

***TOWN OF WINTHROP, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2021***

TOWN OF WINTHROP, MASSACHUSETTS  
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

**TABLE OF CONTENTS**

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis .....	3
Basic Financial Statements .....	12
Statement of net position .....	13
Statement of activities .....	14
Governmental funds – balance sheet .....	16
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position.....	17
Governmental funds – statement of revenues, expenditures, and changes in fund balances .....	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities .....	19
Proprietary funds – statement of net position .....	20
Proprietary funds – statement of revenues, expenses, and changes in net position .....	21
Proprietary funds – statement of cash flows .....	22
Fiduciary funds – statement of fiduciary net position .....	23
Fiduciary funds – statement of changes in fiduciary net position .....	24
Notes to basic financial statements.....	25
Required Supplementary Information.....	62
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual .....	63
Retirement Plan Schedules – Retirement System .....	64
Page two of Schedule of changes in the net pension liability and related ratios .....	65
Schedule of contributions .....	66
Schedule of investment returns.....	67
Pension Plan Schedules – Town .....	68
Schedule of The Town’s proportionate share of the net pension liability.....	69
Schedule of The Town’s contributions .....	70
Schedule of the special funding amounts of the net pension liability.....	71
Other Postemployment Benefits Plan Schedules .....	72
Schedule of Changes in the Town’s net OPEB liability and related ratios.....	73
Schedule of the Town’s contributions .....	74
Schedule of investment returns.....	75
Notes to Required Supplementary Information.....	76

## **Independent Auditor's Report**

To the Honorable Town Council  
Town of Winthrop, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winthrop, Massachusetts, as of and for the year ended June 30, 2021 (except for Winthrop Contributory Retirement System which is as of and for the year ended December 31, 2020), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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 the 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 Town of Winthrop, Massachusetts, as of June 30, 2021 (except for the Winthrop Contributory Retirement System which is as of and for the year ended December 31, 2020), 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, located on the following pages, 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 April 25, 2022, on our consideration of the Town of Winthrop, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Winthrop, Massachusetts' internal control over financial reporting and compliance.



April 25, 2022

# ***Management's Discussion and Analysis***

## Management's Discussion and Analysis

As management of the Town of Winthrop (the Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. We encourage readers to consider the information presented in this report in conjunction with the Town's financial statements. All amounts, unless otherwise noted, are presented in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### Financial Highlights

- The net position of the Town at the close of the most recent year was \$2.2 million.
- At the close of the current year, the Town's general fund reported an ending fund balance of \$9.4 million. Total fund balance represents 16% of total general fund budgetary expenditures.
- The Town's total long-term debt was \$52.2 million at year end, a net decrease of \$3.2 million over the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Winthrop's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the basic 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, and deferred inflows/outflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town 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 the 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 (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are primarily 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, human services, library, and interest.

**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 Town of Winthrop adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The budgetary comparison statement is presented as required supplementary information after the notes to the basic financial statements.

**Proprietary funds.** The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund statements provide separate information for the water and sewer, skating rink, harbor/waterways, recreation, ferry, tourism and culture enterprise funds.

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

The *pension and other employee benefits trust fund* is used to account for retirement resources held in trust for members of the Winthrop Contributory Retirement System, as well as resources held in trust for future costs associated with other postemployment benefits.

The *private purpose trust fund* is used to account for resources held in trust which principle and investment income exclusively benefit individuals or private organizations.

**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.

**Financial Highlights.** The following pages provide financial highlights of the government-wide financial statements for 2021 in comparison to 2020.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2.2 million at the close of 2021.

Net position of \$94.9 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town 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.

An additional portion of the Town's net position totaling \$2.2 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position has a year-end deficit of \$95.0 million. The primary reason for this deficit is the recognition of the net pension and net OPEB liabilities.

The governmental and business-type activities of the Town are presented on the following pages.

### Governmental Activities

The Town's liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources for governmental activities by \$20.2 million at the close of 2021.

	2021	2020 (As revised)
<b>Assets:</b>		
Current assets.....	\$ 19,932,205	\$ 18,941,081
Capital assets, non depreciable.....	15,159,993	13,623,534
Capital assets, net of accumulated depreciation..	103,241,503	105,233,829
<b>Total assets.....</b>	<b>138,333,701</b>	<b>137,798,444</b>
<b>Deferred outflows of resources.....</b>	<b>23,383,422</b>	<b>18,082,231</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	3,851,997	1,836,127
Noncurrent liabilities (excluding debt).....	121,455,952	114,987,720
Current debt.....	2,499,808	2,972,126
Noncurrent debt.....	43,119,870	45,619,678
<b>Total liabilities.....</b>	<b>170,927,627</b>	<b>165,415,651</b>
<b>Deferred inflows of resources.....</b>	<b>11,010,607</b>	<b>7,238,443</b>
<b>Net position:</b>		
Net investment in capital assets.....	73,626,536	72,725,642
Restricted.....	2,237,101	2,057,326
Unrestricted.....	(96,084,748)	(91,556,387)
<b>Total net position.....</b>	<b>\$ (20,221,111)</b>	<b>\$ (16,773,419)</b>

	2021	2020 (As revised)
<b>Program Revenues:</b>		
Charges for services.....	\$ 2,522,687	\$ 2,028,692
Operating grants and contributions.....	20,041,691	18,238,849
Capital grants and contributions.....	760,627	2,276,708
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	35,028,215	34,161,464
Motor vehicle and boat excise taxes.....	2,297,961	2,232,383
Hotel/motel/meals tax.....	223,815	325,266
Penalties and interest on taxes.....	207,987	117,588
Grants and contributions not restricted to specific programs.....	7,071,124	6,881,375
Unrestricted investment income.....	66,051	283,283
<b>Total revenues.....</b>	<b>68,220,158</b>	<b>66,545,608</b>
<b>Expenses:</b>		
General government.....	4,574,349	4,052,428
Public safety.....	10,867,558	10,523,850
Education.....	47,274,143	45,451,291
Public works.....	5,759,492	4,937,137
Human services.....	1,041,428	811,037
Library.....	740,833	868,971
Legal settlements.....	-	3,027,000
Interest.....	1,268,417	1,548,090
<b>Total expenses.....</b>	<b>71,526,220</b>	<b>71,219,804</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(3,306,062)</b>	<b>(4,674,196)</b>
<b>Transfers.....</b>	<b>(141,630)</b>	<b>(3,000)</b>
<b>Change in net position.....</b>	<b>(3,447,692)</b>	<b>(4,677,196)</b>
<b>Net position, beginning of year (as revised).....</b>	<b>(16,773,419)</b>	<b>(12,096,223)</b>
<b>Net position, end of year.....</b>	<b>\$ (20,221,111)</b>	<b>\$ (16,773,419)</b>

The governmental activities net position decreased by \$3.4 million during the current year primarily due to a \$8.2 million decrease from the change in next OPEB liability and related deferred outflows/inflows of resources, offset by a \$3.3 million increase from the change in the net pension liability and the associated deferred outflows/inflows of resources. In addition, there was a decrease in capital grant receipts of \$1.5 million compared to FY2020.

Governmental expenses totaled \$71.5 million of which \$23.3 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$44.9 million, primarily coming from real estate and personal property taxes, excise taxes, and grants not restricted to specific programs.

Beginning net position of the Town's governmental activities was revised to reflect the implementation of GASB Statement #84 – *Fiduciary Activities*. Previously reported net position was in a deficit position totaling \$16,885,665 and has been revised to a deficit position totaling \$16,773,419 (See Note 16).

**Business-type Activities.** For business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22.4 million at the close of 2021. The following tables summarize results over the last two years.

	2021	2020
<b>Assets:</b>		
Current assets.....	\$ 6,250,254	\$ 8,020,349
Capital assets, non depreciable.....	8,993,146	2,200,991
Capital assets, net of accumulated depreciation....	20,550,679	20,101,428
<b>Total assets.....</b>	<b>35,794,079</b>	<b>30,322,768</b>
<b>Deferred outflows of resources.....</b>	<b>663,842</b>	<b>529,061</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,606,602	623,903
Noncurrent liabilities (excluding debt).....	2,547,125	2,928,305
Current debt.....	3,326,647	1,396,614
Noncurrent debt.....	5,750,225	6,144,184
<b>Total liabilities.....</b>	<b>13,230,599</b>	<b>11,093,006</b>
<b>Deferred inflows of resources.....</b>	<b>830,865</b>	<b>351,642</b>
<b>Net position:</b>		
Net investment in capital assets.....	21,282,547	16,500,145
Unrestricted.....	1,113,910	2,907,036
<b>Total net position.....</b>	<b>\$ 22,396,457</b>	<b>\$ 19,407,181</b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 11,543,454	\$ 11,108,415
Operating grants and contributions.....	176,378	253,900
Capital grants and contributions.....	861,583	1,120,688
<b>General Revenues:</b>		
Boat excise taxes.....	46,639	35,919
Unrestricted investment income.....	8,978	55,879
<b>Total revenues.....</b>	<b>12,637,032</b>	<b>12,574,801</b>
<b>Expenses:</b>		
Water and sewer.....	8,414,375	9,409,825
Skating rink.....	302,371	337,739
Harbor/waterways.....	404,100	426,429
Recreation.....	275,264	375,623
Ferry, tourism and culture.....	393,276	365,976
<b>Total expenses.....</b>	<b>9,789,386</b>	<b>10,915,592</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>2,847,646</b>	<b>1,659,209</b>
<b>Transfers.....</b>	<b>141,630</b>	<b>3,000</b>
<b>Change in net position.....</b>	<b>2,989,276</b>	<b>1,662,209</b>
<b>Net position, beginning of year.....</b>	<b>19,407,181</b>	<b>17,744,972</b>
<b>Net position, end of year.....</b>	<b>\$ 22,396,457</b>	<b>\$ 19,407,181</b>

Business-type net position of \$21.3 million represents the net investment in capital assets, while \$1.1 million is unrestricted. The Town's business-type activities net position increased \$3.0 million in the current year.

The water and sewer enterprise fund net position increased by \$3.2 million during 2021. This increase was primarily due to increased usage and the Town's ability to assess rates that are in line with costs. Also, the fund received \$862,000 of capital contributions in 2021.

The skating rink enterprise fund net position increased by \$14,000. The increase is primary due to the reopening of the skating rink resulting in an increase in operating revenue.

The harbor/waterways and ferry, tourism and culture enterprise fund net position decreased by \$120,000 and \$199,000, respectively. The decrease was the result of a decrease in operating revenue due to the continuing impact from the COVID-19 pandemic.

The recreation enterprise fund net position increased by \$74,000. The increase is primary due to a transfer in of funds from the general fund.

### **Financial Analysis of the Government's Funds**

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

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$15.2 million, of which \$9.4 million is related to the general fund and \$5.8 million is related to nonmajor governmental funds.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$8.1 million while total fund balance was \$9.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 14% of the total general fund budgetary expenditures, while total fund balance represents 16% of that same amount. The general fund balance increased by \$1.1 million during the current year, mainly due to positive budgetary results.

