

**TOWN OF STONEHAM, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2021**



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## INDEPENDENT AUDITORS' REPORT

Honorable Select Board  
Town of Stoneham, Massachusetts

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

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

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Stoneham, Massachusetts, as of June 30, 2021 (except for the Stoneham Contributory Retirement System, which is as of and for the fiscal 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.

**Emphasis of Matter**

During the fiscal year ended June 30, 2021, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As a result, the Town reported a restatement for the change in accounting principle (see Note 1). Our auditors' opinions were not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 11) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 61 through 68) 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 December 13, 2021 on our consideration of the Town of Stoneham, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stoneham, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 13, 2021

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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

**Financial Highlights**

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$72,417,744 (net position).
- The Town's total net position increased \$3,406,282.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$11,111,289, or 14.0%, of total general fund expenditures and transfers out.
- The Town's total outstanding bonded debt (excluding unamortized premiums) decreased by \$1,390,936, or 5.8%, during the fiscal year.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements, consisting of the following:

1. General Fund – schedule of revenues, expenditures, and changes in fund balance – non-GAAP budgetary basis – budget and actual
2. Other post-employment benefits schedule
3. Pension plan schedules

**Government-Wide Financial Statements**

The government-wide and enterprise fund financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets and deferred outflows, and liabilities and deferred inflows, 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 Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's sewer and water operations.

The government-wide financial statements can be found on pages 12-14 of this report.

### 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains over 280 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, highway projects fund (capital project), State and Local Fiscal Recovery fund (special revenue), and COVID-19 CARES grant fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*. The governmental funds basic financial statements can be found on pages 15-18 of this report.

### **Proprietary Funds**

The Town maintains one type of proprietary fund representing the Town's enterprise funds.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water operations, both of which are considered to be major funds. The proprietary funds basic financial statements can be found on pages 19-21 of this report.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**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 programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and custodial funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "custodial funds", respectively. The fiduciary funds basic financial statements can be found on pages 22-23 of this report.

**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. The notes to the basic financial statements can be found on pages 24-60 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the general fund schedule of revenues, expenditures, and changes in fund balance (budget and actual) and certain pension and other post-employment benefits information, which can be found on pages 61-68.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

***Government-Wide Financial Analysis***

The following tables present current and prior year data on the government-wide financial statements.

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$72,417,744 at the close of the fiscal year and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current Assets	\$ 26,166,435	\$ 21,351,585	\$ 11,298,792	\$ 8,101,649	\$ 37,465,227	\$ 29,453,234
Noncurrent Assets (Excluding Capital Assets)	323,932	647,864	-	-	323,932	647,864
Capital Assets (Net)	82,882,200	84,535,726	14,234,231	13,655,240	97,116,431	98,190,966
Total Assets	109,372,567	106,535,175	25,533,023	21,756,889	134,905,590	128,292,064
<b>Deferred Outflows of Resources</b>	21,497,784	23,806,109	423,039	507,890	21,920,823	24,313,999
<b>Liabilities</b>						
Current Liabilities (Excluding Debt)	8,652,179	6,227,069	467,669	149,779	9,119,848	6,376,848
Noncurrent Liabilities (Excluding Debt)	171,341,624	164,479,870	3,384,721	3,521,557	174,726,345	168,001,427
Current Debt	2,525,021	3,725,571	447,486	361,486	2,972,507	4,087,057
Noncurrent Debt	18,133,857	19,904,328	2,493,281	1,140,767	20,627,138	21,045,095
Total Liabilities	200,652,681	194,336,838	6,793,157	5,173,589	207,445,838	199,510,427
<b>Deferred Inflows of Resources</b>	21,377,645	28,294,876	420,674	603,656	21,798,319	28,898,532
<b>Net Position</b>						
Net Investment in Capital Assets	62,304,949	61,004,254	13,973,580	13,689,019	76,278,529	74,693,273
Restricted	7,064,556	5,510,097	-	-	7,064,556	5,510,097
Unrestricted	(160,529,480)	(158,804,781)	4,768,651	2,798,515	(155,760,829)	(156,006,266)
Total Net Position	\$ (91,159,975)	\$ (92,290,430)	\$ 18,742,231	\$ 16,487,534	\$ (72,417,744)	\$ (75,802,896)

The largest portion of the Town's net position, \$76,278,529, reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure). These capital assets are used 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 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, \$7,064,556, represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$155,760,829.

The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and total other post-employment benefits liabilities. The Town has \$4,768,651 that may be used to support business-type activities.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**Changes in Net Position**

