonds</u> |
|-----------------------|---|----------------------------|
| AAA..... | \$ 335,810 | \$ - |
| AA+..... | 432,425 | - |
| A+..... | - | 430,959 |
| A-..... | - | 1,027,082 |
| BBB..... | - | 461,315 |
| BBB+..... | - | 631,302 |
| Total..... | <u>\$ 768,235</u> | <u>\$ 2,550,658</u> |

Concentration of Credit Risk

With the exception of US Treasury obligations or investments fully collateralized by U.S. Treasuries or Agencies, and MMDT, the City’s investment policy limits the amount that may be invested in any one financial institution to no more than 10% of the City’s total investments. The policy does not limit the amount that may be invested in an individual security.

More than 5 percent of the City’s investments of \$8,972,464 are in the following securities:

| <u>Issuer</u> | <u>Percentage of Total Investments</u> |
|-----------------------------------|--|
| United States Treasury Notes..... | 16% |
| Bank of America..... | 6% |
| Georgia Power Co..... | 5% |

Fair Value of Investments

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City’s mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a tabular format for disclosing the levels within the fair value hierarchy.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2021:

| Investment Type | June 30, 2021 | Fair Value Measurements Using | | |
|--|------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments measured at fair value: | | | | |
| <u>Debt securities:</u> | | | | |
| U.S. treasury bonds..... | \$ 1,394,769 | \$ 1,394,769 | \$ - | \$ - |
| Government sponsored enterprises..... | 768,235 | 768,235 | - | - |
| Corporate bonds..... | 2,550,658 | - | 2,550,658 | - |
| Total debt securities..... | 4,713,662 | 2,163,004 | 2,550,658 | - |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 3,273,376 | 3,273,376 | - | - |
| Fixed income..... | 985,426 | 985,426 | - | - |
| Money market mutual funds..... | 104,845 | 104,845 | - | - |
| Total other investments..... | 4,363,647 | 4,363,647 | - | - |
| Total investments measured at fair value..... | 9,077,309 | \$ 6,526,651 | \$ 2,550,658 | \$ - |
| Investments measured at amortized cost: | | | | |
| MMDT - Cash portfolio..... | 3,251,884 | | | |
| Total investments..... | \$ 12,329,193 | | | |

Government Sponsored Enterprises, equity securities, money market mutual funds and bond mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on securities' relationship to benchmark quoted prices.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

NOTE 3 – RECEIVABLES

At June 30, 2021, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 689,411 | \$ - | \$ 689,411 |
| Tax liens..... | 735,770 | - | 735,770 |
| Community preservation fund surtax..... | 1,004 | - | 1,004 |
| Motor vehicle and other excise taxes..... | 606,751 | (130,435) | 476,316 |
| Departmental and other..... | 474,531 | - | 474,531 |
| Intergovernmental..... | 3,091,802 | - | 3,091,802 |
| Community preservation state share..... | 214,811 | - | 214,811 |
| Total..... | <u>\$ 5,814,080</u> | <u>\$ (130,435)</u> | <u>\$ 5,683,645</u> |

At June 30, 2021, receivables for the enterprise funds consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Water user charges..... | \$ 1,938,402 | \$ - | \$ 1,938,402 |
| Sewer user charges..... | 1,739,362 | - | 1,739,362 |
| Sewer intergovernmental - subsidy..... | 1,392 | - | 1,392 |
| Total..... | <u>\$ 3,679,156</u> | <u>\$ -</u> | <u>\$ 3,679,156</u> |

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

| | General Fund | Other Governmental Funds | Total |
|--|---------------------|--------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 488,004 | \$ - | \$ 488,004 |
| Tax liens..... | 735,770 | - | 735,770 |
| Community preservation fund surtax..... | - | 1,004 | 1,004 |
| Motor vehicle and other excise taxes..... | 476,316 | - | 476,316 |
| Departmental and other..... | 80,004 | 394,527 | 474,531 |
| Intergovernmental..... | - | 944,877 | 944,877 |
| Community preservation state share..... | - | 214,811 | 214,811 |
| Total..... | <u>\$ 1,780,094</u> | <u>\$ 1,555,219</u> | <u>\$ 3,335,313</u> |

NOTE 4 – CAPITAL ASSETS

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|---------------------|----------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 3,707,720 | \$ 20,000 | \$ - | \$ 3,727,720 |
| Construction in progress..... | 1,041,716 | 428,553 | (768,562) | 701,707 |
| Total capital assets not being depreciated.... | <u>4,749,436</u> | <u>448,553</u> | <u>(768,562)</u> | <u>4,429,427</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 18,292,678 | 96,012 | - | 18,388,690 |
| Buildings..... | 46,351,587 | - | - | 46,351,587 |
| Buildings and improvements..... | 7,330,798 | 1,015,421 | - | 8,346,219 |
| Equipment..... | 11,183,239 | 1,714,450 | - | 12,897,689 |
| Vehicles..... | 10,777,523 | 93,375 | (80,797) | 10,790,101 |
| Infrastructure..... | 73,088,092 | 1,185,816 | - | 74,273,908 |
| Total capital assets being depreciated..... | <u>167,023,917</u> | <u>4,105,074</u> | <u>(80,797)</u> | <u>171,048,194</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (5,447,380) | (893,842) | - | (6,341,222) |
| Buildings..... | (30,658,517) | (804,162) | - | (31,462,679) |
| Buildings and improvements..... | (3,017,454) | (385,166) | - | (3,402,620) |
| Equipment..... | (6,383,849) | (826,468) | - | (7,210,317) |
| Vehicles..... | (8,518,193) | (828,274) | 80,797 | (9,265,670) |
| Infrastructure..... | (35,662,467) | (1,679,676) | - | (37,342,143) |
| Total accumulated depreciation..... | <u>(89,687,860)</u> | <u>(5,417,588)</u> | <u>80,797</u> | <u>(95,024,651)</u> |
| Total capital assets being depreciated, net..... | <u>77,336,057</u> | <u>(1,312,514)</u> | <u>-</u> | <u>76,023,543</u> |
| Total governmental activities capital assets, net..... | <u>\$ 82,085,493</u> | <u>\$ (863,961)</u> | <u>\$ (768,562)</u> | <u>\$ 80,452,970</u> |