The COVID grants fund had no ending fund balance as of June 30, 2021. The Town received and spent \$2.0 million of COVID-19 related grants in 2021.

The nonmajor funds experienced a decrease of \$1.7 million, which was due to the timing differences between the receipt and expenditure of grant funds.

## **General Fund Budgetary Highlights**

The original 2021 approved budget authorized \$53.8 million in appropriations and other amounts to be raised, as well as \$1.3 million of carryforwards from the prior year. During 2021, the Town Council approved \$2.3 million of supplemental appropriations for a variety of capital purchases, as well as transfers to Town stabilization funds.

Actual revenues received exceeded anticipated amounts by \$481,000 during 2021. Additionally, unexpended appropriations totaled \$1.6 million.

## **Capital Asset and Debt Administration**

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$147.9 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment, vehicles, infrastructure, and other improvements. The primary capital additions during the year were associated with the Miller Field project, Middle/High School project, as well as ongoing water main replacements.

At the end of the year the Town had total bonded debt outstanding of \$52.2 million of which \$45.3 million is related to governmental projects, and \$7.0 million is related to water and sewer enterprise fund.

Additionally, the Town also has \$2.1 million of interim loan notes outstanding with the MCWT.

Please refer to notes 4, 7, and 8 to the financial statements 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 Town of Winthrop'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 Chief Financial Officer, 1 Metcalf Square, Winthrop, Massachusetts 02152.

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***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2021

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 18,177,541	\$ 2,644,599	\$ 20,822,140
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	804,146	-	804,146
Tax liens.....	191,277	-	191,277
Motor vehicle and boat excise taxes.....	460,018	49,682	509,700
User charges.....	-	3,588,420	3,588,420
Intergovernmental.....	266,304	-	266,304
Special assessments.....	-	472	472
Internal balances.....	32,919	(32,919)	-
Total current assets.....	<u>19,932,205</u>	<u>6,250,254</u>	<u>26,182,459</u>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	15,159,993	8,993,146	24,153,139
Capital assets, net of accumulated depreciation.....	<u>103,241,503</u>	<u>20,550,679</u>	<u>123,792,182</u>
Total noncurrent assets.....	<u>118,401,496</u>	<u>29,543,825</u>	<u>147,945,321</u>
<b>TOTAL ASSETS.....</b>	<u><b>138,333,701</b></u>	<u><b>35,794,079</b></u>	<u><b>174,127,780</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	2,456,000	229,000	2,685,000
Deferred outflows related to other postemployment benefits.....	<u>20,927,422</u>	<u>434,842</u>	<u>21,362,264</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<u><b>23,383,422</b></u>	<u><b>663,842</b></u>	<u><b>24,047,264</b></u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,520,222	1,564,514	3,084,736
Accrued payroll.....	402,229	38,535	440,764
Accrued interest.....	406,830	3,553	410,383
Other liabilities.....	176,703	-	176,703
Unearned revenue.....	1,275,013	-	1,275,013
Capital lease obligations.....	151,174	-	151,174
Compensated absences.....	71,000	-	71,000
Notes payable.....	-	2,114,626	2,114,626
Bonds payable.....	<u>2,348,634</u>	<u>1,212,021</u>	<u>3,560,655</u>
Total current liabilities.....	<u>6,351,805</u>	<u>4,933,249</u>	<u>11,285,054</u>
<b>NONCURRENT:</b>			
Capital lease obligations.....	212,622	-	212,622
Compensated absences.....	410,000	-	410,000
Net pension liability.....	435,000	41,000	476,000
Net other postemployment benefits liability.....	120,610,952	2,506,125	123,117,077
Bonds payable.....	<u>42,907,248</u>	<u>5,750,225</u>	<u>48,657,473</u>
Total noncurrent liabilities.....	<u>164,575,822</u>	<u>8,297,350</u>	<u>172,873,172</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>170,927,627</b></u>	<u><b>13,230,599</b></u>	<u><b>184,158,226</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	8,322,000	775,000	9,097,000
Deferred inflows related to other postemployment benefits.....	<u>2,688,607</u>	<u>55,865</u>	<u>2,744,472</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<u><b>11,010,607</b></u>	<u><b>830,865</b></u>	<u><b>11,841,472</b></u>
<b>NET POSITION</b>			
Net investment in capital assets.....	73,626,536	21,282,547	94,909,083
Restricted for:			
Permanent funds:			
Expendable.....	165,045	-	165,045
Nonexpendable.....	674,455	-	674,455
Gifts and grants.....	1,397,601	-	1,397,601
Unrestricted.....	<u>(96,084,748)</u>	<u>1,113,910</u>	<u>(94,970,838)</u>
<b>TOTAL NET POSITION.....</b>	<u><b>\$ (20,221,111)</b></u>	<u><b>\$ 22,396,457</b></u>	<u><b>\$ 2,175,346</b></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	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 4,574,349	\$ 387,023	\$ 915,692	\$ 304,533	\$ (2,967,101)
Public safety.....	10,867,558	1,544,773	787,683	7,000	(8,528,102)
Education.....	47,274,143	338,133	17,191,123	250	(29,744,637)
Public works.....	5,759,492	96,385	360,278	387,573	(4,915,256)
Human services.....	1,041,428	38,995	647,875	31,506	(323,052)
Library.....	740,833	117,378	139,040	29,765	(454,650)
Interest.....	1,268,417	-	-	-	(1,268,417)
<b>Total Governmental Activities.....</b>	<b>71,526,220</b>	<b>2,522,687</b>	<b>20,041,691</b>	<b>760,627</b>	<b>(48,201,215)</b>
<i>Business-Type Activities:</i>					
Water & sewer.....	8,414,375	10,763,713	-	861,583	3,210,921
Skating rink.....	302,371	316,585	-	-	14,214
Harbor/Waterways.....	404,100	222,206	15,378	-	(166,516)
Recreation.....	275,264	207,223	-	-	(68,041)
Ferry, tourism and culture.....	393,276	33,727	161,000	-	(198,549)
<b>Total Business-Type Activities.....</b>	<b>9,789,386</b>	<b>11,543,454</b>	<b>176,378</b>	<b>861,583</b>	<b>2,792,029</b>
<b>Total Primary Government.....</b>	<b>\$ 81,315,606</b>	<b>\$ 14,066,141</b>	<b>\$ 20,218,069</b>	<b>\$ 1,622,210</b>	<b>\$ (45,409,186)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(48,201,215)</b>	\$ <b>2,792,029</b>	\$ <b>(45,409,186)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	34,823,396	-	34,823,396
Tax liens.....	204,819	-	204,819
Motor vehicle and boat excise taxes.....	2,297,961	46,639	2,344,600
Hotel/motel tax.....	27,715	-	27,715
Meals tax.....	196,100	-	196,100
Penalties and interest on taxes.....	207,987	-	207,987
Grants and contributions not restricted to specific programs.....	7,071,124	-	7,071,124
Unrestricted investment income.....	66,051	8,978	75,029
<i>Transfers, net</i> .....	<u>(141,630)</u>	<u>141,630</u>	<u>-</u>
Total general revenues and transfers.....	<u>44,753,523</u>	<u>197,247</u>	<u>44,950,770</u>
Change in net position.....	(3,447,692)	2,989,276	(458,416)
<i>Net position:</i>			
Beginning of year (As revised).....	<u>(16,773,419)</u>	<u>19,407,181</u>	<u>2,633,762</u>
End of year..... \$	<u><u>(20,221,111)</u></u>	<u><u>22,396,457</u></u>	<u><u>2,175,346</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2021

	General	COVID Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 10,782,967	\$ 1,069,324	\$ 6,325,250	\$ 18,177,541
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	804,146	-	-	804,146
Tax liens.....	191,277	-	-	191,277
Motor vehicle and other excise taxes.....	460,018	-	-	460,018
Intergovernmental.....	-	258,982	7,322	266,304
Due from other funds.....	32,919	-	-	32,919
<b>TOTAL ASSETS.....</b>	<b>\$ 12,271,327</b>	<b>\$ 1,328,306</b>	<b>\$ 6,332,572</b>	<b>\$ 19,932,205</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 998,903	\$ 50,011	\$ 471,308	\$ 1,520,222
Accrued payroll.....	352,733	3,282	46,214	402,229
Other liabilities.....	171,703	-	5,000	176,703
Unearned revenue.....	-	1,275,013	-	1,275,013
<b>TOTAL LIABILITIES.....</b>	<b>1,523,339</b>	<b>1,328,306</b>	<b>522,522</b>	<b>3,374,167</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	1,301,759	-	7,322	1,309,081
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	674,455	674,455
Restricted.....	-	-	5,128,273	5,128,273
Committed.....	549,306	-	-	549,306
Assigned.....	756,110	-	-	756,110
Unassigned.....	8,140,813	-	-	8,140,813
<b>TOTAL FUND BALANCES.....</b>	<b>9,446,229</b>	<b>-</b>	<b>5,802,728</b>	<b>15,248,957</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 12,271,327</b>	<b>\$ 1,328,306</b>	<b>\$ 6,332,572</b>	<b>\$ 19,932,205</b>

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.....		\$ 15,248,957
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		118,401,496
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		1,309,081
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.....		12,372,815
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(406,830)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(45,255,882)	
Net pension liability.....	(435,000)	
Net other postemployment benefits liability.....	(120,610,952)	
Capital lease obligations.....	(363,796)	
Compensated absences.....	(481,000)	
Net effect of reporting long-term liabilities.....		<u>(167,146,630)</u>
Net position of governmental activities.....		<u>\$ (20,221,111)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	General	COVID Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 35,061,125	\$ -	\$ -	\$ 35,061,125
Tax liens.....	148,531	-	-	148,531
Motor vehicle and boat excise taxes.....	2,153,994	-	-	2,153,994
Hotel/motel tax.....	27,715	-	-	27,715
Meals tax.....	196,100	-	-	196,100
Charges for services.....	-	-	1,212,924	1,212,924
Penalties and interest on taxes.....	165,267	-	-	165,267
Fees and rentals.....	434,428	-	5,259	439,687
Licenses and permits.....	474,391	-	-	474,391
Fines and forfeitures.....	137,690	-	-	137,690
Intergovernmental - Teachers Retirement.....	6,730,232	-	-	6,730,232
Intergovernmental - other.....	14,445,227	1,987,518	4,625,598	21,058,343
Departmental and other.....	118,345	-	294,220	412,565
Contributions and donations.....	-	-	142,388	142,388
Investment income.....	59,093	-	6,958	66,051
<b>TOTAL REVENUES.....</b>	<b>60,152,138</b>	<b>1,987,518</b>	<b>6,287,347</b>	<b>68,427,003</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	2,394,273	335,012	495,085	3,224,370
Public safety.....	7,006,778	344,558	1,026,613	8,377,949
Education.....	23,098,038	903,657	4,088,599	28,090,294
Public works.....	4,190,215	95,446	2,021,912	6,307,573
Human services.....	399,817	333,123	104,600	837,540
Library.....	377,046	7,078	160,341	544,465
Pension benefits.....	3,330,459	-	-	3,330,459
Pension benefits - Teachers Retirement.....	6,730,232	-	-	6,730,232
Employee benefits.....	6,301,398	-	-	6,301,398
State and county charges.....	897,898	-	-	897,898
Capital outlay.....	387,555	-	-	387,555
Debt service:				
Principal.....	2,490,000	-	-	2,490,000
Interest.....	1,662,250	-	-	1,662,250
<b>TOTAL EXPENDITURES.....</b>	<b>59,265,959</b>	<b>2,018,874</b>	<b>7,897,150</b>	<b>69,181,983</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>886,179</b>	<b>(31,356)</b>	<b>(1,609,803)</b>	<b>(754,980)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds.....	-	-	201,018	201,018
Transfers in.....	319,366	-	63,571	382,937
Transfers out.....	(141,630)	-	(382,937)	(524,567)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>177,736</b>	<b>-</b>	<b>(118,348)</b>	<b>59,388</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,063,915</b>	<b>(31,356)</b>	<b>(1,728,151)</b>	<b>(695,592)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR (AS REVISED)....</b>	<b>8,382,314</b>	<b>31,356</b>	<b>7,530,879</b>	<b>15,944,549</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 9,446,229</b>	<b>\$ -</b>	<b>\$ 5,802,728</b>	<b>\$ 15,248,957</b>