For the fiscal year ended June 30, 2021, the Town's total net position increased \$3,406,282, compared to a decrease of \$3,598,424 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 7,665,747	\$ 6,638,194	\$ 12,543,574	\$ 11,083,948	\$ 20,209,321	\$ 17,722,142
Operating Grants and Contributions	21,131,510	17,755,537	6,591	35,070	21,138,101	17,790,607
Capital Grants and Contributions	397,667	693,715	-	-	397,667	693,715
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	53,703,449	52,355,967	-	-	53,703,449	52,355,967
Motor Vehicle and Other Excise Taxes	3,628,820	3,729,810	-	-	3,628,820	3,729,810
Meals Tax	306,775	342,303	-	-	306,775	342,303
Penalties and Interest on Taxes	189,550	212,119	-	-	189,550	212,119
Payments in Lieu of Taxes	2,736	55,040	-	-	2,736	55,040
to Specific Programs	4,151,881	4,126,672	-	-	4,151,881	4,126,672
Unrestricted Investment Income	406,043	107,763	-	-	406,043	107,763
<b>Total Revenues</b>	<b>91,584,178</b>	<b>86,017,120</b>	<b>12,550,165</b>	<b>11,119,018</b>	<b>104,134,343</b>	<b>97,136,138</b>
<b>Expenses</b>						
General Government	5,676,777	5,474,362	-	-	5,676,777	5,474,362
Public Safety	18,240,110	16,720,045	-	-	18,240,110	16,720,045
Education	57,231,102	59,283,172	-	-	57,231,102	59,283,172
Public Works	5,945,455	6,010,548	-	-	5,945,455	6,010,548
Health and Human Services	1,192,000	1,337,459	-	-	1,192,000	1,337,459
Culture and Recreation	2,407,741	2,171,848	-	-	2,407,741	2,171,848
Debt Service - Interest	698,474	826,819	-	-	698,474	826,819
Sewer	-	-	5,715,926	5,208,517	5,715,926	5,208,517
Water	-	-	3,620,476	3,701,792	3,620,476	3,701,792
<b>Total Expenses</b>	<b>91,391,659</b>	<b>91,824,253</b>	<b>9,336,402</b>	<b>8,910,309</b>	<b>100,728,061</b>	<b>100,734,562</b>
Change in Net Position Before Transfers	192,519	(5,807,133)	3,213,763	2,208,709	3,406,282	(3,598,424)
Transfers, Net	959,066	1,595,404	(959,066)	(1,595,404)	-	-
Change in Net Position	1,151,585	(4,211,729)	2,254,697	613,305	3,406,282	(3,598,424)
Net Position - Beginning of Year, As Restated*	(92,311,560)	(88,078,701)	16,487,534	15,874,229	(75,824,026)	(72,204,472)
Net Position - End of Year	<u>\$ (91,159,975)</u>	<u>\$ (92,290,430)</u>	<u>\$ 18,742,231</u>	<u>\$ 16,487,534</u>	<u>\$ (72,417,744)</u>	<u>\$ (75,802,896)</u>

\*Restatement is described in Note 1

Governmental activities increased the Town's net position by \$1,151,585. In the prior year, governmental activities decreased the Town's net position by \$4,211,729. The key element of this change was the increase in the Town's operating grants and contributions. The Town saw an Education-related increase totaling approximately \$3,069,000, and of this amount, approximately \$1,157,000 is for school COVID-19 funding. An additional \$1,054,000 increase is related to general COVID-19 funding.

Business-type activities increased the Town's net position by \$2,254,697. In the prior year, business-type activities increased the Town's net position by \$613,305. The key elements of this change related to increases in charges for services of approximately \$1,460,000.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

***Fund Financial Statement Analysis***

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$19,794,590 an increase of \$3,069,710, in comparison with the prior year. \$10,087,535 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$1,152,678
- Restricted - \$5,761,130
- Committed - \$2,127,169
- Assigned - \$666,078

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$11,111,289, while total fund balance was \$14,216,976. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 14.0% of total general fund expenditures and transfers out, while total fund balance represents 17.9% of that same amount.

The fund balance of the Town's general fund increased \$2,294,608 during fiscal year 2021. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$4,078,000; and used approximately \$2,413,000 of reserves to fund the fiscal year 2021 budget.

Financial highlights of the Town's other major governmental fund is as follows:

The fund balance of the highway projects fund (capital projects) did not change during the current fiscal year. The fund recognized \$376,341 of intergovernmental revenues and expenditures totaled \$376,341.

The fund balance of the COVID-19 CARES grant fund (special revenue) decreased \$606,307 during the current fiscal year. The fund recognized \$1,161,719 of intergovernmental revenues and expenditures totaled \$1,768,026.

**Proprietary Funds**

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

Unrestricted net position of the sewer and water enterprise funds at the end of the year amounted to \$2,458,180 and \$2,310,471, respectively. The sewer enterprise fund had an increase in net position for the year of \$642,642 and the water enterprise fund had an increase in net position for the year of \$1,612,055. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**General Fund Budgetary Highlights**

The original General Fund budgeted expenditures (including transfers out) totaled \$71,224,017. During the year, supplemental appropriations totaling \$1,222,140 were authorized. The following table summarizes the increase:

<u>Purpose of Increase/Decrease</u>	<u>Amount</u>	<u>Funding Source</u>
Capital Projects - Town	\$ 200,000	Unassigned Fund Balance
Capital Projects - Police	35,000	Unassigned Fund Balance
Capital Projects - School	36,000	Unassigned Fund Balance
Capital Projects - Public Works	450,000	Unassigned Fund Balance
Capital Projects - COA	68,000	Unassigned Fund Balance
Reserve Budget	25,000	Tax Levy
Fire Salaries	31,000	Tax Levy
School Expenses	250,000	Tax Levy
Health Insurance	70,000	Tax Levy
Town Salaries	37,140	Tax Levy
MVES Resident Coordinator	20,000	Tax Levy
Total Net Increase	<u>\$ 1,222,140</u>	

***Capital Assets and Debt Administration***

**Capital Assets**

The Town's investment in capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$97,116,431 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The total net decrease in the investment in capital assets for the current fiscal year was \$1,074,535.

Major capital asset events that occurred during the current fiscal year include the following:

- Various road and sidewalk improvements (approximately \$462,000)
- High School Feasibility Study (approximately \$419,000)
- Clara Steele Playground (approximately \$290,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 6,258,486	\$ 6,258,486	\$ 215,801	\$ 215,801	\$ 6,474,287	\$ 6,474,287
Land Improvements	479,977	544,700	-	-	479,977	544,700
Buildings and Improvements	61,626,611	63,613,261	664,200	687,999	62,290,811	64,301,260
Machinery, Vehicles and Equipment	2,878,228	2,385,890	29,846	41,784	2,908,074	2,427,674
Infrastructure	11,638,898	11,733,389	13,324,384	12,709,656	24,963,282	24,443,045
Total Capital Assets	<u>\$ 82,882,200</u>	<u>\$ 84,535,726</u>	<u>\$ 14,234,231</u>	<u>\$ 13,655,240</u>	<u>\$ 97,116,431</u>	<u>\$ 98,190,966</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

Additional information on the Town's capital assets can be found in Note 5 of this report.