Business-Type Activities

Fixed assets for the water enterprise fund are as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|---------------------|---------------------------|
| Water: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 331,485 | \$ - | \$ - | \$ 331,485 |
| Construction in progress..... | 102,316 | - | (102,316) | - |
| Total capital assets not being depreciated.... | <u>433,801</u> | <u>-</u> | <u>(102,316)</u> | <u>331,485</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings..... | 1,813,057 | - | - | 1,813,057 |
| Equipment..... | 996,839 | 204,750 | - | 1,201,589 |
| Vehicles..... | 660,538 | 74,424 | - | 734,962 |
| Infrastructure..... | 20,710,362 | 201,232 | - | 20,911,594 |
| Total capital assets being depreciated..... | <u>24,180,796</u> | <u>480,406</u> | <u>-</u> | <u>24,661,202</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (674,208) | (45,326) | - | (719,534) |
| Equipment..... | (435,432) | (71,643) | - | (507,075) |
| Vehicles..... | (574,210) | (43,013) | - | (617,223) |
| Infrastructure..... | (10,240,497) | (408,597) | - | (10,649,094) |
| Total accumulated depreciation..... | <u>(11,924,347)</u> | <u>(568,579)</u> | <u>-</u> | <u>(12,492,926)</u> |
| Total capital assets being depreciated, net..... | <u>12,256,449</u> | <u>(88,173)</u> | <u>-</u> | <u>12,168,276</u> |
| Total water activities capital assets, net..... | <u>\$ 12,690,250</u> | <u>\$ (88,173)</u> | <u>\$ (102,316)</u> | <u>\$ 12,499,761</u> |

Fixed assets for the sewer enterprise fund are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|---------------------|
| Sewer: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 566,550 | \$ - | \$ - | \$ 566,550 |
| Construction in progress..... | 851,523 | 41,115 | - | 892,638 |
| Total capital assets not being depreciated.... | <u>1,418,073</u> | <u>41,115</u> | <u>-</u> | <u>1,459,188</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings..... | 984,484 | - | - | 984,484 |
| Buildings and improvements..... | 17,478 | - | - | 17,478 |
| Equipment..... | 446,966 | 14,230 | - | 461,196 |
| Vehicles..... | 673,613 | 26,883 | - | 700,496 |
| Infrastructure..... | <u>26,094,334</u> | <u>24,493</u> | <u>-</u> | <u>26,118,827</u> |
| Total capital assets being depreciated..... | <u>28,216,875</u> | <u>65,606</u> | <u>-</u> | <u>28,282,481</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (332,424) | (24,612) | - | (357,036) |
| Buildings and improvements..... | (11,799) | (874) | - | (12,673) |
| Equipment..... | (197,291) | (37,561) | - | (234,852) |
| Vehicles..... | (644,515) | (15,319) | - | (659,834) |
| Infrastructure..... | <u>(18,161,973)</u> | <u>(522,540)</u> | <u>-</u> | <u>(18,684,513)</u> |
| Total accumulated depreciation..... | <u>(19,348,002)</u> | <u>(600,906)</u> | <u>-</u> | <u>(19,948,908)</u> |
| Total capital assets being depreciated, net..... | <u>8,868,873</u> | <u>(535,300)</u> | <u>-</u> | <u>8,333,573</u> |
| Total sewer activities capital assets, net..... | <u>\$ 10,286,946</u> | <u>\$ (494,185)</u> | <u>\$ -</u> | <u>\$ 9,792,761</u> |

Fixed assets for the golf course enterprise fund are as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|------------------|---------------------------|
| Golf Course Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 789,557 | \$ - | \$ - | \$ 789,557 |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 856,539 | - | - | 856,539 |
| Buildings..... | 114,755 | - | - | 114,755 |
| Buildings and improvements..... | 69,950 | - | - | 69,950 |
| Equipment..... | 378,564 | - | - | 378,564 |
| Vehicles..... | 289,660 | 171,207 | - | 460,867 |
| Total capital assets being depreciated..... | <u>1,709,468</u> | <u>171,207</u> | <u>-</u> | <u>1,880,675</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (728,773) | (15,557) | - | (744,330) |
| Buildings..... | (82,421) | (2,395) | - | (84,816) |
| Buildings and improvements..... | (8,745) | (3,498) | - | (12,243) |
| Equipment..... | (282,933) | (16,309) | - | (299,242) |
| Vehicles..... | (289,659) | (14,267) | - | (303,926) |
| Total accumulated depreciation..... | <u>(1,392,531)</u> | <u>(52,026)</u> | <u>-</u> | <u>(1,444,557)</u> |
| Total capital assets being depreciated, net..... | <u>316,937</u> | <u>119,181</u> | <u>-</u> | <u>436,118</u> |
| Total golf course activities capital assets, net..... | <u>\$ 1,106,494</u> | <u>\$ 119,181</u> | <u>\$ -</u> | <u>\$ 1,225,675</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| General government..... | \$ 347,144 |
| Public safety..... | 797,406 |
| Education..... | 1,386,353 |
| Public works..... | 2,200,865 |
| Health and human services..... | 210,271 |
| Culture and recreation..... | <u>475,549</u> |
| Total depreciation expense - governmental activities..... | <u>\$ 5,417,588</u> |
| Business-Type Activities: | |
| Water..... | \$ 568,579 |
| Sewer..... | 600,906 |
| Golf course..... | <u>52,026</u> |
| Total depreciation expense - business-type activities..... | <u>\$ 1,221,511</u> |

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables for the year ended June 30, 2021, are summarized as follows:

| Receivable Fund | Payable Fund | Amount |
|-------------------|----------------------------------|-------------------|
| General fund..... | Golf course enterprise fund..... | \$ <u>226,841</u> |

These amounts represent advances between funds to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2021, are summarized as follows:

| Transfers Out: | Transfers In: | | | Total | |
|----------------------------------|-------------------|-----------------------------|-----------------------|-------------------|-----|
| | General fund | Nonmajor governmental funds | Internal Service fund | | |
| General fund..... | \$ - | \$ 12,572 | \$ 50,000 | \$ 62,572 | (1) |
| Nonmajor governmental funds..... | 270,000 | - | - | 270,000 | (2) |
| Total..... | \$ <u>270,000</u> | \$ <u>12,572</u> | \$ <u>50,000</u> | \$ <u>332,572</u> | |

- 1) Budgeted transfer to the internal service fund for workers compensation and various special revenue funds from the general fund.
- 2) Budgeted transfer to the general fund from the fire ambulance fee and police detail special revenue funds.

NOTE 6 – CAPITAL LEASES

The City has entered into lease agreements to finance the purchase of an ambulance, fire radio system, and club car golf carts. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| Asset: | Governmental Activities | Business-Type Activities |
|-------------------------------------|-------------------------|--------------------------|
| Machinery and equipment..... | \$ 1,181,306 | \$ 188,060 |
| Less: accumulated depreciation..... | (545,309) | (9,403) |
| Total..... | \$ <u>635,997</u> | \$ <u>178,657</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

| Years ending June 30: | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| 2022..... | \$ 147,716 | \$ 35,261 |
| 2023..... | 68,945 | 35,261 |
| 2024..... | 63,600 | 35,262 |
| 2025..... | 63,600 | 35,262 |
| 2026..... | 31,800 | 35,261 |
| Total minimum lease payments..... | 375,661 | 176,307 |
| Less: amounts representing interest..... | (16,914) | (13,136) |
| Present value of minimum lease payments... \$ | <u>358,747</u> | <u>\$ 163,171</u> |

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund, special revenue and enterprise funds, respectively.