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.....		\$ (695,592)
<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.....	3,758,030	
Depreciation expense.....	<u>(4,213,897)</u>	
Net effect of reporting capital assets.....		(455,867)
<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>		
		(206,845)
<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.....	147,002	
Premium from issuance of bonds.....	(201,018)	
Debt service principal payments.....	<u>2,490,000</u>	
Net effect of reporting long-term debt.....		2,435,984
<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.....	8,000	
Net change in accrued interest on long-term debt.....	24,691	
Net amortization of premium from issuance of bonds.....	369,142	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(4,165,000)	
Net change in net pension liability.....	7,472,000	
Net change in deferred outflow/(inflow) of resources related to OPEB.....	5,694,027	
Net change in net other postemployment benefits liability.....	<u>(13,928,232)</u>	
Net effect of recording long-term liabilities.....		<u>(4,525,372)</u>
Change in net position of governmental activities.....		<u>\$ (3,447,692)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2021

Business-type Activities - Enterprise Funds						
	Water and Sewer	Skating Rink	Harbor/ Waterways	Recreation	Ferry, Tourism and Culture	Total
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....	\$ 2,374,632	\$ 60,678	\$ 179,708	\$ -	\$ 29,581	\$ 2,644,599
Receivables, net of allowance for uncollectibles:						
Boat excise tax.....	-	-	49,682	-	-	49,682
User charges.....	3,588,420	-	-	-	-	3,588,420
Special assessments.....	472	-	-	-	-	472
<b>Total current assets.....</b>	<b>5,963,524</b>	<b>60,678</b>	<b>229,390</b>	<b>-</b>	<b>29,581</b>	<b>6,283,173</b>
<b>NONCURRENT:</b>						
Capital assets, non depreciable.....	8,993,146	-	-	-	-	8,993,146
Capital assets, net of accumulated depreciation.....	14,695,861	1,404,337	3,619,173	381,496	449,812	20,550,679
<b>Total noncurrent assets.....</b>	<b>23,689,007</b>	<b>1,404,337</b>	<b>3,619,173</b>	<b>381,496</b>	<b>449,812</b>	<b>29,543,825</b>
<b>TOTAL ASSETS.....</b>	<b>29,652,531</b>	<b>1,465,015</b>	<b>3,848,563</b>	<b>381,496</b>	<b>479,393</b>	<b>35,826,998</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions.....	172,000	24,000	-	33,000	-	229,000
Deferred outflows related to other postemployment benefits.....	306,544	43,462	-	84,836	-	434,842
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>478,544</b>	<b>67,462</b>	<b>-</b>	<b>117,836</b>	<b>-</b>	<b>663,842</b>
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	1,559,038	1,209	804	-	3,463	1,564,514
Accrued payroll.....	19,846	2,753	3,584	6,380	5,972	38,535
Due to other funds.....	-	-	-	32,919	-	32,919
Accrued interest.....	3,553	-	-	-	-	3,553
Notes payable.....	2,114,626	-	-	-	-	2,114,626
Bonds payable.....	1,212,021	-	-	-	-	1,212,021
<b>Total current liabilities.....</b>	<b>4,909,084</b>	<b>3,962</b>	<b>4,388</b>	<b>39,299</b>	<b>9,435</b>	<b>4,966,168</b>
<b>NONCURRENT:</b>						
Net pension liability.....	30,000	4,000	-	7,000	-	41,000
Net other postemployment benefits liability.....	1,766,705	250,483	-	488,937	-	2,506,125
Bonds payable.....	5,750,225	-	-	-	-	5,750,225
<b>Total noncurrent liabilities.....</b>	<b>7,546,930</b>	<b>254,483</b>	<b>-</b>	<b>495,937</b>	<b>-</b>	<b>8,297,350</b>
<b>TOTAL LIABILITIES.....</b>	<b>12,456,014</b>	<b>258,445</b>	<b>4,388</b>	<b>535,236</b>	<b>9,435</b>	<b>13,263,518</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions.....	585,000	80,000	-	110,000	-	775,000
Deferred inflows related to other postemployment benefits.....	39,382	5,584	-	10,899	-	55,865
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>624,382</b>	<b>85,584</b>	<b>-</b>	<b>120,899</b>	<b>-</b>	<b>830,865</b>
<b>NET POSITION</b>						
Net investment in capital assets.....	15,427,729	1,404,337	3,619,173	381,496	449,812	21,282,547
Unrestricted.....	1,622,950	(215,889)	225,002	(538,299)	20,146	1,113,910
<b>TOTAL NET POSITION.....</b>	<b>\$ 17,050,679</b>	<b>\$ 1,188,448</b>	<b>\$ 3,844,175</b>	<b>\$ (156,803)</b>	<b>\$ 469,958</b>	<b>\$ 22,396,457</b>

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						
	Water and Sewer	Skating Rink	Harbor/ Waterways	Recreation	Ferry, Tourism and Culture	Total
<b>OPERATING REVENUES:</b>						
Charges for services.....	\$ 10,763,713	\$ 316,585	\$ 222,206	\$ 207,223	\$ 33,727	\$ 11,543,454
Boat excise revenue.....	-	-	46,639	-	-	46,639
Intergovernmental.....	-	-	15,378	-	161,000	176,378
<b>TOTAL OPERATING REVENUES</b> .....	<b>10,763,713</b>	<b>316,585</b>	<b>284,223</b>	<b>207,223</b>	<b>194,727</b>	<b>11,766,471</b>
<b>OPERATING EXPENSES:</b>						
Cost of services and administration.....	2,235,429	243,874	245,292	263,138	293,318	3,281,051
MWRA assessment.....	5,673,328	-	-	-	-	5,673,328
Depreciation.....	488,957	56,971	157,791	12,126	99,958	815,803
<b>TOTAL OPERATING EXPENSES</b> .....	<b>8,397,714</b>	<b>300,845</b>	<b>403,083</b>	<b>275,264</b>	<b>393,276</b>	<b>9,770,182</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>2,365,999</b>	<b>15,740</b>	<b>(118,860)</b>	<b>(68,041)</b>	<b>(198,549)</b>	<b>1,996,289</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income.....	8,978	-	-	-	-	8,978
Interest expense.....	(16,661)	(1,526)	(1,017)	-	-	(19,204)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>(7,683)</b>	<b>(1,526)</b>	<b>(1,017)</b>	<b>-</b>	<b>-</b>	<b>(10,226)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b> .....	<b>2,358,316</b>	<b>14,214</b>	<b>(119,877)</b>	<b>(68,041)</b>	<b>(198,549)</b>	<b>1,986,063</b>
<b>CAPITAL CONTRIBUTIONS</b> .....	<b>861,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>861,583</b>
<b>TRANSFERS:</b>						
Transfers in.....	-	-	-	141,630	-	141,630
<b>CHANGE IN NET POSITION</b> .....	<b>3,219,899</b>	<b>14,214</b>	<b>(119,877)</b>	<b>73,589</b>	<b>(198,549)</b>	<b>2,989,276</b>
<b>NET POSITION AT BEGINNING OF YEAR</b> .....	<b>13,830,780</b>	<b>1,174,234</b>	<b>3,964,052</b>	<b>(230,392)</b>	<b>668,507</b>	<b>19,407,181</b>
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 17,050,679</b>	<b>\$ 1,188,448</b>	<b>\$ 3,844,175</b>	<b>\$ (156,803)</b>	<b>\$ 469,958</b>	<b>\$ 22,396,457</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2021**