**Long-Term Debt**

At the end of the current fiscal year, total bonded debt outstanding was \$22,656,317, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 19,715,550	\$ 22,545,000	\$ -	\$ -	\$ 19,715,550	\$ 22,545,000
MWRA Notes	-	-	2,940,767	1,502,253	2,940,767	1,502,253
Total Bond and Notes	<u>\$ 19,715,550</u>	<u>\$ 22,545,000</u>	<u>\$ 2,940,767</u>	<u>\$ 1,502,253</u>	<u>\$ 22,656,317</u>	<u>\$ 24,047,253</u>

The Town's total outstanding bonded debt (excluding unamortized premiums) decreased by \$1,390,936, or 5.8%, during the fiscal year.

The Town's most recent bond rating from Standard and Poor's was AA+. Additional information on the Town's long-term debt can be found in Notes 8 and 9 of this report.

***Economic Factors and Next Year's Budgets and Rates***

The Fiscal Year 2021 Town Administrator's budget was completely upended by the COVID 19 outbreak and shutdown in March of 2020. Through the partnership of many stakeholders, the Town was able to adjust in a timely fashion and adopt a revised budget to address the financial realities at that time. The Fiscal Year 2022 budget is the first step towards stabilizing our fiscal position and expectations as we continue into the future.

The financial forecast presentation in October of 2021 predicted a general fund deficit for FY2022 due to increased cost pressures from rising health insurance, contributory pension's aggressive funding schedule, and increased contractual operating costs. Conservatively forecasted new growth, unanticipated vocational cost increases, and uncertainty in projected local receipts and state aid further challenged the development of the FY2022 budget. The Town Accountant and Town Wide Budget Director presented guidelines to departments for developing their FY2022 budgets to address these challenges. The guidelines requested departments to level fund their budgets in line with their FY2021 budgets.

While the budget presented is for the upcoming fiscal year, it is our responsibility to maintain discipline in our decisions with an eye to our long-term forecasting and challenges. In this regard, the budget presented also adheres to the Fiscal Guidelines adopted in May of 2019. The commitment to these established guidelines continues the allocation of financial resources to improve the Town's overall fiscal standing in the short and long term. The ongoing commitment to these guidelines remains a priority and are included in this document. The Town has continued to see upward trends in balances of the general stabilization and capital stabilization funds along with the Town's undesignated fund balance.

**TOWN OF STONEHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

***Fiscal Year 2022 Budget Highlights***

As required by law, this budget is structurally balanced. The budget consists of total anticipated expenditures of \$73.8 million which is an overall increase of 2.8% from FY2021. The General Government budget, which includes Public Safety, Public Works, and Public Services and excludes shared services like pension, health insurance, and vocational education, increased by 2.9% (this percentage increase does not include the additional 53rd pay period in FY2022 or the \$40,000 increase in the Assessor's budget which is being funded by the overlay). The proposed Education operating budget is an increase of 2.78% from FY2021, which results in a combined Education/Town operating budget increase of 3.38%.

An increase in shared costs related to Health Insurance (\$500K), Northeast Vocational School (\$125K), aggressive pension schedule (\$606K), continued contractual increases in property and casualty insurance, and workers compensation insurance continue to put significant pressure on the town's budget in Fiscal Year 2022. Demands on all departments also continue to grow and further discussions of community priorities for future needs have to take place during future budget cycles.

The Town also continues to make investments into aging infrastructure as well as maintaining current assets. This year's capital recommendation takes much needed steps to address some of our most pressing infrastructure needs. These include allocations of \$820,000 for a new Fire Engine, \$64,000 for MS4 Drainage compliance, \$25,000 for a design study for the Ice Arena lower roof, \$21,505 to rebuild the 9th hole at Unicorn Golf Course, and \$100,000 dedicated to streets and sidewalks repairs. These are positive steps in the right direction and the Town looks forward to continuing to protect and preserve its infrastructure.

The Town also continues to manage the inflow of funding from the State and Federal level, including FEMA reimbursements, CARES Act funds and ARPA funds. These funds are being managed with public health, long term stability for the town, and economic recovery in mind.

***Town-Wide Operation Functions***

Over the past few years, the Town and Schools have taken steps to improve certain functions in town. This included the development of a shared Procurement Officer position, a shared Facilities Department, and in FY2021 and into FY2022, the Town and Schools have begun to centrally locate additional payroll and accounts payable functions. The town and schools continue to work in a collaborative matter to increase transparency, efficiency, and internal control.

***Requests for Information***

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 35 Central Street, Stoneham, Massachusetts 02180.