The City had the following short-term debt activity during 2021:

| Type | Purpose | Rate (%) | Due Date | Balance at June 30, 2020 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2021 |
|----------------------------------|------------------------|----------|----------|--------------------------|-----------------|-----------------------|--------------------------|
| Governmental Funds: | | | | | | | |
| BAN | Municipal Purpose..... | 1.25% | 04/28/21 | \$ 345,000 | \$ - | \$ (345,000) | \$ - |
| BAN | Municipal Purpose..... | 1.29% | 04/28/21 | 1,061,900 | - | (1,061,900) | - |
| Total Governmental Funds..... | | | | <u>\$ 1,406,900</u> | <u>\$ -</u> | <u>\$ (1,406,900)</u> | <u>\$ -</u> |
| Water Enterprise Fund: | | | | | | | |
| BAN | Municipal Purpose..... | 1.25% | 04/28/21 | \$ 40,000 | \$ - | \$ (40,000) | \$ - |
| BAN | Municipal Purpose..... | 1.29% | 04/28/21 | 26,683 | - | (26,683) | - |
| BAN | Municipal Purpose..... | 0.80% | 04/28/21 | 30,717 | - | (30,717) | - |
| Total Water Enterprise Fund..... | | | | <u>97,400</u> | <u>-</u> | <u>(97,400)</u> | <u>-</u> |
| Sewer Enterprise Fund: | | | | | | | |
| BAN | Municipal Purpose..... | 1.25% | 04/28/21 | 615,000 | - | (615,000) | - |
| BAN | Municipal Purpose..... | 0.80% | 04/28/21 | 308,314 | - | (308,314) | - |
| Total Sewer Enterprise Fund..... | | | | <u>923,314</u> | <u>-</u> | <u>(923,314)</u> | <u>-</u> |
| Total Enterprise Fund..... | | | | <u>\$ 1,020,714</u> | <u>\$ -</u> | <u>\$ (1,020,714)</u> | <u>\$ -</u> |

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2021, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2021 |
|---|-----------------------|----------------------------|-------------------------|------------------------------------|
| General Obligation Bonds Payable: | | | | |
| Municipal Purpose Bonds of 2007 | 2026 | \$ 3,346,800 | 2.00-4.00 | \$ 834,000 |
| Municipal Purpose Bonds of 2009 | 2028 | 7,330,000 | 3.00-5.00 | 2,445,000 |
| Municipal Purpose Bonds of 2012..... | 2031 | 2,516,000 | 2.00-3.00 | 50,000 |
| Municipal Purpose Bonds of 2014..... | 2024 | 810,410 | 2.00-4.00 | 240,000 |
| Municipal Purpose Bonds of 2016..... | 2036 | 8,185,000 | 2.00-2.50 | 5,635,000 |
| Municipal Purpose Bonds of 2018..... | 2028 | 2,479,000 | 4.00-5.00 | 1,133,000 |
| Municipal Purpose Bonds of 2021..... | 2031 | 1,475,000 | 2.00-5.00 | <u>1,475,000</u> |
| Total General Obligation Bonds Payable..... | | | | <u>11,812,000</u> |
| Direct Borrowings Payable: | | | | |
| MCWT Bonds 2005..... | 2025 | 196,417 | 2.00 | \$ 58,115 |
| MCWT Bonds 2011..... | 2025 | 79,836 | 2.00 | <u>25,133</u> |
| Total Direct Borrowings..... | | | | <u>83,248</u> |
| Total Bonds Payable..... | | | | <u>\$ 11,895,248</u> |

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

| Year | General Obligation Bonds Payable | | |
|------------|----------------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2022..... | \$ 1,744,800 | \$ 368,637 | \$ 2,113,437 |
| 2023..... | 1,699,800 | 306,048 | 2,005,848 |
| 2024..... | 1,299,800 | 243,841 | 1,543,641 |
| 2025..... | 1,217,800 | 201,394 | 1,419,194 |
| 2026..... | 1,217,800 | 160,287 | 1,378,087 |
| 2027..... | 1,046,000 | 119,206 | 1,165,206 |
| 2028..... | 1,046,000 | 85,175 | 1,131,175 |
| 2029..... | 650,000 | 58,570 | 708,570 |
| 2030..... | 645,000 | 41,170 | 686,170 |
| 2031..... | 645,000 | 28,220 | 673,220 |
| 2032..... | 120,000 | 14,520 | 134,520 |
| 2033..... | 120,000 | 11,760 | 131,760 |
| 2034..... | 120,000 | 9,000 | 129,000 |
| 2035..... | 120,000 | 6,000 | 126,000 |
| 2036..... | 120,000 | 3,000 | 123,000 |
| Total..... | \$ <u>11,812,000</u> | \$ <u>1,656,828</u> | \$ <u>13,468,828</u> |

| Year | Direct Borrowings Payable | | |
|------------|---------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2022..... | \$ 20,624 | \$ 2,651 | \$ 23,275 |
| 2023..... | 20,748 | 1,795 | 22,543 |
| 2024..... | 20,874 | 938 | 21,812 |
| 2025..... | 21,002 | 193 | 21,195 |
| 2026..... | - | 65 | 65 |
| Total..... | \$ <u>83,248</u> | \$ <u>5,642</u> | \$ <u>88,890</u> |

Bonds Payable Schedule – Sewer and Water Enterprise Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2021 |
|---|--------------------|----------------------|-------------------|------------------------------|
| Sewer Enterprise Fund | | | | |
| General Obligation Bonds Payable: | | | | |
| Municipal Purpose Bonds of 2007..... | 2026 | \$ 882,600 | 4.00 | \$ 220,500 |
| Municipal Purpose Bonds of 2012 | 2031 | 3,398,000 | 2.00-3.00 | 1,450,000 |
| Municipal Purpose Bonds of 2018 | 2028 | 677,000 | 4.00-5.00 | 388,500 |
| Municipal Purpose Bonds of 2021 | 2031 | 1,030,000 | 2.00-5.00 | <u>1,030,000</u> |
| Total General Obligation Bonds Payable..... | | | | <u>3,089,000</u> |
| Direct Bonds Payable: | | | | |
| MCWT Bond 2009..... | 2029 | 682,682 | 2.00 | <u>300,345</u> |
| Total Sewer Bonds Payable..... | | | | <u>3,389,345</u> |
| Water Enterprise Fund | | | | |
| General Obligation Bonds Payable: | | | | |
| Municipal Purpose Bonds of 2007 | 2026 | 882,600 | 4.00 | 220,500 |
| Municipal Purpose Bonds of 2014..... | 2034 | 6,000,660 | 2.00-4.00 | 3,900,000 |
| Municipal Purpose Bonds of 2018..... | 2028 | 129,000 | 4.00-5.00 | 88,500 |
| Municipal Purpose Bonds of 2021..... | 2031 | 100,000 | 2.00-5.00 | <u>100,000</u> |
| Total Water Bonds Payable..... | | | | <u>4,309,000</u> |
| Total Bonds Payable, net..... | | | | <u>\$ 7,698,345</u> |