Business-type Activities - Enterprise Funds

	Water and Sewer	Skating Rink	Harbor/ Waterways	Recreation	Ferry, Tourism and Culture	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users.....	\$ 10,980,715	\$ 316,585	\$ 323,244	\$ 119,853	\$ 33,727	\$ 11,774,124
Receipts from other governments.....	-	-	15,378	-	161,000	176,378
Payments to vendors.....	(6,299,710)	(139,193)	(91,070)	(84,732)	(157,470)	(6,772,175)
Payments to employees.....	(1,053,222)	(110,755)	(160,013)	(176,751)	(131,308)	(1,632,049)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>3,627,783</b>	<b>66,637</b>	<b>87,539</b>	<b>(141,630)</b>	<b>(94,051)</b>	<b>3,546,278</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in.....	-	-	-	141,630	-	141,630
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from the issuance of bonds and notes.....	2,932,688	-	-	-	-	2,932,688
Capital contributions.....	861,583	-	-	-	-	861,583
Acquisition and construction of capital assets.....	(7,734,820)	-	-	-	-	(7,734,820)
Principal payments on bonds and notes.....	(1,286,614)	(60,000)	(50,000)	-	-	(1,396,614)
Interest expense.....	(13,094)	(2,220)	(1,850)	-	-	(17,164)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(5,240,257)</b>	<b>(62,220)</b>	<b>(51,850)</b>	<b>-</b>	<b>-</b>	<b>(5,354,327)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income.....	8,978	-	-	-	-	8,978
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(1,603,496)</b>	<b>4,417</b>	<b>35,689</b>	<b>-</b>	<b>(94,051)</b>	<b>(1,657,441)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>3,978,128</b>	<b>56,261</b>	<b>144,019</b>	<b>-</b>	<b>123,632</b>	<b>4,302,040</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 2,374,632</b>	<b>\$ 60,678</b>	<b>\$ 179,708</b>	<b>\$ -</b>	<b>\$ 29,581</b>	<b>\$ 2,644,599</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>						
<b>FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 2,365,999	\$ 15,740	\$ (118,860)	\$ (68,041)	\$ (198,549)	\$ 1,996,289
Adjustments to reconcile operating income to net cash from operating activities:						
Depreciation.....	488,957	56,971	157,791	12,126	99,958	815,803
Deferred (outflows)/inflows related to pensions.....	294,000	42,000	-	56,000	-	392,000
Deferred (outflows)/inflows related to OPEB.....	(83,854)	(11,889)	-	(23,206)	-	(118,949)
Changes in assets and liabilities:						
User charges.....	217,002	-	-	-	-	217,002
Boat excise receivable.....	-	-	(16,992)	-	-	(16,992)
Warrants payable.....	668,146	(3,210)	(143)	(1,700)	(427)	662,666
Accrued payroll.....	(6,302)	558	(5,648)	2,043	4,967	(4,382)
Due to other funds.....	-	-	-	(87,370)	-	(87,370)
Other liabilities.....	-	-	71,391	-	-	71,391
Net pension liability.....	(524,000)	(63,000)	-	(89,000)	-	(676,000)
Net OPEB liability.....	207,835	29,467	-	57,518	-	294,820
<b>Total adjustments.....</b>	<b>1,261,784</b>	<b>50,897</b>	<b>206,399</b>	<b>(73,589)</b>	<b>104,498</b>	<b>1,549,989</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 3,627,783</b>	<b>\$ 66,637</b>	<b>\$ 87,539</b>	<b>\$ (141,630)</b>	<b>\$ (94,051)</b>	<b>\$ 3,546,278</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Acquisition of capital assets on account.....	\$ 322,389	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 659,386	\$ 807,702
Investments:		
Pension Reserve Investment Trust.....	88,624,759	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	80,911	-
<b>TOTAL ASSETS</b> .....	<b>89,365,056</b>	<b>807,702</b>
<b>NET POSITION</b>		
Restricted for pensions.....	89,021,320	-
Restricted for other postemployment benefits.....	343,736	-
Held in trust for other purposes.....	-	807,702
<b>TOTAL NET POSITION</b> .....	<b>\$ 89,365,056</b>	<b>\$ 807,702</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer contributions.....	\$ 3,796,466	\$ -
Employer contributions for other postemployment benefit payments...	2,871,278	-
Employee contributions.....	1,299,330	-
Employee contributions - transfers from other systems.....	39,855	-
3(8)c contributions from other systems.....	110,211	-
Member makeup payments and redeposits.....	1,534	-
Private donations.....	31,724	76,614
<b>Total contributions.....</b>	<b>8,150,398</b>	<b>76,614</b>
Net investment income:		
Investment income.....	9,812,906	3,466
Less: investment expense.....	(381,357)	-
<b>Net investment income (loss).....</b>	<b>9,431,549</b>	<b>3,466</b>
<b>TOTAL ADDITIONS.....</b>	<b>17,581,947</b>	<b>80,080</b>
<b>DEDUCTIONS:</b>		
Administration.....	156,376	-
Transfers to other systems.....	152,713	-
3(8)c transfer to other systems.....	361,147	-
Retirement benefits and refunds.....	4,758,442	-
Other postemployment benefit payments.....	2,871,278	-
Educational scholarships.....	-	78,785
<b>TOTAL DEDUCTIONS.....</b>	<b>8,299,956</b>	<b>78,785</b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b>9,281,991</b>	<b>1,295</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>80,083,065</b>	<b>806,407</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 89,365,056</b>	<b>\$ 807,702</b>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Winthrop, Massachusetts (Town) 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 Town accounting policies are described herein.

**A. Reporting Entity**

The Town is a municipal corporation that is governed by an elected Town Council. As required by GAAP, these basic financial statements present the government and its component units, entities for which the Town is considered to be financially accountable.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town 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 Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

*Component Unit Presented as a Fiduciary Fund* – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of relationship between the Town and the component unit.

The Winthrop Contributory Retirement System (the System) was established to provide retirement benefits to Town employees and their beneficiaries. The System is governed by a five-member board comprised of the CFO of the Town (ex-officio), two members elected by the System's participants, one member appointed by the Town Council and one member appointed by the other board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 1 Metcalf Square, Winthrop, Massachusetts, 02152.

***Joint Ventures***

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town has entered into a joint venture with the Cities of Woburn, Chelsea, Malden, and Revere and the Towns of Melrose, North Reading, Saugus, Stoneham, Wakefield and Winchester to pool resources and share the costs, risks and rewards of providing vocational education through the Northeast Metropolitan Regional Vocational School District (NMRS). The Town's assessment for 2021 was \$727,150. Stand-alone financial statements for the year ended June 30, 2021, are available at Northeast Metropolitan Regional Vocational School District, 100 Hemlock Road, Wakefield, Massachusetts 01880.

The Town is a member of the Metro North Regional Emergency Communications Center that provides for the operations and maintenance of a regional public safety communications and dispatch center. The members share in the operations of the Center and each member is responsible for its proportionate share of the operational and capital cost of the Center, which are paid in the form of assessments. The Town does not have an equity interest in the Center and the 2021 assessment was \$322,708. The Center does not issue a publicly available financial report.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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. However, the net effect of interfund services provided and used between functions is not eliminated as the 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, 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 *COVID grants fund* is used to account for and report the proceeds of COVID-19 related grants that are restricted for expenditures related to the COVID-19 pandemic.

The nonmajor governmental funds consist of 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 project.

The *capital projects fund* is used to account for financial 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 nonoperating 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 nonoperating revenues and expenses.

The water & sewer, skating rink, harbor/waterways, recreation, and ferry, tourism and culture enterprise funds are utilized to account for user fees/charges collected to finance costs associated with the respective activities.

**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 *pension and other employee benefits trust fund* is used to account for retirement resources held in trust for members of the Winthrop Contributory Retirement System, as well as resources held in trust for future costs associated with other postemployment benefits.

The *private purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### 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 Town 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 Town'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 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate tax liens are processed by the last day in September following the last billing cycle on delinquent properties. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed. Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

**Motor Vehicle and Boat Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town 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. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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

**Water and Sewer Fees**

User fees are levied quarterly 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 in December of 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 consist of receivables related to the System and are recorded as receivables in the year accrued.

The allowance of 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 \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) 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>
Buildings and improvements.....	20-40
Park and land improvements.....	20
Equipment.....	5-10
Vehicles.....	5-15
Infrastructure.....	20-50

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 Town has reported deferred outflows of resources related to pensions and OPEB 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 Town has reported deferred inflows of resources related to pensions and OPEB 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 Town has recorded unavailable revenue as deferred inflows of resources in the governmental fund balance sheet.

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

#### 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 reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts that 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 donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts and grants” represents restrictions placed on assets from outside parties such as state and federal grants.

Sometimes the Town 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 Town’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 are 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 town meeting. Town meeting can, by adoption of a Town Council Meeting warrant article, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s Chief Financial Officer is authorized to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“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 Town’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 statement 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 Winthrop Contributory Retirement 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).

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

#### 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 upon maturity of the liability.

## 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 combined 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.

The Retirement System participates, as a Participating member, in the Pension Reserves Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from 0.19 to 16.28 years.

MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At year-end, the carrying amount of deposits totaled \$13,002,568 and the bank balance totaled \$13,846,077. Of the bank balance, \$750,000 was covered by Federal Depository Insurance, \$10,288,817 was covered by the Depositors Insurance Fund (DIF) and \$2,807,260 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Town has not adopted a formal investment policy related to custodial credit risk of deposits.

The Town maintains a policy that addresses the custodial credit risk of deposits. The Town Treasurer performs a quarterly analysis, using a commercially available bank rating service, of the performance of banking institutions that have custody of Town deposits. The Town will only utilize banks that maintain the highest possible performance rating; however, additional factors such as yield, liquidity and safety of principle may cause the Town to deposit funds with institutions that have not achieved the highest possible performance rating. In those instances, the Town Treasurer will obtain appropriate account collateralization to ensure the safety of Town funds. In lieu of obtaining account collateralization, the Town Treasurer may opt to move Town deposits to an institution that has achieved the highest possible performance rating.

At December 31, 2020, the carrying amount of deposits for the System totaled \$315,650 and the bank balance totaled \$400,487 all of which was covered by Federal Depository Insurance.

Investments

As of June 30, 2021, the Town had \$8,971,010 invested in MMDT.

As of December 31, 2020, the System had the \$88,624,759 invested in the PRIT fund.

Custodial Credit Risk – Investments

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

Neither the Town nor the System is subject to custodial credit risk exposure for investments at year end.

The Town has not adopted a formal investment policy related to custodial credit risk for investments.

The System has not adopted a formal investment policy related to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates for most investment types; however, at June 30, 2021, the Town did not have any investments that were subject to interest rate risk.

The System does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. However, when managing assets the System at all times

must be in accordance with the provisions of the Public Employee Retirement Administration Commission (PERAC), the Employee Retirement Income Security Act (ERISA), and the Department of Labor regulations.

#### Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations.

The Town does not have a formal investment policy regarding credit risk. The Town's investment is MMDT is unrated.

The System has not adopted a formal policy related to credit risk. At December 31, 2020 the System does not have any investments that are subject to credit risk.

#### Concentration of Credit Risk

The Town has not adopted a policy on the amount that may be invested in any one issuer.

The System has not adopted a formal policy related to the amount that may be invested in any one issuer.

#### Fair Value Measurement

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a narrative format for the fair value disclosure.

The Town 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.

As of June 30, 2021, the Town had a balance in the MMDT cash portfolio of \$8,971,010. 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.