**TOWN OF STONEHAM, MASSACHUSETTS  
STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 12,825,065	\$ 4,014,335	\$ 16,839,400
Restricted Cash and Cash Equivalents	8,201,626	2,680,116	10,881,742
Investments	1,902,653	-	1,902,653
Restricted Investments	1,005,819	-	1,005,819
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	1,134,832	-	1,134,832
Tax, Trash and Utility Liens	188,936	79,191	268,127
Motor Vehicle and Other Excise Taxes	380,831	-	380,831
User Charges	-	4,525,150	4,525,150
Departmental and Other	135,295	-	135,295
Intergovernmental	391,378	-	391,378
Total Current Assets	<u>26,166,435</u>	<u>11,298,792</u>	<u>37,465,227</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Intergovernmental	323,932	-	323,932
Capital Assets not being Depreciated	6,258,486	215,801	6,474,287
Capital Assets, Net of Accumulated Depreciation	<u>76,623,714</u>	<u>14,018,430</u>	<u>90,642,144</u>
Total Noncurrent Assets	<u>83,206,132</u>	<u>14,234,231</u>	<u>97,440,363</u>
Total Assets	<u>109,372,567</u>	<u>25,533,023</u>	<u>134,905,590</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to OPEB	16,264,653	320,060	16,584,713
Related to Pension	<u>5,233,131</u>	<u>102,979</u>	<u>5,336,110</u>
Total Deferred Outflows of Resources	<u>21,497,784</u>	<u>423,039</u>	<u>21,920,823</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	1,190,889	366,739	1,557,628
Accrued Payroll	298,068	18,621	316,689
Tax Refunds Payable	164,912	-	164,912
Other Liabilities	740,469	-	740,469
Unearned Revenue	1,985,802	-	1,985,802
Accrued Interest	162,821	-	162,821
Compensated Absences	132,183	4,048	136,231
Short Term Notes Payable	209,000	-	209,000
Total OPEB Liability	3,977,035	78,261	4,055,296
Bonds and Notes Payable	<u>2,316,021</u>	<u>447,486</u>	<u>2,763,507</u>
Total Current Liabilities	<u>11,177,200</u>	<u>915,155</u>	<u>12,092,355</u>
Noncurrent Liabilities:			
Compensated Absences	1,189,643	36,427	1,226,070
Net Pension Liability	20,564,327	404,670	20,968,997
Total OPEB Liability	149,587,654	2,943,624	152,531,278
Bonds and Notes Payable	<u>18,133,857</u>	<u>2,493,281</u>	<u>20,627,138</u>
Total Noncurrent Liabilities	<u>189,475,481</u>	<u>5,878,002</u>	<u>195,353,483</u>
Total Liabilities	<u>200,652,681</u>	<u>6,793,157</u>	<u>207,445,838</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to OPEB	18,244,398	359,017	18,603,415
Related to Pension	<u>3,133,247</u>	<u>61,657</u>	<u>3,194,904</u>
Total Deferred Inflows of Resources	<u>21,377,645</u>	<u>420,674</u>	<u>21,798,319</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	62,304,949	13,973,580	76,278,529
Restricted for:			
Other Post Employment Benefits	312,440	-	312,440
Permanent Funds:			
Expendable	476,633	-	476,633
Nonexpendable	1,152,678	-	1,152,678
Other Specific Purposes	5,122,805	-	5,122,805
Unrestricted	<u>(160,529,480)</u>	<u>4,768,651</u>	<u>(155,760,829)</u>
Total Net Position	<u>\$ (91,159,975)</u>	<u>\$ 18,742,231</u>	<u>\$ (72,417,744)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
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>					
Governmental Activities:					
General Government	\$ 5,676,777	\$ 1,217,436	\$ 1,398,051	\$ -	\$ (3,061,290)
Public Safety	18,240,110	2,602,480	381,181	-	(15,256,449)
Education	57,231,102	887,006	18,883,539	-	(37,460,557)
Public Works	5,945,455	1,879,331	67,304	397,667	(3,601,153)
Health and Human Services	1,192,000	28,610	216,027	-	(947,363)
Culture and Recreation	2,407,741	1,050,884	125,308	-	(1,231,549)
Debt Service-Interest	698,474	-	60,100	-	(638,374)
Total Governmental Activities	<u>91,391,659</u>	<u>7,665,747</u>	<u>21,131,510</u>	<u>397,667</u>	<u>(62,196,735)</u>
Business-Type Activities:					
Sewer	5,715,926	6,872,460	3,297	-	1,159,831
Water	3,620,476	5,671,114	3,294	-	2,053,932
Total Business-Type Activities	<u>9,336,402</u>	<u>12,543,574</u>	<u>6,591</u>	<u>-</u>	<u>3,213,763</u>
Total Primary Government	<u>\$ 100,728,061</u>	<u>\$ 20,209,321</u>	<u>\$ 21,138,101</u>	<u>\$ 397,667</u>	<u>\$ (58,982,972)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (From Previous Page)	\$ (62,196,735)	\$ 3,213,763	\$ (58,982,972)
General Revenues:			
Real Estate and Personal Property Taxes	53,703,449	-	53,703,449
Motor Vehicle and Other Excise Taxes	3,628,820	-	3,628,820
Meals Tax	306,775	-	306,775
Penalties and Interest on Taxes	189,550	-	189,550
Payments in Lieu of Taxes	2,736	-	2,736
Grants and Contributions Not Restricted to Specific Programs	4,151,881	-	4,151,881
Unrestricted Investment Income	406,043	-	406,043
Transfers, Net	959,066	(959,066)	-
Total General Revenues and Transfers	63,348,320	(959,066)	62,389,254
<b>CHANGE IN NET POSITION</b>	1,151,585	2,254,697	3,406,282
Net Position - Beginning of Year, as Restated	(92,311,560)	16,487,534	(75,824,026)
<b>NET POSITION - END OF YEAR</b>	<u>\$ (91,159,975)</u>	<u>\$ 18,742,231</u>	<u>\$ (72,417,744)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021**