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future years are as follows:

| Year | SEWER ENTERPRISE FUND | | |
|-------------|----------------------------------|-------------------|---------------------|
| | General Obligation Bonds Payable | | |
| | Principal | Interest | Total |
| 2022..... | \$ 387,600 | \$ 109,189 | \$ 496,789 |
| 2023..... | 387,600 | 96,116 | 483,716 |
| 2024..... | 337,600 | 81,528 | 419,128 |
| 2025..... | 336,100 | 68,713 | 404,813 |
| 2026..... | 336,100 | 55,974 | 392,074 |
| 2027..... | 287,000 | 43,235 | 330,235 |
| 2028..... | 282,000 | 32,880 | 314,880 |
| 2029..... | 245,000 | 22,050 | 267,050 |
| 2030..... | 245,000 | 12,700 | 257,700 |
| 2031..... | <u>245,000</u> | <u>6,350</u> | <u>251,350</u> |
| Totals..... | <u>\$ 3,089,000</u> | <u>\$ 528,735</u> | <u>\$ 3,617,735</u> |

SEWER ENTERPRISE FUND

| Year | Direct Borrowings Payable | | |
|-------------|---------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2022..... | \$ 34,968 | \$ 5,657 | \$ 40,625 |
| 2023..... | 35,674 | 4,951 | 40,625 |
| 2024..... | 36,395 | 4,230 | 40,625 |
| 2025..... | 37,131 | 3,495 | 40,626 |
| 2026..... | 37,881 | 2,745 | 40,626 |
| 2027..... | 38,646 | 1,980 | 40,626 |
| 2028..... | 39,426 | 1,199 | 40,625 |
| 2029..... | 40,224 | 402 | 40,626 |
| Totals..... | \$ <u>300,345</u> | \$ <u>24,659</u> | \$ <u>325,004</u> |

WATER ENTERPRISE FUND

| Year | General Obligation Bonds Payable | | |
|------------|----------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2022..... | \$ 392,600 | \$ 145,340 | \$ 537,940 |
| 2023..... | 387,600 | 116,716 | 504,316 |
| 2024..... | 382,600 | 106,778 | 489,378 |
| 2025..... | 366,100 | 96,788 | 462,888 |
| 2026..... | 356,100 | 87,024 | 443,124 |
| 2027..... | 312,000 | 75,660 | 387,660 |
| 2028..... | 312,000 | 66,180 | 378,180 |
| 2029..... | 300,000 | 56,700 | 356,700 |
| 2030..... | 300,000 | 47,700 | 347,700 |
| 2031..... | 300,000 | 38,700 | 338,700 |
| 2032..... | 300,000 | 29,250 | 329,250 |
| 2033..... | 300,000 | 19,800 | 319,800 |
| 2034..... | 300,000 | 9,900 | 309,900 |
| Total..... | \$ <u>4,309,000</u> | \$ <u>896,536</u> | \$ <u>5,205,536</u> |

The City is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$1,392 and interest costs for \$6,617. Thus, net MCWT loan repayments, including interest, are scheduled to be \$405,885. The future principal subsidies are recorded as an intergovernmental receivable at year end. Since the City is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The 2021 principal and interest subsidies totaled \$2,748.

The City has been approved for a construction grant from the Commonwealth school building assistance program. This grant program pays the City the State's share of approved school construction costs and therefore eliminates the need for the City to fund the State's share through long term debt. The City has been approved for a grant of up to 58.37% or \$409,314 of eligible construction costs towards the Junior High School project. During the year the City had \$622,938 in construction costs of which \$362,840 was eligible for reimbursements. Accordingly, these eligible costs were recorded as an intergovernmental receivable and corresponding capital grant revenue reported in the governmental fund financial statements.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2021, the City had the following authorized and unissued debt:

| Purpose | Amount |
|---|---------------------|
| Inflow Analysis Engineering..... | \$ 2,900 |
| Underground Storage Tank Removal..... | 16,638 |
| Recycling and Garbage Carts..... | 99,000 |
| Doering School Boilers..... | 635,000 |
| Fire Engines..... | 85,676 |
| DPW Façade Repair..... | 66,500 |
| Doering School Wastewater & Stormwater Project..... | 326 |
| FH Center Water Main Improvement..... | 30,500 |
| Junior High Boiler Repair..... | 920,806 |
| LED Streetlight Conversion..... | 216,900 |
| Agawam Public Library Roof Repair..... | 1,500,000 |
| Water Main Engineering..... | 1,400 |
| Total..... | \$ 3,575,646 |

Changes in Long-term Liabilities

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

| | Beginning Balance | Bonds and Notes Issued | Bonds and Notes Redeemed | Other Increases | Other Decreases | Ending Balance | Due Within One Year |
|---|-------------------|------------------------|--------------------------|-----------------|-----------------|----------------|---------------------|
| Governmental Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 12,175,800 | \$ 1,475,000 | \$ (1,838,800) | \$ - | \$ - | \$ 11,812,000 | \$ 1,744,800 |
| Direct borrowings payable..... | 103,752 | - | (20,504) | - | - | 83,248 | 20,624 |
| Total bonds payable..... | 12,279,552 | 1,475,000 | (1,859,304) | - | - | 11,895,248 | 1,765,424 |
| Capital lease obligations..... | 500,739 | - | - | - | (141,992) | 358,747 | 143,749 |
| Compensated absences..... | 3,744,000 | - | - | 2,086,000 | (2,040,000) | 3,790,000 | 2,068,000 |
| Net pension liability..... | 83,235,713 | - | - | 1,813,429 | (7,642,161) | 77,406,981 | - |
| Net other postemployment benefits..... | 198,254,094 | - | - | 18,554,020 | (3,343,414) | 213,464,700 | - |
| Total governmental activity long-term liabilities..... | \$ 298,014,098 | \$ 1,475,000 | \$ (1,859,304) | \$ 22,453,449 | \$ (13,167,567) | \$ 306,915,676 | \$ 3,977,173 |
| Business-Type Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 6,979,200 | \$ 1,130,000 | \$ (711,200) | \$ - | \$ - | \$ 7,398,000 | \$ 780,200 |
| Direct borrowings payable..... | 334,621 | - | (34,276) | - | - | 300,345 | 34,968 |
| Total bonds payable..... | 7,313,821 | 1,130,000 | (745,476) | - | - | 7,698,345 | 815,168 |
| Capital lease obligations..... | - | - | - | 171,207 | (8,036) | 163,171 | 30,521 |
| Compensated absences..... | 144,000 | - | - | 104,000 | (110,000) | 138,000 | 105,000 |
| Net pension liability..... | 5,045,261 | - | - | 381,809 | (860,179) | 4,566,891 | - |
| Net other postemployment benefits..... | 6,884,869 | - | - | 670,091 | (116,506) | 7,438,454 | - |
| Total business-type activity long-term liabilities..... | \$ 19,387,951 | \$ 1,130,000 | \$ (745,476) | \$ 1,327,107 | \$ (1,094,721) | \$ 20,004,861 | \$ 950,689 |

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The City has adopted GASB 54 which provides a more structured classification of fund balance and improves the usefulness of fund balance reporting to the users of the City’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At June 30, 2021 the balance of the

Stabilization Fund is \$7,842,488 and the balance of the Energy Management Stabilization Fund is \$135,883. These balances are reported as unassigned fund balance within the general fund.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

The City has classified its fund balances with the following hierarchy.