#### **Retirement System**

At December 31, 2020, the System's investments in PRIT totaled \$88,624,759. PRIT investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

**NOTE 3 – RECEIVABLES**

At June 30, 2021, receivables for the individual major and nonmajor governmental funds, 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.....	\$ 804,146	\$ -	\$ 804,146
Tax liens.....	191,277	-	191,277
Motor vehicle and boat excise taxes.....	622,826	(162,808)	460,018
Intergovernmental.....	266,304	-	266,304
 Total.....	 \$ 1,884,553	 \$ (162,808)	 \$ 1,721,745

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water and sewer.....	\$ 3,588,892	\$ -	\$ 3,588,892
Harbor/Waterways.....	49,682	-	49,682
 Total.....	 \$ 3,638,574	 \$ -	 \$ 3,638,574

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.....	\$ 650,464	\$ -	\$ 650,464
Tax liens.....	191,277	-	191,277
Motor vehicle and boat excise taxes.....	460,018	-	460,018
Intergovernmental.....	-	7,322	7,322
 Total.....	 \$ 1,301,759	 \$ 7,322	 \$ 1,309,081

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,694,967	\$ -	\$ -	\$ 4,694,967
Construction in progress.....	8,928,567	1,641,436	(104,977)	10,465,026
Total capital assets not being depreciated....	13,623,534	1,641,436	(104,977)	15,159,993
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	118,175,241	73,895	-	118,249,136
Machinery and equipment.....	2,396,537	-	(185,365)	2,211,172
Vehicles.....	3,835,819	1,374,493	(54,641)	5,155,671
Infrastructure.....	22,883,558	773,183	-	23,656,741
Total capital assets being depreciated.....	147,291,155	2,221,571	(240,006)	149,272,720
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(26,761,624)	(3,191,416)	-	(29,953,040)
Machinery and equipment.....	(1,520,615)	(189,893)	185,365	(1,525,143)
Vehicles.....	(2,833,336)	(444,788)	54,641	(3,223,483)
Infrastructure.....	(10,941,751)	(387,800)	-	(11,329,551)
Total accumulated depreciation.....	(42,057,326)	(4,213,897)	240,006	(46,031,217)
Total capital assets being depreciated, net.....	105,233,829	(1,992,326)	-	103,241,503
Total governmental activities capital assets, net.....	\$ 118,857,363	\$ (350,890)	\$ (104,977)	\$ 118,401,496
<b>Water and Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 50,882	\$ -	\$ -	\$ 50,882
Construction in progress.....	2,150,109	7,331,377	(539,222)	8,942,264
Total capital assets not being depreciated....	2,200,991	7,331,377	(539,222)	8,993,146
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	1,264,548	-	(27,751)	1,236,797
Vehicles.....	443,982	-	(143,390)	300,592
Infrastructure.....	17,357,441	1,265,054	-	18,622,495
Total capital assets being depreciated.....	19,065,971	1,265,054	(171,141)	20,159,884
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(606,522)	(123,680)	27,751	(702,451)
Vehicles.....	(327,229)	(35,918)	143,390	(219,757)
Infrastructure.....	(4,212,456)	(329,359)	-	(4,541,815)
Total accumulated depreciation.....	(5,146,207)	(488,957)	171,141	(5,464,023)
Total capital assets being depreciated, net.....	13,919,764	776,097	-	14,695,861
Total water and sewer activities capital assets, net. \$	16,120,755	\$ 8,107,474	\$ (539,222)	\$ 23,689,007

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Skating Rink:</b>				
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 2,524,483	\$ -	\$ -	\$ 2,524,483
Machinery and equipment.....	127,838	-	-	127,838
Total capital assets being depreciated.....	<u>2,652,321</u>	<u>-</u>	<u>-</u>	<u>2,652,321</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(1,110,253)	(49,717)	-	(1,159,970)
Machinery and equipment.....	(80,760)	(7,254)	-	(88,014)
Total accumulated depreciation.....	<u>(1,191,013)</u>	<u>(56,971)</u>	<u>-</u>	<u>(1,247,984)</u>
Total skating rink activities capital assets, net....	<u>\$ 1,461,308</u>	<u>\$ (56,971)</u>	<u>\$ -</u>	<u>\$ 1,404,337</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Harbor/Waterways:</b>				
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 709,952	\$ -	\$ -	\$ 709,952
Machinery and equipment.....	136,011	-	-	136,011
Vehicles.....	309,409	-	(12,000)	297,409
Infrastructure.....	4,119,684	-	-	4,119,684
Total capital assets being depreciated.....	<u>5,275,056</u>	<u>-</u>	<u>(12,000)</u>	<u>5,263,056</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(150,666)	(17,749)	-	(168,415)
Machinery and equipment.....	(67,559)	(12,451)	-	(80,010)
Vehicles.....	(173,451)	(33,707)	12,000	(195,158)
Infrastructure.....	(1,106,416)	(93,884)	-	(1,200,300)
Total accumulated depreciation.....	<u>(1,498,092)</u>	<u>(157,791)</u>	<u>12,000</u>	<u>(1,643,883)</u>
Total harbor/waterways activities capital assets, net....	<u>\$ 3,776,964</u>	<u>\$ (157,791)</u>	<u>\$ -</u>	<u>\$ 3,619,173</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Recreation:</b>				
<u>Capital assets being depreciated:</u>				
Other improvements.....	\$ 558,622	\$ -	\$ -	\$ 558,622
Vehicles.....	23,689	-	-	23,689
Total capital assets being depreciated.....	<u>582,311</u>	<u>-</u>	<u>-</u>	<u>582,311</u>
<u>Less accumulated depreciation for:</u>				
Other improvements.....	(165,000)	(12,126)	-	(177,126)
Vehicles.....	(23,689)	-	-	(23,689)
Total accumulated depreciation.....	<u>(188,689)</u>	<u>(12,126)</u>	<u>-</u>	<u>(200,815)</u>
Total recreation activities capital assets, net.....	<u>\$ 393,622</u>	<u>\$ (12,126)</u>	<u>\$ -</u>	<u>\$ 381,496</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Ferry, Tourism and Culture:</b>				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 999,583	\$ -	\$ -	\$ 999,583
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(449,813)	(99,958)	-	(549,771)
Total ferry, tourism and culture activities capital assets, net.....	\$ 549,770	\$ (99,958)	\$ -	\$ 449,812

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

<b>Governmental Activities:</b>	
General government.....	\$ 74,036
Public safety.....	254,339
Education.....	3,012,305
Public works.....	831,114
Human services.....	19,607
Library.....	22,496
Total depreciation expense - governmental activities.....	\$ 4,213,897
<b>Business-Type Activities:</b>	
Water and sewer.....	\$ 488,957
Rink.....	56,971
Harbor/Waterways.....	157,791
Recreation.....	12,126
Ferry, tourism and culture.....	99,958
Total depreciation expense - business-type activities.....	\$ 815,803

**NOTE 5 – TRANSFERS**

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

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Recreation Enterprise fund	
General Fund.....	\$ -	\$ -	\$ 141,630	\$ 141,630 (1)
Nonmajor Governmental Funds.....	319,366	63,571	-	382,937 (2)
Total.....	\$ 319,366	\$ 63,571	\$ 141,630	\$ 524,567

- (1) Budgeted transfers from the general fund to the recreation enterprise fund.
- (2) Budgeted transfers from various special revenue and revolving funds to the general fund for cemetery lots, as well as a transfer between grant funds.

**NOTE 6 – CAPITAL LEASES**

The Town has entered into lease agreements as lessee for a fire pumper truck, iPad tablets, school vehicles, as well as for a number of other equipment purchases. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 1,399,021
Vehicles.....	980,108
Less: accumulated depreciation.....	<u>(1,840,487)</u>
 Total.....	 \$ <u>538,642</u>

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

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2022.....	\$ 161,236
2023.....	77,003
2024.....	77,003
2025.....	<u>69,149</u>
 Total minimum lease payments.....	 384,391
 Less: amounts representing interest.....	 <u>(20,595)</u>
 Present value of minimum lease payments... \$	 <u>363,796</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 respectively.

The Town had the following short-term debt outstanding at year end:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
<b>Governmental Funds:</b>							
BAN	Municipal Purpose.....	1.45%	11/12/20	\$ 167,000	\$ -	\$ (167,000)	\$ -
<b>Enterprise Funds:</b>							
BAN	Municipal Purpose.....	1.45%	11/12/20	118,000	-	(118,000)	-
ILN	MCWT Interim Loan.....	0.00%	On Demand	-	2,114,626	-	2,114,626
	Total enterprise funds.....			118,000	2,114,626	(118,000)	2,114,626
	Total.....			\$ 285,000	\$ 2,114,626	\$ (285,000)	\$ 2,114,626

The Town entered into an interim loan with the Massachusetts Clean Water Trust (MCWT) in 2021 totaling \$7,786,451. In 2021, the Town incurred \$2,628,532 of eligible construction costs related to the project and has received interim loan proceeds in the amount of \$2,114,626. The drawdowns of the interim loan proceeds have been classified as a short term note in the proprietary fund financial statements. Upon conclusion of the related construction project, the MCWT will finalize the loan and will issue a new note on a long-term basis.

**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 on the following pages.

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<b>General Obligation Bonds:</b>				
Municipal Purpose Bonds of 2015.....	2040	36,033,000	2.00-5.00	\$ 30,530,000
Municipal Purpose Refunding Bonds of 2015.....	2025	2,903,000	2.00-4.00	1,265,000
Municipal Purpose Bonds of 2017.....	2031	13,445,000	2.00-4.00	11,155,000
Municipal Purpose Bonds of 2020.....	2030	1,098,000	4.00	<u>1,098,000</u>
Total Bonds Payable.....				44,048,000
Add: Unamortized premium on bonds.....				<u>1,207,882</u>
Total Bonds Payable, net.....				<u>\$ 45,255,882</u>

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

Year	General Obligation Bonds		
	Principal	Interest	Total
2022.....	\$ 2,193,000	\$ 1,632,759	\$ 3,825,759
2023.....	2,315,000	1,521,804	3,836,804
2024.....	2,410,000	1,420,028	3,830,028
2025.....	2,505,000	1,324,777	3,829,777
2026.....	2,290,000	1,213,952	3,503,952
2027.....	2,380,000	1,111,677	3,491,677
2028.....	2,475,000	1,015,152	3,490,152
2029.....	2,555,000	929,502	3,484,502
2030.....	2,635,000	839,827	3,474,827
2031.....	2,595,000	748,508	3,343,508
2032.....	2,620,000	657,251	3,277,251
2033.....	1,890,000	580,853	2,470,853
2034.....	1,950,000	518,814	2,468,814
2035.....	2,020,000	452,246	2,472,246
2036.....	2,085,000	381,864	2,466,864
2037.....	2,160,000	307,989	2,467,989
2038.....	2,240,000	230,968	2,470,968
2039.....	2,320,000	147,700	2,467,700
2040.....	<u>2,410,000</u>	<u>57,688</u>	<u>2,467,688</u>
Total.....	<u>\$ 44,048,000</u>	<u>\$ 15,093,359</u>	<u>\$ 59,141,359</u>

**Bonds and Notes Payable Schedule – Enterprise Funds**

The Town is a member of the Massachusetts Water Resources Authority (MWRA) which offers its members interest free loans for various purposes. The majority of the Town’s Water & Sewer Enterprise Fund debt is issued through this program. The interest imputed on the remaining life of the 0% MWRA bonds is immaterial to the financial statements and therefore no adjustments have been made to recognize the imputed interest.

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant, a loan and a grant to forgive interest on the loan. The loan portion is payable in either five or ten equal annual installments. At June 30, 2021, the outstanding principal amount of these loans totaled \$6,650,246.