	General	Highway Projects	State and Local Fiscal Recovery Fund	COVID-19 CARES Grant	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 12,825,065	\$ -	\$ -	\$ -	\$ -	\$ 12,825,065
Investments	1,902,653	-	-	-	-	1,902,653
Receivables, Net of Allowance for Uncollectible Amounts:						
Real Estate and Personal Property Taxes	1,134,832	-	-	-	-	1,134,832
Tax and Trash Liens	173,483	-	-	-	15,453	188,936
Motor Vehicle and Other Excise Taxes	380,831	-	-	-	-	380,831
Departmental and Other	-	-	-	-	135,295	135,295
Intergovernmental	715,310	-	-	-	-	715,310
Due from Other Funds	714,099	-	-	-	-	714,099
Restricted Assets:						
Cash and Cash Equivalents	312,440	-	1,262,617	731,497	5,895,072	8,201,626
Investments	-	-	-	-	1,005,819	1,005,819
<b>Total Assets</b>	<b>\$ 18,158,713</b>	<b>\$ -</b>	<b>\$ 1,262,617</b>	<b>\$ 731,497</b>	<b>\$ 7,051,639</b>	<b>\$ 27,204,466</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Warrants Payable	\$ 1,086,980	\$ -	\$ -	\$ 8,312	\$ 95,597	\$ 1,190,889
Accrued Payroll	266,345	-	-	-	31,723	298,068
Unearned Revenue	-	-	1,262,617	723,185	-	1,985,802
Other Liabilities	467,609	-	-	-	272,860	740,469
Tax Refunds Payable	164,912	-	-	-	-	164,912
Due to Other Funds	-	-	-	714,099	-	714,099
Short-Term Notes Payable	-	-	-	-	209,000	209,000
<b>Total Liabilities</b>	<b>1,985,846</b>	<b>-</b>	<b>1,262,617</b>	<b>1,445,596</b>	<b>609,180</b>	<b>5,303,239</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	1,955,891	-	-	-	150,746	2,106,637
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	1,152,678	1,152,678
Restricted	312,440	-	-	-	5,448,690	5,761,130
Committed	2,127,169	-	-	-	-	2,127,169
Assigned	666,078	-	-	-	-	666,078
Unassigned	11,111,289	-	-	(714,099)	(309,655)	10,087,535
<b>Total Fund Balances</b>	<b>14,216,976</b>	<b>-</b>	<b>-</b>	<b>(714,099)</b>	<b>6,291,713</b>	<b>19,794,590</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 18,158,713</b>	<b>\$ -</b>	<b>\$ 1,262,617</b>	<b>\$ 731,497</b>	<b>\$ 7,051,639</b>	<b>\$ 27,204,466</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2021**

	General	Highway Projects	State and Local Fiscal Recovery Fund	COVID-19 CARES Grant	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Real Estate and Personal Property Taxes	\$ 53,595,393	\$ -	\$ -	\$ -	\$ -	\$ 53,595,393
Motor Vehicle and Other Excise Taxes	3,648,010	-	-	-	-	3,648,010
Meals Tax	306,775	-	-	-	-	306,775
Tax and Trash Liens	23,263	-	-	-	79,781	103,044
Payments in Lieu of Taxes	2,736	-	-	-	-	2,736
Charges for Services	-	-	-	-	607,590	607,590
Intergovernmental	20,170,116	376,341	-	1,161,719	4,942,417	26,650,593
Penalties and Interest on Taxes	178,887	-	-	-	10,664	189,551
Licenses and Permits	773,141	-	-	-	-	773,141
Fines and Forfeitures	34,016	-	-	-	200	34,216
Departmental and Other	1,842,945	-	-	-	4,440,264	6,283,209
Contributions	-	-	-	-	98,834	98,834
Investment Income	306,535	-	-	-	99,507	406,042
<b>Total Revenues</b>	<b>80,881,817</b>	<b>376,341</b>	<b>-</b>	<b>1,161,719</b>	<b>10,279,257</b>	<b>92,699,134</b>
<b>EXPENDITURES</b>						
Current:						
General Government	2,724,542	-	-	1,031,220	954,655	4,710,417
Public Safety	8,890,923	-	-	736,806	2,058,597	11,686,326
Education	31,268,728	-	-	-	3,853,788	35,122,516
Public Works	2,522,509	376,341	-	-	2,290,355	5,189,205
Health and Human Services	734,767	-	-	-	142,725	877,492
Culture and Recreation	1,213,916	-	-	-	393,194	1,607,110
Pension Benefits	15,430,141	-	-	-	-	15,430,141
Employee Benefits	9,852,066	-	-	-	15,400	9,867,466
State and County Charges	2,489,091	-	-	-	-	2,489,091
Debt Service:						
Principal	3,375,000	-	-	-	-	3,375,000
Interest	779,276	-	-	-	-	779,276
<b>Total Expenditures</b>	<b>79,280,959</b>	<b>376,341</b>	<b>-</b>	<b>1,768,026</b>	<b>9,708,714</b>	<b>91,134,040</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,600,858</b>	<b>-</b>	<b>-</b>	<b>(606,307)</b>	<b>570,543</b>	<b>1,565,094</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of Bonds and Notes	-	-	-	-	545,550	545,550
Transfers In	959,066	-	-	-	265,316	1,224,382
Transfers Out	(265,316)	-	-	-	-	(265,316)
<b>Total Other Financing Sources (Uses)</b>	<b>693,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>810,866</b>	<b>1,504,616</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,294,608</b>	<b>-</b>	<b>-</b>	<b>(606,307)</b>	<b>1,381,409</b>	<b>3,069,710</b>
Fund Balances - Beginning of Year, as Restated	11,922,368	-	-	(107,792)	4,910,304	16,724,880
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 14,216,976</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (714,099)</b>	<b>\$ 6,291,713</b>	<b>\$ 19,794,590</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND  
BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total Governmental Fund Balances	\$ 19,794,590
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	82,882,200
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	2,106,637
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(162,821)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and Notes Payable, Net	(20,449,878)
Compensated Absences	(1,321,826)
Net Pension Liability	(20,564,327)
Total OPEB Liability	(153,564,689)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to OPEB. This amount represents the net deferrals.	(1,979,745)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to pensions. This amount represents the net deferrals.	<u>2,099,884</u>
Net Position of Governmental Activities	<u><u>\$ (91,159,975)</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
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	\$ 3,069,710
<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. These amounts represent the related activity of the current period.</p>	
Capital Outlays	2,210,722
Depreciation	(3,864,248)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	(1,114,957)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of material premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(545,550)
Bond Maturities	3,375,000
Net Amortization of Bond Premiums	66,021
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	14,781
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated Absences	(207,544)
Net Pension Liability	526,931
Total OPEB Liability	(6,988,187)
<p>In the statement of activities, deferred outflows and inflows of resources related to OPEB are amortized and recognized as OPEB expense. This amount represents the net change in deferred outflows and inflows of resources related to OPEB.</p>	
	2,082,551
<p>In the statement of activities, deferred outflows and inflows of resources related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions.</p>	
	2,526,355
Changes in Net Position of Governmental Activities	\$ 1,151,585