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|---|
| Fund Balances: | | | |
| Nonspendable: | | | |
| Permanent fund principal..... | \$ - | \$ 380,028 | \$ 380,028 |
| Restricted for: | | | |
| City revolving funds..... | - | 4,040,213 | 4,040,213 |
| City gifts and grants funds..... | - | 890,235 | 890,235 |
| School revolving funds..... | - | 1,462,499 | 1,462,499 |
| School gifts and grants funds..... | - | 836,934 | 836,934 |
| Community preservation fund..... | - | 4,637,710 | 4,637,710 |
| Other special revenue..... | - | 491,366 | 491,366 |
| City capital project funds..... | - | 409,929 | 409,929 |
| School capital funds..... | - | 72,801 | 72,801 |
| Cemeteries and libraries trust funds..... | - | 674,320 | 674,320 |
| Education trust funds..... | - | 95,013 | 95,013 |
| Assigned to: | | | |
| Encumbrances: | | | |
| General government..... | 2,004,180 | - | 2,004,180 |
| Public safety..... | 66,249 | - | 66,249 |
| Education..... | 47,333 | - | 47,333 |
| Public works..... | 169,725 | - | 169,725 |
| Health and human services..... | 3,047 | - | 3,047 |
| Culture and recreation..... | 362 | - | 362 |
| Employee benefits..... | 123,562 | - | 123,562 |
| Capital Outlay..... | 1,295,301 | - | 1,295,301 |
| Unassigned..... | <u>29,464,029</u> | <u>-</u> | <u>29,464,029</u> |
| Total Fund Balances..... | <u>\$ 33,173,788</u> | <u>\$ 13,991,048</u> | <u>\$ 47,164,836</u> |

NOTE 10 – RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City participates in a premium-based health care plan for its active employees.

The City is self-insured for its workers' compensation and unemployment compensation activities. Workers' compensation activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Unemployment Compensation

Unemployment compensation activities are accounted for in the general fund and are funded on a pay-as-you go basis from annual appropriations. Unemployment compensation expenditures totaled approximately \$9,000 for the year.

During 2021, the City's also funded the unemployment compensation through the Cares Act grant due to COVID-19 related unemployment claims, these expenditures totaled approximately \$171,000 for the year.

The City's liability for unemployment compensation is not material at June 30, 2021, and therefore is not reported.

Workers' Compensation

Workers' compensation claims are funded on a pay-as-you-go basis from annual appropriations. The City's contributions to the fund are based upon a percentage of the City's current payroll expenditures and claims paid out of the fund. The estimated future workers' compensation liability is based on history and injury type. Workers' compensation expenditures totaled approximately \$603,000 for the year.

The City's liability for workers' compensation is not material at June 30, 2021, and therefore is not reported.

NOTE 11 – PENSION PLAN*Plan Descriptions*

The City is a member of the Hampden County Regional Retirement System (HCRRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 35 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the 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 the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of the actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2020. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$14,755,244 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the City is \$119,461,804 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the HCRRS a legislatively mandated actuarial determined contribution that is apportioned among the employees based on active current payroll. The City's proportionate share of the actual contribution for the year ended December 31, 2020, was \$7,003,812, or 26.50% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2021, the City reported a liability of \$81,973,872 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2020, the City's proportion was 20.90%, which decreased from its 21.71% proportion measured at December 31, 2019.

Pension Expense

For the year ended June 30, 2021, the City recognized a pension expense of \$8,913,431. At June 30, 2021, the City reported deferred outflows of resources related to pensions of \$8,371,045 and deferred inflows of resources related to pensions of \$8,093,036.

The balances of deferred outflows and inflows at June 30, 2021 consist of the following:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|-------------|
| Differences between expected and actual experience..... | \$ 751,575 | \$ (431,055) | \$ 320,520 |
| Difference between projected and actual earnings..... | - | (4,795,836) | (4,795,836) |
| Changes in assumptions..... | 6,741,914 | - | 6,741,914 |
| Changes in proportion and proportionate share of contributions... | 877,556 | (2,866,145) | (1,988,589) |
| Total deferred outflows/(inflows) of resources..... | \$ 8,371,045 | \$ (8,093,036) | \$ 278,009 |

The City's deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|--------------|
| 2022..... | \$ 1,075,681 |
| 2023..... | 867,509 |
| 2024..... | (1,043,222) |
| 2025..... | (127,261) |
| 2026..... | (494,698) |
| Total..... | \$ 278,009 |

Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|--|
| Valuation date..... | January 1, 2020 |
| Actuarial cost method..... | Entry Age Normal Cost Method. |
| Amortization method..... | Appropriations increase 8.00% per year through fiscal 2030 and 3.75% per year thereafter. |
| Investment rate of return/discount rate..... | 7.15% |
| Inflation rate..... | 3.25% |
| Projected salary increases..... | Varies by length of service with ultimate rates of 4.00% for Group 1 employees with 11 or more years of service, 4.25% for Group 2 employees with 9 or more years of service, and 4.50% for Group 4 employees with 8 or more years of service. |
| Cost of living adjustments..... | 3.00% of the first \$18,000 of retirement income. |
| Rates of retirement..... | Varies based upon age for general employees, police and fire employees |
| Mortality rates: | |
| Pre-retirement..... | RP-2014 Blue Collar Employee Mortality Table set forward one year for females and projected generationally with Scale MP-2017. |
| Healthy retiree..... | RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females and projected generationally with Scale MP-2017. |
| Disabled retiree..... | RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females and projected generationally with Scale MP-2017. |

Investment policy

The pension plan’s policy in regards to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected nominal rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2020, are summarized in the following table:

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

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

The following presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

| | 1% Decrease (6.15%) | Current Discount (7.15%) | 1% Increase (8.15%) |
|---|------------------------|--------------------------------|------------------------|
| The City's proportionate share of the net pension liability..... | \$ 102,152,211 | \$ 81,973,872 | \$ 64,988,078 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Hampden County Regional Retirement System financial report.

Changes in Assumptions – The discount rate was lowered from 7.50% to 7.15%.

Changes in Plan Provisions – None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City of Agawam administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare, dental, and life insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City. The required contribution is based on a pay-as-you-go financing requirement. The City contributes between 50 to 70 percent of the cost of current-year premiums for health and life insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining percent of their premium costs for health and life insurance and all of the premiums related to dental insurance.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish a postemployment benefit trust fund for the purpose of accumulating assets to pre-fund its OPEB liabilities. The City Treasurer is the custodian and Trustee of the OPEB Fund. The Trustee has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets.

During 2021, the City pre-funded future OPEB liabilities by contributing \$100,000 to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2021, the balance of this fund totaled \$1,385,257. The City has contributed \$100,000 annually to the OPEB Trust Fund but has not adopted a formal long-term policy of pre-funding future OPEB liabilities.