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
<b>Water and Sewer:</b>				
MWRA Water Bonds of 2012.....	2022	\$ 1,704,600	0.00	\$ 170,460
MWRA Water Bonds of 2013.....	2023	750,000	0.00	150,000
MWRA Water Bonds of 2014.....	2024	275,000	0.00	82,500
MWRA Water Bonds of 2015.....	2025	2,287,000	0.00	914,800
MWRA Water Bonds of 2017.....	2028	2,159,000	0.00	1,511,300
MWRA Water Bonds of 2018.....	2028	2,244,000	0.00	1,570,800
MWRA Water Bonds of 2019.....	2029	487,850	0.00	390,280
MWRA Water Bonds of 2020.....	2030	690,000	0.00	621,000
MWRA Water Bonds of 2021.....	2031	750,000	0.00	750,000
MWRA Sewer Bonds of 2016.....	2026	106,750	0.00	53,375
MWRA Sewer Bonds of 2019.....	2023	64,875	0.00	38,925
MWRA Sewer Bonds of 2020.....	2030	373,563	0.00	328,744
MWRA Sewer Bonds of 2021.....	2031	68,063	0.00	68,062
Total Direct Borrowings.....				6,650,246
Municipal Purpose Bonds of 2020.....	2031	312,000	3.00-4.00	312,000
Total Bonds Payable, net.....				\$ 6,962,246

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

Year	General Obligation Bonds Payable:		
	Principal	Interest	Total
2022.....	\$ 2,000	\$ 16,559	\$ 18,559
2023.....	35,000	11,100	46,100
2024.....	35,000	9,700	44,700
2025.....	30,000	8,400	38,400
2026.....	35,000	7,200	42,200
2027.....	35,000	6,000	41,000
2028.....	35,000	4,800	39,800
2029.....	35,000	3,600	38,600
2030.....	35,000	2,400	37,400
2031.....	35,000	1,350	36,350
2032.....	-	450	450
<b>Total General Obligation.....</b>	<b>\$ 312,000</b>	<b>\$ 71,559</b>	<b>\$ 383,559</b>

Year	Direct Borrowings:		
	Principal	Interest	Total
2022.....	\$ 1,210,021	\$ -	\$ 1,210,021
2023.....	1,039,560	-	1,039,560
2024.....	964,560	-	964,560
2025.....	924,085	-	924,085
2026.....	680,461	-	680,461
2027.....	669,785	-	669,785
2028.....	669,785	-	669,785
2029.....	229,484	-	229,484
2030.....	180,699	-	180,699
2031.....	81,806	-	81,806
<b>Total Direct Borrowings.....</b>	<b>\$ 6,650,246</b>	<b>\$ -</b>	<b>\$ 6,650,246</b>

The Town 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 Town had the following authorized and unissued debt:

Purpose	Amount
Sewer mains.....	\$ 252,495
Middle/high school building.....	945,011
Water mains.....	513,000
Sewer.....	20,920
Rink renovations.....	600,000
Winthrop Center Business District Water/Sewer.....	2,668,408
<b>Total.....</b>	<b>\$ 4,999,834</b>

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
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 46,538,000	\$ -	\$ (2,490,000)	\$ -	\$ -	\$ 44,048,000	\$ 2,193,000
Add: Unamortized premium on bonds.....	1,376,006	201,018	(369,142)	-	-	1,207,882	155,634
Total bonds payable.....	47,914,006	201,018	(2,859,142)	-	-	45,255,882	2,348,634
Capital lease obligations.....	510,798	-	-	-	(147,002)	363,796	151,174
Compensated absences.....	489,000	-	-	83,000	(91,000)	481,000	71,000
Net pension liability.....	7,907,000	-	-	5,203,000	(12,675,000)	435,000	-
Net OPEB liability.....	106,682,720	-	-	16,740,936	(2,812,704)	120,610,952	-
Total governmental activity long-term liabilities.....	\$ 163,503,524	\$ 201,018	\$ (2,859,142)	\$ 22,026,936	\$ (15,725,706)	\$ 167,146,630	\$ 2,570,808
<b>Business-Type Activities:</b>							
General Obligation Bonds.....	\$ 422,000	\$ -	\$ (110,000)	\$ -	\$ -	\$ 312,000	\$ 2,000
Direct Borrowings.....	7,000,798	818,062	(1,168,614)	-	-	6,650,246	1,210,021
Total bonds payable.....	7,422,798	818,062	(1,278,614)	-	-	6,962,246	1,212,021
Net pension liability.....	717,000	-	-	404,000	(1,080,000)	41,000	-
Net OPEB liability.....	2,211,305	-	-	353,394	(58,574)	2,506,125	-
Total business-type activity long-term liabilities.....	\$ 10,351,103	\$ 818,062	\$ (1,278,614)	\$ 757,394	\$ (1,138,574)	\$ 9,509,371	\$ 1,212,021

The governmental activities long-term liabilities are generally liquidated by the general fund and the business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balance according to constraints imposed on the uses of those resources.

There are 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 Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balances, GASB Statement #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. The Town’s highest level of decision-making authority is the Town Council.
- 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.

As of June 30, 2021, the governmental fund balances consisted of the following:

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Permanent fund principal.....	\$ -	\$ 674,455	\$ 674,455
Restricted for:			
Middle/High School Project.....	-	453,702	453,702
Town revolving fund.....	-	1,370,407	1,370,407
Town grant funds.....	-	361,256	361,256
Town gift and grant funds.....	-	691,575	691,575
School revolving funds.....	-	731,936	731,936
School gift and grant funds.....	-	706,026	706,026
Other special revenue funds.....	-	257,310	257,310
Miller Field construction project.....	-	349,889	349,889
Other capital projects.....	-	22,209	22,209
Lewis Lake Challenge.....	-	18,918	18,918
Cemetery perpetual care.....	-	27,735	27,735
Other permanent funds.....	-	137,310	137,310
Committed to:			
Capital outlay.....	549,306	-	549,306
Assigned to:			
General government.....	39,597	-	39,597
Public safety.....	54,442	-	54,442
Education.....	506,128	-	506,128
Public works.....	131,286	-	131,286
Human services.....	24,013	-	24,013
Culture and recreation.....	644	-	644
Unassigned.....	8,140,813	-	8,140,813
Total Fund Balances.....	\$ 9,446,229	\$ 5,802,728	\$ 15,248,957

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints. 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 changes to the purpose of the fund along with any additions to or appropriations from the fund required a two-thirds vote of the legislative body. At year end the balance of the General Stabilization fund is \$2,190,476, the Capital Stabilization fund is \$2,923,316, and the Building Maintenance Stabilization fund is \$300,078. The balance of all three stabilization funds is reported as unassigned fund balance within the general fund.

**NOTE 10 – PENSION PLAN**

*Plan Descriptions*

The Town is a member of the Winthrop Contributory Retirement System (WCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the two 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 System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

The Town 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 all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement #68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town 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 Town portion of the collective pension expense, contributed by the Commonwealth, of \$6,730,232 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$54,489,484 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 Systems provide 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.

At December 31, 2020, the WCRS membership consists of the following:

Active members.....	251
Inactive members.....	68
Retirees and beneficiaries currently receiving benefits.....	<u>193</u>
Total.....	<u><u>512</u></u>

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute 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 WCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2020 was \$3,796,000, or 29.20% 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. The Town's proportionate share of the required contribution was \$3,578,000 which equaled its actual contribution.

*Pension Liabilities*

The components of the net pension liability of the participating member units at June 30, 2021, were as follows:

Total pension liability.....	\$	89,526,000
Total pension plan's fiduciary net position.....		<u>(89,021,000)</u>
Total net pension liability.....	\$	<u>505,000</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		99.44%

At June 30, 2021, the Town reported a liability of \$476,000 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, 2021. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2020, the Town's proportion was 94.24%, which changed from its proportion measured at December 31, 2019 of 94.36%.

*Pension Expense*

For the year ended June 30, 2021, the Town recognized pension expense of (\$13,000). At June 30, 2021, the Town reported the following deferred outflows of resources and deferred inflows of resources related to pensions:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ -	\$ (4,124,000)	\$ (4,124,000)
Difference between projected and actual earnings, net.....	-	(4,943,000)	(4,943,000)
Changes in assumptions.....	2,676,000	-	2,676,000
Changes in proportion and proportionate share of contributions...	<u>9,000</u>	<u>(30,000)</u>	<u>(21,000)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>2,685,000</u>	\$ <u>(9,097,000)</u>	\$ <u>(6,412,000)</u>

The deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022.....	\$ (1,957,000)
2023.....	(801,000)
2024.....	(2,506,000)
2025.....	<u>(1,148,000)</u>
 Total.....	 \$ <u>(6,412,000)</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2020:

Valuation date.....	January 1, 2021
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Total payments level until FY25 with a final amortization payment in FY26.
Remaining amortization period.....	5 years from July 1, 2021.
Asset valuation method.....	Market value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return.....	6.75% net of pension plan investment expense, including inflation.
Discount rate.....	6.75%
Inflation rate.....	Not explicitly assumed.
Projected salary increases.....	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments.....	3% of first \$12,000.
Mortality rates.....	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct).  Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender district).  For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2020 (gender district).

*Investment Policy*

The pension plan’s policy in regard 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 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, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity.....	23.10%	6.40%
International equities.....	14.40%	6.60%
Emerging international equities....	5.80%	8.40%
Core fixed income.....	15.80%	2.70%
Value added fixed income.....	7.40%	6.20%
Private equity.....	12.60%	10.20%
Real estate.....	8.30%	6.00%
Timberland.....	3.30%	6.60%
Hedge Fund   PCS.....	8.80%	5.20%
Liquidating Portfolios.....	0.10%	0.00%
Overlay.....	0.40%	0.00%
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 12.08%. 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 6.75%. 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 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
<u>December 31, 2020 Measurement Date</u>			
The Town's proportionate share of the net pension liability (asset).....	\$ 9,928,000	\$ 476,000	\$ (7,523,000)
WCRS total net pension liability (asset)....	\$ 10,535,000	\$ 505,000	\$ (7,983,000)

*Changes of Assumptions*

The discount rate changed from 7.00% to 6.75%.

*Changes in Plan Provisions* – None.

**NOTE 11 – RISK FINANCING**

The Town 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 Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is self-insured for workers compensation related to the police and fire departments and has a premium based plan for all other departments. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2021, the amount of the liability of the workers' compensation claims is immaterial and is therefore not reported.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The Town 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 Town’s group health insurance plan, which covers both active members 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 Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report. All active and retired members receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC).

*Funding Policy*

Contribution requirements are established through agreements with Town employee unions, and in accordance with overall Town policy. Retirees contribute 10%-35% of the calculated contribution for health insurance and the remainder of the cost is funded by the Town. Retirees contribute 50% of the premiums for life insurance and the remainder of the cost is funded by the Town. For the year ended June 30, 2021, the Town's average contribution rate was 9.67% of covered-employee payroll.

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish the postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2021, the Town has pre-funded future OPEB liabilities by contributing funds 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 \$343,736. The Town has not formally adopted a policy of pre-funding future OPEB liabilities.