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,780,784	\$ 2,233,551	\$ 4,014,335
Restricted Cash and Cash Equivalents	1,342,764	1,337,352	2,680,116
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	2,570,848	1,954,302	4,525,150
Utility Liens	41,691	37,500	79,191
Total Current Assets	<u>5,736,087</u>	<u>5,562,705</u>	<u>11,298,792</u>
Noncurrent Assets:			
Capital Assets not being Depreciated	215,801	-	215,801
Capital Assets, Net of Accumulated Depreciation	6,281,493	7,736,937	14,018,430
Total Noncurrent Assets	<u>6,497,294</u>	<u>7,736,937</u>	<u>14,234,231</u>
Total Assets	<u>12,233,381</u>	<u>13,299,642</u>	<u>25,533,023</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to OPEB	177,097	142,963	320,060
Related to Pension	56,981	45,998	102,979
Total Deferred Outflows of Resources	<u>234,078</u>	<u>188,961</u>	<u>423,039</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	3,513	363,226	366,739
Accrued Payroll	8,044	10,577	18,621
Compensated Absences	2,890	1,158	4,048
Total OPEB Liability	43,304	34,957	78,261
Long-Term Bonds and Notes Payable	69,700	377,786	447,486
Total Current Liabilities	<u>127,451</u>	<u>787,704</u>	<u>915,155</u>
Noncurrent Liabilities:			
Compensated Absences	26,007	10,420	36,427
Net Pension Liability	223,914	180,756	404,670
Total OPEB Liability	1,628,780	1,314,844	2,943,624
Long-Term Bonds and Notes Payable	286,550	2,206,731	2,493,281
Total Noncurrent Liabilities	<u>2,165,251</u>	<u>3,712,751</u>	<u>5,878,002</u>
Total Liabilities	<u>2,292,702</u>	<u>4,500,455</u>	<u>6,793,157</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to OPEB	198,653	160,364	359,017
Related to Pension	34,116	27,541	61,657
Total Deferred Inflows of Resources	<u>232,769</u>	<u>187,905</u>	<u>420,674</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,483,808	6,489,772	13,973,580
Unrestricted	2,458,180	2,310,471	4,768,651
Total Net Position	<u>\$ 9,941,988</u>	<u>\$ 8,800,243</u>	<u>\$ 18,742,231</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 6,872,460	\$ 5,671,114	\$ 12,543,574
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	516,759	738,612	1,255,371
MWRA Assessment	4,988,619	2,877,738	7,866,357
Pension and OPEB Benefits Adjustments	(14,093)	(234,583)	(248,676)
Depreciation	224,641	238,709	463,350
Total Operating Expenses	5,715,926	3,620,476	9,336,402
<b>OPERATING INCOME</b>	1,156,534	2,050,638	3,207,172
<b>NONOPERATING REVENUES</b>			
Investment Income	3,297	3,294	6,591
<b>INCOME BEFORE TRANSFERS</b>	1,159,831	2,053,932	3,213,763
Transfers Out	(517,189)	(441,877)	(959,066)
<b>CHANGE IN NET POSITION</b>	642,642	1,612,055	2,254,697
Net Position - Beginning of Year	9,299,346	7,188,188	16,487,534
<b>NET POSITION - END OF YEAR</b>	<u>\$ 9,941,988</u>	<u>\$ 8,800,243</u>	<u>\$ 18,742,231</u>

See accompanying Notes to Basic Financial Statements.

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

	Business-Type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 6,660,299	\$ 5,424,890	\$ 12,085,189
Payments to Vendors	(5,100,046)	(2,919,043)	(8,019,089)
Payments to Employees	(423,168)	(347,872)	(771,040)
Net Cash Provided by Operating Activities	<u>1,137,085</u>	<u>2,157,975</u>	<u>3,295,060</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers Out	(517,189)	(441,877)	(959,066)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	-	1,800,000	1,800,000
Acquisition and Construction of Capital Assets	(100,318)	(942,023)	(1,042,341)
Principal Payments on Bonds and Notes	(74,700)	(286,786)	(361,486)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(175,018)</u>	<u>571,191</u>	<u>396,173</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	3,297	3,294	6,591
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	448,175	2,290,583	2,738,758
Cash and Cash Equivalents - Beginning of Year (Includes \$1,371,316 and \$164,716 in the Sewer and Water Enterprise Funds, Respectively)	<u>2,675,373</u>	<u>1,280,320</u>	<u>3,955,693</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$1,342,764 and \$1,337,352 in the Sewer and Water Enterprise Funds, Respectively)	<u>\$ 3,123,548</u>	<u>\$ 3,570,903</u>	<u>\$ 6,694,451</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income	\$ 1,156,534	\$ 2,050,638	\$ 3,207,172
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	224,641	238,709	463,350
Net Pension Liability	(37,529)	(58,193)	(95,722)
Total OPEB Liability	23,436	(176,390)	(152,954)
Effect of Changes in Operating Assets and Liabilities:			
User Charges	(205,109)	(239,882)	(444,991)
Utility Liens	(7,052)	(6,342)	(13,394)
Warrants Payable	(27,725)	347,719	319,994
Accrued Payroll	98	3,440	3,538
Compensated Absences	9,791	(1,724)	8,067
Total Adjustments	<u>(19,449)</u>	<u>107,337</u>	<u>87,888</u>
Net Cash Provided by Operating Activities	<u>\$ 1,137,085</u>	<u>\$ 2,157,975</u>	<u>\$ 3,295,060</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