Measurement Date

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at June 30, 2021:

| | |
|--|---------------------|
| Active members..... | 964 |
| Inactive members currently receiving benefits..... | <u>511</u> |
| Total..... | <u><u>1,475</u></u> |

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2021:

| | | |
|--|----|--------------------|
| Total OPEB liability..... | \$ | 222,288,411 |
| Less: OPEB plan's fiduciary net position..... | | <u>(1,385,257)</u> |
| Net OPEB liability..... | \$ | <u>220,903,154</u> |
| | | |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | | 0.62% |

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to June 30, 2021 as follows:

| | |
|---------------------------------|---|
| Valuation date..... | July 1, 2019 |
| Actuarial cost method..... | Entry Age Normal Cost Method. |
| Discount rate..... | The discount rate of 2.16% was based on a blend of the expected long term rate of return on assets and the Bond Buyer's 20 Bond Index as of June 30, 2021. |
| Long-term rate of return..... | 6.45% per annum as of June 30, 2021. |
| Asset valuation method..... | Market Value. |
| Healthcare cost trend rate..... | 6.50% in 2021 decreasing 0.50% each year until a 4.50% rate is reached in 2025 and the future. |
| Participation..... | It was assumed that 90% of current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement. |
| Marital status..... | It was assumed that 65% of all employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouse. |
| Mortality..... | RPH-2014 Total Dataset Headcount-Weighted mortality table, adjusted back to 2006 base rates, then projected generationally with improvement Scale MP-2019. |
| Salary increases..... | 3.50% annually. |
| Payroll growth rate..... | 2.50% annually. |
| Inflation rate..... | 2.00% annually. |

Plan Provisions:

| | |
|----------------------------------|---|
| Plan Types - Medical..... | Pre-65 retirees can choose Master Health Plus, Blue Care Elect, HMO Blue, or Access Blue New England. Post-65 retirees can choose Medicare HMO Blue, Managed Blue for Seniors, or Medex III. |
| Plan Types - Dental..... | Dental Blue. |
| Plan Types - Life insurance..... | Fully insured. |
| Benefits/Cost Sharing..... | The City covers 50% of the premium for Master Health Plus, Medicare Plans, dental insurance and life insurance. The City covers 55% of the premium for Blue Care Elect PPO Plan and 70% of premiums for HMO Blue and Access Blue New England. |

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 25.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--|---|
| Domestic equity..... | 42.33% | 5.34% |
| International equity..... | 22.54% | 6.10% |
| Domestic bond..... | 20.93% | 1.62% |
| International bond..... | 3.89% | 1.26% |
| Alternatives..... | 10.04% | 4.21% |
| Cash and equivalents..... | 0.27% | 0.00% |
| Total..... | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 2.16%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate.

| | 1% Decrease (1.16%) | Current Discount Rate (2.16%) | 1% Increase (3.16%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 271,170,429 | \$ 220,903,154 | \$ 182,324,189 |

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

The following table presents the Plan’s net OPEB liability and service cost, calculated using the healthcare trend rates, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

| | 1% Decrease | Current Trend | 1% Increase |
|-------------------------|----------------|----------------|----------------|
| Net OPEB liability..... | \$ 174,611,679 | \$ 220,903,154 | \$ 284,949,874 |

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--------------------------------|--------------------------------|--|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2020..... | \$ 206,122,083 | \$ 983,120 | \$ 205,138,963 |
| Changes for the year: | | | |
| Service cost..... | 12,653,055 | - | 12,653,055 |
| Interest..... | 4,795,740 | - | 4,795,740 |
| Changes in assumptions..... | 2,177,453 | - | 2,177,453 |
| Benefit payments..... | (3,459,920) | (3,459,920) | - |
| Employer contributions..... | - | 3,559,920 | (3,559,920) |
| Investment Income..... | - | 302,137 | (302,137) |
| Net change..... | 16,166,328 | 402,137 | 15,764,191 |
| Balances at June 30, 2021..... | \$ 222,288,411 | \$ 1,385,257 | \$ 220,903,154 |

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

For the year ended June 30, 2021 the City recognized OPEB expense of \$16,757,442 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|-----------------------|
| Differences between expected and actual experience..... | \$ - | \$ (21,891,018) | \$ (21,891,018) |
| Difference between projected and actual earnings..... | - | (202,351) | (202,351) |
| Changes in assumptions..... | 36,636,870 | (18,339,213) | 18,297,657 |
| | | | |
| Total deferred outflows/(inflows) of resources..... | \$ <u>36,636,870</u> | \$ <u>(40,432,582)</u> | \$ <u>(3,795,712)</u> |

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

| <u>Year ended June 30:</u> | |
|----------------------------|-----------------------|
| 2022..... | \$ (658,101) |
| 2023..... | (658,101) |
| 2024..... | (654,843) |
| 2025..... | (654,841) |
| 2026..... | (735,665) |
| Thereafter..... | <u>(434,161)</u> |
| | |
| Total..... | \$ <u>(3,795,712)</u> |

Changes of Assumptions

The discount rate was 2.21% as of June 30, 2020, and 2.16% as of June 30, 2021.

Changes in Plan Provisions

None.

NOTE 13 – COMMITMENTS

The City has committed to expending \$1.2 million for the Junior High Boiler Repair. As of June 30, 2021, the City has expended approximately \$623,000 related to this project.

NOTE 14 – CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2021, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

NOTE 15 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The City is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the City's portion of certain revenue. The City has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

In addition to the CARES Act, on March 11, 2021, the United States Federal Government established the American Rescue Plan Act (ARPA) to enhance the United States' recovery from the economic and health effects of the COVID-19 pandemic. This Act requires that the payment from these funds be used to cover costs related to; public health; negative economic impacts; services to disproportionately impacted communities; premium pay; infrastructure; revenue replacement; or administration. These funds can only be used to cover costs incurred between March 3, 2021, and December 31, 2024. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

In addition to funding from the CARES Act and the ARPA Act, there are several other federal and state grants available. The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 16 – TAX INCREMENT FINANCING AGREEMENTS

The City enters into tax increment financing (TIF) agreements with local businesses under Chapter 40, Section 59 of the Massachusetts General Laws. Under this section of the law, localities may grant property tax exemptions of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The exemptions may be granted to any business located within or promising to relocate to the City. Currently there are 2 agreements in place, which both will expire in fiscal year 2023. As of June 30, 2021, the City exempted property taxes totaling \$62,132 under these agreements.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 17 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the governmental activities and the nonmajor governmental funds have been revised to reflect the implementation of GAB #84. The revised balances are summarized in the following table:

| | | 06/30/2020 Previously Reported Balances | Implementation of GASB #84 - <i>Fiduciary Activities</i> | 06/30/2020 Revised Balances |
|---|----|--|--|-----------------------------------|
| Government-Wide Financial Statements | | | | |
| Governmental activities..... | \$ | <u>(167,462,473)</u> | <u>60,891</u> | <u>\$ (167,401,582)</u> |
| GASB Financial Statements | | | | |
| Nonmajor governmental funds..... | \$ | <u>11,641,562</u> | <u>56,199</u> | <u>11,697,761</u> |

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 2, 2022 which is the date the financial statements were available to be issued.