*Plan Membership*

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

Active members.....	465
Inactive members currently receiving benefits.....	<u>393</u>
Total.....	<u><u>858</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.....	\$ 123,460,813
Less: OPEB plan's fiduciary net position.....	<u>(343,736)</u>
Net OPEB liability.....	<u><u>\$ 123,117,077</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	0.28%

*Significant Actuarial Methods and Assumptions*

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

Valuation date.....	July 1, 2019
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Market Value of Assets as of the Measurement Date, June 30, 2021.
Investment rate of return.....	2.50%, net of OPEB plan investment expense, including inflation.
Discount rate.....	2.25%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2021 and for future periods.
Payroll growth.....	3.00% annually as of June 30, 2021 and for future periods.
Pre-Retirement Mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement Mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled Mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

*Rate of Return*

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 0.47%. 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 plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation as of June 30, 2021, and projected arithmetic real rates of return for each major asset class,

after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - large cap.....	0.00%	4.90%
Domestic Equity - small/mid cap.....	0.00%	5.40%
International Equity - developed market.....	0.00%	5.32%
International Equity - emerging market.....	0.00%	6.26%
Domestic fixed income.....	0.00%	1.40%
International fixed income.....	0.00%	1.30%
Alternatives.....	0.00%	6.32%
Real estate.....	0.00%	6.25%
Cash and cash equivalents.....	100.00%	0.00%
Total.....	100.00%	

#### Discount Rate

The discount rate used to measure the total OPEB liability was 2.25% 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 is 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 is applied to the projected benefit payments which the fiduciary net position is expected to be sufficient to cover and the municipal bond rate is applied thereafter. The municipal bond rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 2.18% as of June 30, 2021. The S&P Municipal Bond 20 – Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

#### 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.....	\$ 109,236,148	\$ 342,123	\$ 108,894,025
Changes for the year:			
Service cost.....	3,919,801	-	3,919,801
Interest.....	3,072,576	-	3,072,576
Changes of assumptions.....	10,103,566	-	10,103,566
Benefit payments.....	(2,871,278)	(2,871,278)	-
Employer contributions.....	-	2,871,278	(2,871,278)
Net investment income.....	-	1,613	(1,613)
Net change.....	14,224,665	1,613	14,223,052
Balances at June 30, 2021.....	\$ 123,460,813	\$ 343,736	\$ 123,117,077

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

The following table presents the net OPEB liability, calculated using the discount rate of 2.25%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate.

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Net OPEB liability.....	\$ 148,379,497	\$ 123,117,077	\$ 103,468,182

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

The following table presents the net OPEB liability, calculated using the current healthcare trend rate of 4.50%, 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 (3.50%) or 1-percentage-point higher (5.50%) than the current rate.

	1% Decrease (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Net OPEB liability.....	\$ 171,379,407	\$ 123,117,077	\$ 58,931,744

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

For the financial reporting year ended June 30, 2021, the Town recognized OPEB expense of \$11,281,354 and reported deferred outflows/(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.....	\$ 1,514,475	\$ (2,744,472)	\$ (1,229,997)
Difference between projected and actual earnings, net.....	6,424	-	6,424
Changes of assumptions.....	19,841,365	-	19,841,365
Total deferred outflows/(inflows) of resources.....	\$ 21,362,264	\$ (2,744,472)	\$ 18,617,792

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

<u>Reporting year ended June 30:</u>	
2022.....	\$ 4,297,530
2023.....	4,298,064
2024.....	4,298,207
2025.....	3,516,115
2026.....	1,897,750
Thereafter.....	<u>310,126</u>
 Total.....	 \$ <u><u>18,617,792</u></u>

*Changes of Assumptions:*

The discount rate has been changed from 2.75% to 2.25%.

*Changes in Plan Provisions – None.*

**NOTE 13 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS**

GAAP requires that all Pension and Other Postemployment Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided on the following page are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Postemployment Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2020)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 315,650	\$ 343,736	\$ 659,386
Investments:			
Pension Reserve Investment Trust.....	88,624,759	-	88,624,759
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	<u>80,911</u>	<u>-</u>	<u>80,911</u>
 TOTAL ASSETS.....	 <u>89,021,320</u>	 <u>343,736</u>	 <u>89,365,056</u>
 <b>NET POSITION</b>			
Restricted for pensions.....	89,021,320	-	89,021,320
Restricted for other postemployment benefits.....	<u>-</u>	<u>343,736</u>	<u>343,736</u>
 TOTAL NET POSITION.....	 <u>\$ 89,021,320</u>	 <u>\$ 343,736</u>	 <u>\$ 89,365,056</u>

	Pension Trust Fund (as of December 31, 2020)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer contributions.....	\$ 3,796,466	\$ -	\$ 3,796,466
Employer contributions for OPEB payments.....	-	2,871,278	2,871,278
Member contributions.....	1,299,330	-	1,299,330
Transfers from other systems.....	39,855	-	39,855
3(8)c contributions from other systems.....	110,211	-	110,211
Member makeup payments and redeposits.....	1,534	-	1,534
Private donations.....	31,724	-	31,724
<b>Total contributions.....</b>	<b>5,279,120</b>	<b>2,871,278</b>	<b>8,150,398</b>
Net investment income:			
Investment income.....	9,811,293	1,613	9,812,906
Less: investment expense.....	(381,357)	-	(381,357)
<b>Net investment income (loss).....</b>	<b>9,429,936</b>	<b>1,613</b>	<b>9,431,549</b>
<b>TOTAL ADDITIONS.....</b>	<b>14,709,056</b>	<b>2,872,891</b>	<b>17,581,947</b>
<b>DEDUCTIONS:</b>			
Administration.....	156,376	-	156,376
Transfers to other systems.....	152,713	-	152,713
3(8)c transfer to other systems.....	361,147	-	361,147
Retirement benefits and refunds.....	4,758,442	-	4,758,442
Other postemployment benefit payments.....	-	2,871,278	2,871,278
<b>TOTAL DEDUCTIONS.....</b>	<b>5,428,678</b>	<b>2,871,278</b>	<b>8,299,956</b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b>9,280,378</b>	<b>1,613</b>	<b>9,281,991</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>79,740,942</b>	<b>342,123</b>	<b>80,083,065</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 89,021,320</b>	<b>\$ 343,736</b>	<b>\$ 89,365,056</b>

**NOTE 14 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Town 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 Town’s portion of certain revenue. The Town 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 to 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 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 ARP 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 – REVISION OF PREVIOUSLY REPORTED NET POSITION AND FUND BALANCE**

Beginning net position of the governmental activities and the nonmajor governmental funds have been revised to reflect the implementation of GASB Statement #84 – *Fiduciary Activities*. 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
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Government-Wide Financial Statements</b>			
Governmental activities.....	\$ (16,885,665)	\$ 112,246	\$ (16,773,419)
<b>GASB Financial Statements</b>			
Nonmajor governmental funds.....	\$ 7,449,989	\$ 112,246	\$ 7,562,235

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 25, 2022, which is the date the financial statements were available to be issued.

**NOTE 18 – 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.

## ***Required Supplementary Information***

**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			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 34,812,311	\$ 35,029,331	\$ 35,057,072	\$ -	\$ 27,741
Tax liens.....	-	-	148,531	-	148,531
Motor vehicle and boat excise taxes.....	2,056,343	2,056,343	2,153,994	-	97,651
Hotel/motel tax.....	76,125	76,125	27,715	-	(48,410)
Meals tax.....	129,412	129,412	196,100	-	66,688
Penalties and interest on taxes.....	186,000	186,000	165,267	-	(20,733)
Fees and rentals.....	288,000	288,000	434,428	-	146,428
Licenses and permits.....	330,774	330,774	474,391	-	143,617
Fines and forfeitures.....	295,000	295,000	137,690	-	(157,310)
Intergovernmental.....	14,347,455	14,347,455	14,445,227	-	97,772
Departmental and other.....	72,000	72,000	118,345	-	46,345
Investment income.....	117,500	117,500	50,292	-	(67,208)
<b>TOTAL REVENUES.....</b>	<b>52,710,920</b>	<b>52,927,940</b>	<b>53,409,052</b>	<b>-</b>	<b>481,112</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	2,453,235	2,527,934	2,394,273	39,597	94,064
Public safety.....	7,628,738	7,661,784	7,006,778	54,442	600,564
Education.....	23,629,893	23,608,230	23,098,038	506,128	4,064
Public works.....	3,907,989	4,562,499	4,190,215	131,286	240,998
Health and human services.....	522,219	525,419	399,817	24,013	101,589
Culture and recreation.....	590,062	590,062	377,046	644	212,372
Pension benefits.....	3,330,459	3,330,459	3,330,459	-	-
Employee benefits.....	7,308,188	7,236,007	6,967,312	-	268,695
State and county charges.....	892,978	897,898	897,898	-	-
Capital outlay.....	640,787	936,861	387,555	549,306	-
Debt service:					
Principal.....	2,490,000	2,490,000	2,490,000	-	-
Interest.....	1,724,350	1,724,350	1,662,250	-	62,100
<b>TOTAL EXPENDITURES.....</b>	<b>55,118,898</b>	<b>56,091,503</b>	<b>53,201,641</b>	<b>1,305,416</b>	<b>1,584,446</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(2,407,978)</b>	<b>(3,163,563)</b>	<b>207,411</b>	<b>(1,305,416)</b>	<b>2,065,558</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Use of fund balance to fund prior year carryforwards.....	1,288,844	1,288,844	-	-	(1,288,844)
Free cash to fund supplemental appropriations.....	-	1,331,126	-	-	(1,331,126)
Transfers in.....	1,119,134	1,877,348	1,877,348	-	-
Transfers out.....	-	(1,333,755)	(1,333,755)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,407,978</b>	<b>3,163,563</b>	<b>543,593</b>	<b>-</b>	<b>(2,619,970)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>751,004</b>	<b>(1,305,416)</b>	<b>(554,412)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>3,123,750</b>	<b>3,123,750</b>	<b>3,123,750</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 3,123,750</b>	<b>\$ 3,123,750</b>	<b>\$ 3,874,754</b>	<b>\$ (1,305,416)</b>	<b>\$ (554,412)</b>

See notes to required supplementary information.

# ***Retirement Plan Schedules – Retirement System***

The Pension Plan's Schedule of Changes in the Net Pension Liability and Related Ratios presents multi-year trend information on the Plan's net pension liability and related ratios.