<b>ASSETS</b>	Pension Trust Fund (as of December 31, 2021)	Private Purpose Trust Funds	Custodial Funds
Cash and Cash Equivalents	\$ 65,782	\$ 1,537,538	\$ 24,956
Investments:			
Equity Mutual Funds	45,238,871	-	-
Fixed Income Mutual Funds	16,716,443	-	-
External Investment Pool (PRIT)	47,630,555	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Other	10,927	-	-
Total Assets	<u>109,662,578</u>	<u>1,537,538</u>	<u>24,956</u>
<b>LIABILITIES</b>			
Warrants Payable	<u>1,300</u>	<u>2,000</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted for:			
Pension Benefits	109,661,278	-	-
Individuals, Organizations, and Other Governments	-	1,535,538	24,956
Total Net Position	<u><u>\$ 109,661,278</u></u>	<u><u>\$ 1,535,538</u></u>	<u><u>\$ 24,956</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2021**

	Pension Trust Fund (as of December 31, 2021)	Private Purpose Trust Funds	Custodial Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 6,465,692	\$ -	\$ -
Plan Members	1,677,755	-	-
Private Donations	-	34,964	-
Total Contributions	<u>8,143,447</u>	<u>34,964</u>	<u>-</u>
Net Investment Income:			
Net Appreciation in Fair Value of Investments	5,478,442	-	-
Interest	2,482,265	97,676	-
Total Investment Income	<u>7,960,707</u>	<u>97,676</u>	<u>-</u>
Less: Investment Expense	<u>(656,292)</u>	<u>-</u>	<u>-</u>
Net Investment Income	<u>7,304,415</u>	<u>97,676</u>	<u>-</u>
Fees Collected for Other Governments	-	-	26,550
Intergovernmental	75,266	-	-
Total Additions	<u>15,523,128</u>	<u>132,640</u>	<u>26,550</u>
<b>DEDUCTIONS</b>			
Administration	258,931	-	-
Retirement Benefits, Including Reimbursements and Refunds	8,832,828	-	-
Scholarships Awarded	-	56,049	-
Fees Remitted to Other Governments	-	-	23,525
Total Deductions	<u>9,091,759</u>	<u>56,049</u>	<u>23,525</u>
<b>CHANGE IN NET POSITION</b>	<b>6,431,369</b>	<b>76,591</b>	<b>3,025</b>
Net Position - Beginning of Year, as Restated	<u>103,229,909</u>	<u>1,458,947</u>	<u>21,931</u>
<b>NET POSITION - END OF YEAR</b>	<b><u>\$ 109,661,278</u></b>	<b><u>\$ 1,535,538</u></b>	<b><u>\$ 24,956</u></b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The Town of Stoneham, Massachusetts (Town) is a municipal corporation that is governed by an elected five member Select Board and an appointed Town Administrator.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions, and institutions that are not legally separate from the Town.

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/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

Fiduciary Fund Component Unit

The Town has included the Stoneham Contributory Retirement System (System) as a component unit (blended) in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary fund component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

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

The System does 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 35 Central Street, Stoneham, Massachusetts 02180.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

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 participates in one joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

*Northeast Metropolitan Regional Vocational High School*

The Town is a member of the Northeast Metropolitan Regional Vocational High School District (District) which serves the members students seeking an education in academic and technical studies. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town's fiscal year 2021 assessment totaled \$1,335,229. Separate audited financial statements may be obtained by contacting the District Treasurer at 30 Log Bridge Road, Middleton, MA 01949.

**C. Implementation of New Accounting Principles**

For the year ended June 30, 2021, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The implementation of GASB Statement No. 84 resulted in certain activities formerly reported in the agency fund to be reported in the custodial fund of the fiduciary funds, the nonmajor governmental funds of the governmental funds and the governmental activities of the government-wide statements. As a result, the Town has restated its 2020 beginning net position and fund balance to reflect the implementation of this statement. The Town has also reclassified it's COVID-19 CARES Grant fund from nonmajor governmental funds to a major fund. The effect of the change in accounting principle and reclassification is as follows:

	Governmental Activities	Custodial Funds	COVID-19 CARES Grant	Nonmajor Funds
Net Position/fund balance as of June 30, 2020, as Previously Reported	\$ (92,290,430)	\$ -	\$ -	\$ 4,823,642
Reclassification of COVID-19 Major Fund	-	-	(107,792)	107,792
Cumulative Effect of Application of GASB 84, Fiduciary Activities	<u>(21,130)</u>	<u>21,931</u>	<u>-</u>	<u>(21,130)</u>
Net Position/fund balance as of June 30, 2020, as Restated	<u>\$ (92,311,560)</u>	<u>\$ 21,931</u>	<u>\$ (107,792)</u>	<u>\$ 4,910,304</u>

The implementation of GASB Statement No. 90 had no reporting impact for the Town.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all 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 primarily supported by user fees.

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. Fiduciary funds are reported by fund type.

**E. Measurement Focus, Basis of Accounting, and Basis of 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 fiscal 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 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 is restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that is restricted to meeting the capital requirements of a specific function or segment.

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

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

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

Fund Financial Statements

Governmental funds 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 the end of the fiscal year. 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 used to account for and report all financial resources not accounted for and reported in another fund.

The *highway projects fund* is a special revenue fund used to account for and report costs incurred with the construction and reconstruction of Town owned roadways. Costs charged to the fund are reimbursed by the Commonwealth of Massachusetts. The fund does not have a legally adopted budget.

The *State and Local Fiscal Recovery fund* is used to account for and report all revenue and expenses related to the American Rescue Plan Act of 2021.

The *COVID-19 CARES Grants fund* is used to account for and report all activity related to the Town's CARES funding (Coronavirus Relief Fund and FEMA).

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

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Proprietary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby 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 following major proprietary funds are reported:

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

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

**Fiduciary funds** 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 government's programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

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

The *custodial fund* is used to account for assets held in a custodial capacity. Such assets consist of fees collected for other governments.