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.

- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented in 2022.

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

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Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the City. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---|----------------------|----------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 64,991,713 | \$ 64,991,713 | \$ 65,149,088 | \$ - | \$ 157,375 |
| Tax liens..... | - | - | 403,421 | - | 403,421 |
| Motor vehicle and other excise taxes..... | 3,330,000 | 3,330,000 | 4,561,161 | - | 1,231,161 |
| Penalties and interest on taxes..... | 196,000 | 196,000 | 306,843 | - | 110,843 |
| Payments in lieu of taxes..... | 52,000 | 52,000 | 51,960 | - | (40) |
| Licenses and permits..... | 230,000 | 230,000 | 319,342 | - | 89,342 |
| Fines and forfeitures..... | 11,900 | 11,900 | 17,862 | - | 5,962 |
| Intergovernmental..... | 25,266,503 | 25,266,503 | 25,569,861 | - | 303,358 |
| Departmental and other..... | 170,950 | 170,950 | 273,558 | - | 102,608 |
| Investment income..... | 128,000 | 128,000 | 188,626 | - | 60,626 |
| Miscellaneous..... | - | - | 585 | - | 585 |
| TOTAL REVENUES..... | 94,377,066 | 94,377,066 | 96,842,307 | - | 2,465,241 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | 12,755,036 | 12,988,232 | 9,628,127 | 2,004,180 | 1,355,925 |
| Public safety..... | 10,970,188 | 10,970,188 | 10,281,053 | 66,249 | 622,886 |
| Education..... | 47,066,541 | 47,066,541 | 46,082,863 | 47,333 | 936,345 |
| Public works..... | 3,554,686 | 3,580,846 | 2,955,361 | 169,725 | 455,760 |
| Health and human services..... | 1,237,059 | 1,237,059 | 1,158,397 | 3,047 | 75,615 |
| Culture and recreation..... | 1,408,465 | 1,408,464 | 1,325,995 | 362 | 82,107 |
| Pension benefits..... | 6,748,183 | 6,748,183 | 6,748,183 | - | - |
| Property and liability insurance..... | 701,000 | 763,926 | 602,748 | - | 161,178 |
| Employee benefits..... | 11,829,289 | 11,716,363 | 11,318,641 | 123,562 | 274,160 |
| State and county charges..... | 1,663,781 | 1,663,780 | 1,657,634 | - | 6,146 |
| Capital outlay..... | 1,235,773 | 1,793,350 | 498,049 | 1,295,301 | - |
| Debt service: | | | | | |
| Principal..... | 1,859,305 | 1,859,304 | 1,859,304 | - | - |
| Interest..... | 450,373 | 450,373 | 396,602 | - | 53,771 |
| TOTAL EXPENDITURES..... | 101,479,679 | 102,246,609 | 94,512,957 | 3,709,759 | 4,023,893 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (7,102,613) | (7,869,543) | 2,329,350 | (3,709,759) | 6,489,134 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Use of prior year reserves..... | 3,145,184 | 3,145,184 | - | - | (3,145,184) |
| Use of free cash..... | 2,700,000 | 3,482,000 | - | - | (3,482,000) |
| Use of overlay..... | 1,000,000 | 1,000,000 | - | - | (1,000,000) |
| Transfers in..... | 270,000 | 304,931 | 304,931 | - | - |
| Transfers out..... | (12,571) | (62,572) | (62,572) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 7,102,613 | 7,869,543 | 242,359 | - | (7,627,184) |
| NET CHANGE IN FUND BALANCE..... | - | - | 2,571,709 | (3,709,759) | (1,138,050) |
| BUDGETARY FUND BALANCE, Beginning of year..... | 22,481,169 | 22,481,169 | 22,481,169 | - | - |
| BUDGETARY FUND BALANCE, End of year..... | \$ 22,481,169 | \$ 22,481,169 | \$ 25,052,878 | \$ (3,709,759) | \$ (1,138,050) |

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the City's Proportionate Share of the Net Pension Liability presents multi-year trend information on the City's net pension liability and related ratios.

The Schedule of the City's Contributions presents multi-year trend information on the City's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the City along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
HAMPDEN COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Net pension liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2020..... | 20.90% | \$ 81,973,872 | \$ 26,172,217 | 313.21% | 53.80% |
| December 31, 2019..... | 21.71% | 88,280,976 | 26,072,464 | 338.60% | 50.23% |
| December 31, 2018..... | 21.73% | 86,517,000 | 24,844,114 | 348.24% | 47.33% |
| December 31, 2017..... | 21.19% | 75,829,828 | 23,253,635 | 326.10% | 50.82% |
| December 31, 2016..... | 21.37% | 77,837,256 | 23,204,674 | 335.44% | 46.82% |
| December 31, 2015..... | 21.72% | 67,837,454 | 22,602,052 | 300.14% | 49.22% |
| December 31, 2014..... | 20.97% | 60,169,184 | 20,981,312 | 286.78% | 51.38% |

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
HAMPDEN COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|--------------------|---|--|--|--------------------|---|
| June 30, 2021..... | \$ 7,003,812 | \$ (7,003,812) | - | \$ 26,433,939 | 26.50% |
| June 30, 2020..... | 6,735,672 | (6,741,438) | (5,766) | 26,333,189 | 25.60% |
| June 30, 2019..... | 6,238,909 | (6,238,909) | - | 25,092,555 | 24.86% |
| June 30, 2018..... | 5,636,089 | (5,636,089) | - | 23,486,171 | 24.00% |
| June 30, 2017..... | 5,259,976 | (5,259,976) | - | 23,436,721 | 22.44% |
| June 30, 2016..... | 4,949,900 | (4,949,900) | - | 22,828,073 | 21.68% |
| June 30, 2015..... | 4,481,028 | (4,481,028) | - | 21,191,125 | 21.15% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

| Year | Commonwealth's 100% Share of the Associated Net Pension Liability | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2021..... | \$ 119,461,804 | \$ 14,755,244 | 50.67% |
| 2020..... | 107,340,984 | 13,016,957 | 53.95% |
| 2019..... | 100,262,000 | 10,160,000 | 54.84% |
| 2018..... | 93,200,000 | 9,728,000 | 54.25% |
| 2017..... | 98,326,000 | 10,030,000 | 52.73% |
| 2016..... | 81,475,000 | 6,608,000 | 55.38% |
| 2015..... | 65,316,000 | 4,538,000 | 61.64% |

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on the City's net other postemployment benefit liability and related ratios.