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

The Pension Plan's Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on retirement 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 NET PENSION LIABILITY  
AND RELATED RATIOS  
WINTHROP CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
<b>Total pension liability:</b>							
Service cost.....	\$ 1,539,000	\$ 1,897,000	\$ 1,982,000	\$ 2,123,000	\$ 2,219,000	\$ 2,356,000	\$ 2,462,000
Interest.....	5,054,000	5,127,000	5,460,000	5,545,000	5,742,000	5,974,000	6,219,000
Differences between expected and actual experience.....	-	(2,295,000)	-	(2,683,000)	(435,000)	-	(4,726,000)
Changes in assumptions.....	-	3,500,000	-	1,850,000	3,100,000	-	1,700,000
Benefit payments.....	(3,825,000)	(3,903,000)	(3,738,000)	(4,048,000)	(4,385,000)	(4,861,000)	(5,009,000)
Net change in total pension liability.....	2,768,000	4,326,000	3,704,000	2,787,000	6,241,000	3,469,000	646,000
Total pension liability - beginning.....	65,585,000	68,353,000	72,679,000	76,383,000	79,170,000	85,411,000	88,880,000
Total pension liability - ending (a).....	<u>\$ 68,353,000</u>	<u>\$ 72,679,000</u>	<u>\$ 76,383,000</u>	<u>\$ 79,170,000</u>	<u>\$ 85,411,000</u>	<u>\$ 88,880,000</u>	<u>\$ 89,526,000</u>
<b>Plan fiduciary net position:</b>							
Employer contributions.....	\$ 3,061,000	\$ 3,120,000	\$ 3,245,000	\$ 3,375,000	\$ 3,510,000	\$ 3,650,000	\$ 3,796,000
Member contributions.....	893,000	1,068,000	1,035,000	1,359,000	1,073,000	1,004,000	1,219,000
Net investment income (loss).....	3,827,000	454,000	4,080,000	10,198,000	(1,673,000)	11,017,000	9,430,000
Administrative expenses.....	(94,000)	(103,000)	(127,000)	(127,000)	(133,000)	(145,000)	(156,000)
Retirement benefits and refunds.....	(3,825,000)	(3,903,000)	(3,738,000)	(4,048,000)	(4,385,000)	(4,861,000)	(5,009,000)
Net increase (decrease) in fiduciary net position.....	3,862,000	636,000	4,495,000	10,757,000	(1,608,000)	10,665,000	9,280,000
Fiduciary net position - beginning of year.....	50,934,000	54,796,000	55,432,000	59,927,000	70,684,000	69,076,000	79,741,000
Fiduciary net position - end of year (b).....	<u>\$ 54,796,000</u>	<u>\$ 55,432,000</u>	<u>\$ 59,927,000</u>	<u>\$ 70,684,000</u>	<u>\$ 69,076,000</u>	<u>\$ 79,741,000</u>	<u>\$ 89,021,000</u>
<b>Net pension liability - ending (a)-(b).....</b>	<u><b>\$ 13,557,000</b></u>	<u><b>\$ 17,247,000</b></u>	<u><b>\$ 16,456,000</b></u>	<u><b>\$ 8,486,000</b></u>	<u><b>\$ 16,335,000</b></u>	<u><b>\$ 9,139,000</b></u>	<u><b>\$ 505,000</b></u>
Plan fiduciary net position as a percentage of the total pension liability.....	80.17%	76.27%	78.46%	89.28%	80.87%	89.72%	99.44%
Covered payroll.....	\$ 10,189,000	\$ 11,695,000	\$ 11,695,000	\$ 12,853,000	\$ 13,204,000	\$ 13,204,000	\$ 13,001,000
Net pension liability as a percentage of covered payroll.....	133.06%	147.47%	140.71%	66.02%	123.71%	69.21%	3.88%

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 CONTRIBUTIONS**  
**WINTHROP 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
December 31, 2020.....	\$ 3,796,000	\$ (3,796,000)	\$ -	\$ 13,001,000	29.20%
December 31, 2019.....	3,650,000	(3,650,000)	-	13,204,000	27.64%
December 31, 2018.....	3,510,000	(3,510,000)	-	13,204,000	26.58%
December 31, 2017.....	3,375,000	(3,375,000)	-	12,853,000	26.26%
December 31, 2016.....	3,245,000	(3,245,000)	-	11,695,000	27.75%
December 31, 2015.....	3,120,000	(3,120,000)	-	11,695,000	26.68%
December 31, 2014.....	3,061,000	(3,061,000)	-	10,189,000	30.04%

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**  
**WINTHROP CONTRIBUTORY RETIREMENT SYSTEM**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2020.....	12.08%
December 31, 2019.....	16.30%
December 31, 2018.....	-2.43%
December 31, 2017.....	17.30%
December 31, 2016.....	7.49%
December 31, 2015.....	0.82%
December 31, 2014.....	7.57%

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.

# ***Pension Plan Schedules – Town***

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

The Schedule of the Town's Contributions presents multi-year trend information on the Town'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 Town 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 TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
WINTHROP 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.....	94.24%	\$ 476,000	\$ 12,252,000	3.89%	99.44%
December 31, 2019.....	94.36%	8,624,000	12,459,000	69.22%	89.72%
December 31, 2018.....	94.45%	15,428,000	12,471,000	123.71%	80.87%
December 31, 2017.....	94.27%	8,000,000	12,117,000	66.02%	89.28%
December 31, 2016.....	94.71%	15,585,000	11,076,000	140.71%	78.46%
December 31, 2015.....	94.29%	16,262,196	11,027,000	147.48%	76.27%
December 31, 2014.....	94.08%	12,724,601	9,586,000	132.74%	80.17%

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 TOWN'S CONTRIBUTIONS  
WINTHROP 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.....	\$ 3,578,000	\$ (3,578,000)	-	\$ 12,375,000	28.91%
June 30, 2020.....	3,436,000	(3,436,000)	-	12,584,000	27.30%
June 30, 2019.....	3,307,000	(3,307,000)	-	12,596,000	26.25%
June 30, 2018.....	3,173,000	(3,173,000)	-	12,238,000	25.93%
June 30, 2017.....	3,065,000	(3,065,000)	-	11,187,000	27.40%
June 30, 2016.....	2,941,848	(2,941,848)	-	11,137,000	26.42%
June 30, 2015.....	2,844,787	(2,844,787)	-	9,682,000	29.38%

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

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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.....	\$ 54,489,484	\$ 6,730,232	50.67%
2020.....	46,607,555	5,651,975	53.95%
2019.....	44,608,468	4,520,422	54.84%
2018.....	43,658,136	4,556,727	54.25%
2017.....	41,044,640	4,186,822	52.73%
2016.....	37,298,768	3,025,262	55.38%
2015.....	29,818,728	2,071,650	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 Town'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.

The Schedule of the Town's Contributions presents multi-year trend information on the Town'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 the Plan's 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  
TOWN'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
<b>Total OPEB Liability</b>					
Service cost.....	\$ 3,972,892	\$ 3,299,685	\$ 3,149,426	\$ 3,744,326	\$ 3,919,801
Interest.....	2,511,486	2,888,437	3,503,277	3,540,646	3,072,576
Differences between expected and actual experience....	-	3,468,635	-	(4,054,480)	-
Changes of assumptions.....	(11,146,618)	2,696,789	5,968,515	9,965,987	10,103,566
Benefit payments.....	(1,934,575)	(2,273,963)	(2,449,855)	(2,731,160)	(2,871,278)
Net change in total OPEB liability.....	(6,596,815)	10,079,583	10,171,363	10,465,319	14,224,665
Total OPEB liability - beginning.....	85,116,698	78,519,883	88,599,466	98,770,829	109,236,148
Total OPEB liability - ending (a).....	<u>\$ 78,519,883</u>	<u>\$ 88,599,466</u>	<u>\$ 98,770,829</u>	<u>\$ 109,236,148</u>	<u>\$ 123,460,813</u>
<b>Plan fiduciary net position</b>					
Employer contributions.....	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -
Employer contributions for OPEB payments.....	1,934,575	2,273,963	2,449,855	2,731,160	2,871,278
Net investment income.....	521	3,730	7,008	5,597	1,613
Benefit payments.....	(1,934,575)	(2,273,963)	(2,449,855)	(2,731,160)	(2,871,278)
Net change in plan fiduciary net position.....	150,521	78,730	7,008	5,597	1,613
Plan fiduciary net position - beginning of year.....	100,267	250,788	329,518	336,526	342,123
Plan fiduciary net position - end of year (b).....	<u>\$ 250,788</u>	<u>\$ 329,518</u>	<u>\$ 336,526</u>	<u>\$ 342,123</u>	<u>\$ 343,736</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 78,269,095</u>	<u>\$ 88,269,948</u>	<u>\$ 98,434,303</u>	<u>\$ 108,894,025</u>	<u>\$ 123,117,077</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.32%	0.37%	0.34%	0.31%	0.28%
Covered-employee payroll.....	\$ 23,956,755	\$ 25,274,967	\$ 27,877,569	\$ 28,838,356	\$ 29,703,507
Net OPEB liability as a percentage of covered-employee payroll.....	326.71%	349.24%	353.10%	377.60%	414.49%

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 TOWN'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2021.....	\$ 7,603,693	\$ (2,871,278)	\$ 4,732,415	\$ 29,703,507	9.67%
June 30, 2020.....	7,247,676	(2,731,160)	4,516,516	28,838,356	9.47%
June 30, 2019.....	8,295,198	(2,449,855)	5,845,343	27,877,569	8.79%
June 30, 2018.....	7,720,508	(2,423,963)	5,296,545	25,274,967	9.59%
June 30, 2017.....	6,531,965	(2,059,575)	4,472,390	23,956,755	8.60%

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**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2021.....	0.47%
June 30, 2020.....	1.66%
June 30, 2019.....	2.13%
June 30, 2018.....	1.27%
June 30, 2017.....	0.44%

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**

Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Council. The Town Manager presents an annual budget to Town Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town 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, requires majority Town Council approval at a regular Council meeting.

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 Town is statutorily required to pay debt service, 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 Town Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2021 approved budget authorized \$53.8 million in appropriations and other amounts to be raised, as well as \$1.3 million of carryforwards from the prior year. During 2021, the Town Council approved \$2.3 million of supplemental appropriations for a variety of capital purchases, as well as transfers to Town stabilization funds.

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

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.....	\$	751,004
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		308,858
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		4,053
Recognition of revenue for on-behalf payments.....		6,730,232
Recognition of expenditures for on-behalf payments.....		(6,730,232)
Net change in fund balance - GAAP basis.....	\$	<u>1,063,915</u>

**NOTE B – PENSION PLAN*****Pension Plan Schedules – Retirement System***Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total 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 total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

Schedule of Investment Returns

The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined monthly.

***Pension Plan Schedules – Town of Winthrop***Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town'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 the Town'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 Town 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 Town 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 Town 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 Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

#### Changes of Assumptions

The discount rate changed from 7.00% to 6.75%.

#### Changes in Plan Provisions

None.

### **NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town 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 Town’s health insurance plan, which covers both active and retired members, including teachers. Additionally, all active and retired members and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

#### ***The Other Postemployment Benefit Plan***

#### Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town’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 Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contributions made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date.....	July 1, 2019
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Market Value of Assets as of the Measurement Date, June 30, 2021.
Investment rate of return.....	2.50%, net of OPEB plan investment expense, including inflation.
Discount rate.....	2.25%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2021 and for future periods.
Payroll growth.....	3.00% annually as of June 30, 2021 and for future periods.
Pre-Retirement Mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement Mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled Mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

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 of Assumptions

The discount rate has been changed from 2.75% to 2.25%.

Change in Plan Provisions

None.