The Schedule of the City's Contributions presents multi-year trend information on the City's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
CITY'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | | | |
| Service Cost..... | \$ 7,704,001 | \$ 9,362,679 | \$ 7,734,036 | \$ 8,031,026 | \$ 12,653,055 |
| Interest..... | 6,391,302 | 5,817,715 | 6,637,029 | 5,517,615 | 4,795,740 |
| Differences between expected and actual experience..... | (9,432,877) | - | - | (28,678,930) | - |
| Changes of assumptions..... | 7,900,921 | (24,793,232) | 12,483,955 | 35,327,581 | 2,177,453 |
| Benefit payments..... | (3,194,897) | (2,930,419) | (3,306,710) | (3,040,991) | (3,459,920) |
| Net change in total OPEB liability..... | 9,368,450 | (12,543,257) | 23,548,310 | 17,156,301 | 16,166,328 |
| Total OPEB liability - beginning..... | <u>168,592,279</u> | <u>177,960,729</u> | <u>165,417,472</u> | <u>188,965,782</u> | <u>206,122,083</u> |
| Total OPEB liability - ending (a)..... | <u>\$ 177,960,729</u> | <u>\$ 165,417,472</u> | <u>\$ 188,965,782</u> | <u>\$ 206,122,083</u> | <u>\$ 222,288,411</u> |
| Plan fiduciary net position | | | | | |
| Employer contributions..... | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| Employer contributions for OPEB payments..... | 3,194,897 | 2,930,419 | 3,306,710 | 3,040,991 | 3,459,920 |
| Net investment income..... | 42,216 | 39,077 | 43,803 | 25,707 | 302,137 |
| Benefit payments..... | (3,194,897) | (2,930,419) | (3,306,710) | (3,040,991) | (3,459,920) |
| Net change in plan fiduciary net position..... | 142,216 | 139,077 | 143,803 | 125,707 | 402,137 |
| Plan fiduciary net position - beginning of year..... | <u>432,317</u> | <u>574,533</u> | <u>713,610</u> | <u>857,413</u> | <u>983,120</u> |
| Plan fiduciary net position - end of year (b)..... | <u>\$ 574,533</u> | <u>\$ 713,610</u> | <u>\$ 857,413</u> | <u>\$ 983,120</u> | <u>\$ 1,385,257</u> |
| Net OPEB liability - ending (a)-(b)..... | <u>\$ 177,386,196</u> | <u>\$ 164,703,862</u> | <u>\$ 188,108,369</u> | <u>\$ 205,138,963</u> | <u>\$ 220,903,154</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 0.32% | 0.43% | 0.45% | 0.48% | 0.62% |
| Covered-employee payroll..... | \$ 47,105,959 | \$ 48,283,609 | \$ 49,490,699 | \$ 52,245,827 | \$ 53,551,973 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 376.57% | 341.12% | 380.09% | 392.64% | 412.50% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| <u>Year</u> | <u>Actuarially determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2021..... | \$ 8,791,469 | \$ (3,559,920) | \$ 5,231,549 | \$ 53,551,973 | 6.65% |
| June 30, 2020..... | 8,669,653 | (3,140,991) | 5,528,662 | 52,245,827 | 6.01% |
| June 30, 2019..... | 10,034,516 | (3,406,710) | 6,627,806 | 49,490,699 | 6.88% |
| June 30, 2018..... | 9,808,697 | (3,030,419) | 6,778,278 | 48,283,609 | 6.28% |
| June 30, 2017..... | 14,095,303 | (3,294,897) | 10,800,406 | 47,105,959 | 6.99% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|--------------------|--|
| June 30, 2021..... | 25.32% |
| June 30, 2020..... | 2.73% |
| June 30, 2019..... | 5.41% |
| June 30, 2018..... | 5.87% |
| June 30, 2017..... | 8.75% |

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Council. The Mayor presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted by categories that are broken down by personal services, expenses, debt service and capital outlay and are mandated by Municipal Law. The Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget require majority Council approval via a supplemental Council order.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2021 approved budget, including amounts carried forward from the prior year, authorized approximately \$101.5 million in appropriations and other amounts to be raised. An additional \$817,000 appropriation was made during the year from a transfer in to supplement the 2021 budget.

The City Auditor has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2021, is presented below:

| | |
|--|---------------------|
| Net change in fund balance - budgetary basis..... | \$ 2,571,709 |
| <u>Perspective differences:</u> | |
| Activity of the stabilization fund recorded in the general fund for GAAP..... | 306,022 |
| <u>Basis of accounting differences:</u> | |
| Net change in recording tax refunds payable..... | 18,200 |
| Net change in recording 60 day receipts..... | (271,064) |
| Recognition of revenue for on-behalf payments..... | 14,755,000 |
| Recognition of expenditures for on-behalf payments..... | <u>(14,755,000)</u> |
| Net change in fund balance - GAAP basis..... | <u>\$ 2,624,867</u> |

NOTE B – PENSION PLAN***Pension Plan Schedules***Schedule of the City's Proportionate Share of the Net Pension Liability

The Schedule of the City's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of City's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The City may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the City based on covered payroll.

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions:

The discount rate was lowered from 7.50% to 7.15%.

Changes in Plan Provisions:

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("The Retiree Health Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan

The Schedule of Changes in the City’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the City’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the City’s Contributions

The Schedule of the City’s Contributions includes the City’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The City is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered employee payroll.

| | |
|---------------------------------|---|
| Valuation date..... | July 1, 2019 |
| Actuarial cost method..... | Entry Age Normal Cost Method. |
| Discount rate..... | The discount rate of 2.16% was based on a blend of the expected long term rate of return on assets and the Bond Buyer's 20 Bond Index as of June 30, 2021. |
| Long-term rate of return..... | 6.45% per annum as of June 30, 2021. |
| Asset valuation method..... | Market Value. |
| Healthcare cost trend rate..... | 6.50% in 2021 decreasing 0.50% each year until a 4.50% rate is reached in 2025 and the future. |
| Participation..... | It was assumed that 90% of current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement. |
| Marital status..... | It was assumed that 65% of all employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouse. |
| Mortality..... | RPH-2014 Total Dataset Headcount-Weighted mortality table, adjusted back to 2006 base rates, then projected generationally with improvement Scale MP-2019. |
| Salary increases..... | 3.50% annually. |
| Payroll growth rate..... | 2.50% annually. |
| Inflation rate..... | 2.00% annually. |

Plan Provisions:

| | |
|----------------------------------|---|
| Plan Types - Medical..... | Pre-65 retirees can choose Master Health Plus, Blue Care Elect, HMO Blue, or Access Blue New England. Post-65 retirees can choose Medicare HMO Blue, Managed Blue for Seniors, or Medex III. |
| Plan Types - Dental..... | Dental Blue. |
| Plan Types - Life insurance..... | Fully insured. |
| Benefits/Cost Sharing..... | The City covers 50% of the premium for Master Health Plus, Medicare Plans, dental insurance and life insurance. The City covers 55% of the premium for Blue Care Elect PPO Plan and 70% of premiums for HMO Blue and Access Blue New England. |

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

Changes in Assumptions:

The discount rate was 2.21% as of June 30, 2020 and 2.16% as of June 30, 2021.

Changes in Plan Provision:

None.