**F. 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, net asset value (NAV), or amortized cost, as further discussed in Note 3.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable**

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

**Real Estate Taxes, 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 Assessor's 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 in accordance with Massachusetts General Law (MGL) on delinquent properties and are recorded as receivables in the fiscal year they are processed.

**Motor Vehicle Excise Taxes**

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

**User Charges (Sewer and Water)**

User charges 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. Sewer and water liens are processed in accordance with MGL and are included as a lien on the property owner's tax bill. Sewer and water charges are recorded as receivables when levied.

**Departmental and Other**

Departmental and other receivables consist primarily of uncollected trash fees and police details and are recorded as receivables in the fiscal year accrued.

**Intergovernmental**

Various state and federal operating and capital grants are applied for and received annually. Grant revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Allowance for Uncollectible Amounts**

Government-Wide and Fund Financial Statements

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

At June 30, 2021, the allowances for uncollectible amounts for personal property taxes, motor vehicle and other excise taxes, and departmental and other receivables are immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer)
- Trash liens
- Utility liens (water and sewer)

Intergovernmental receivables are considered 100% collectible.

**I. 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.

**J. Restricted Assets**

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**K. Capital Assets**

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings, machinery, vehicles and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements and the proprietary fund financial statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

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 acquisition value at the date of donation.

All purchases and construction costs 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 and capitalization thresholds of capital assets are as follows:

Capital Asset Type	Estimated Useful Life
Buildings	10 to 40
Land Improvements	15 to 40
Machinery, Vehicles and Equipment	5 to 20
Infrastructure	10 to 60

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 fiscal year of the purchase.

**L. Interfund Receivables and Payables**

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental 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.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental 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.

**N. Unearned Revenue**

Unearned revenue is presented in the governmental-wide statement of net position and governmental funds balance sheet and represents federal grants received by the Town in advance of meeting eligibility requirements for revenue recognition.

**O. Deferred Outflows of Resources**

Government-Wide and Fund Financial Statements

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 that time.

Deferred outflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statements of net position.

**P. Deferred Inflows of Resources**

Government-Wide and Fund Financial Statements

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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.

Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue 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.

Deferred inflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statement of net position.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Net Position and Fund Balances**

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net position)

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been “restricted” for the following:

*Other postemployment benefits* (OPEB) represent restrictions for retirees’ health and life insurance benefits.

*Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.

*Permanent funds – nonexpendable* represents amounts held in trust for which only investment earnings may be expended.

*Other specific purposes* represent restrictions placed on assets from outside parties.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding borrowings attributable to those assets.

Unrestricted net position is the difference between total net position, net investment in capital assets and restricted net position.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

*Assigned* — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, only authorized assignments for noncontractual encumbrances can be made by individual department heads.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Net Position and Fund Balances (Continued)**

*Unassigned* — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**R. Long-Term Debt**

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are amortized (through interest expense) over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium/discount.

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. 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.

**S. Investment Income**

Government-Wide and Fund Financial Statements

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 the proprietary funds is retained in the proprietary funds.

**T. Compensated Absences**

Government-Wide and Proprietary Fund Financial Statements

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

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

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Compensated Absences (Continued)**

Governmental Funds 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 employee retirements and resignations.

**U. Pensions**

Government-Wide and Proprietary Fund Financial Statements

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

**V. Other Postemployment Benefits**

Government-Wide and Proprietary Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 10, the Town provides health and life insurance coverage for current and future retirees and their spouses.

**W. 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 fiscal year. Actual results could vary from estimates that were used.

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

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Appropriation increases to the original budget subsequent to the approval of the annual budget requires Special Town Meeting approval.

The majority of appropriations are noncontinuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the 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.

An annual budget is adopted for the General Fund in conformity with the guidelines described above. The original fiscal year 2021 approved budget for the General Fund authorized \$71,224,017 in appropriations. During fiscal year 2021, supplemental appropriations totaling \$1,222,140 were authorized.

The Town Accountant’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-GAAP Budgetary Basis – Budget and Actual, presented in the accompanying Required Supplementary Information, presents comparison of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

**B. Fund Deficits**

At June 30, 2021, the following fund deficits exist in the governmental funds:

Fund	Amount	Funding Source
COVID-19 Grants (Major Fund)	\$ 714,099	Federal grant
FY20 ATM Capital Articles	159,791	Issuance of long-term debt
Police Details	149,864	User charges and available funds
Total Deficits	\$ 1,023,754	

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**C. Expenditures in Excess of Appropriations**

For the year ended June 30, 2021, the Town incurred expenditures in excess of appropriations for Education.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Town (Excluding the Pension Trust Fund)**

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. Treasury or Agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds, private purpose trust funds, and the pension trust fund are held separately from other Town funds.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2021, \$4,724,001 of the Town's bank balance of \$18,041,052 was uninsured and uncollateralized. The carrying value of Town's deposits totaled \$18,096,403 at June 30, 2021.

Investments Summary

The Town's investments at June 30, 2021 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
Money Market Mutual Funds	\$ 3,698,696	\$ 3,698,696	\$ -
Fixed Income Mutual Funds	84,656	84,656	-
Certificates of Deposit	753,779	495,451	258,328
External Investment Pool (MMDT)	6,164,079	6,164,079	-
Total Debt Securities	<u>10,701,210</u>	<u>\$ 10,442,882</u>	<u>\$ 258,328</u>
<u>Other Investments:</u>			
Equity Securities	<u>2,070,037</u>		
Total Investments	<u>\$ 12,771,247</u>		

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town has a policy that the fixed income portion of the portfolio shall have an average maturity of not more than 10 years.

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2021, the Town was not exposed to custodial credit risk.

Investments – Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. As of June 30, 2021, the Town's investments in money market mutual funds, fixed income securities, certificates of deposit, and external investment pools were unrated by a nationally recognized statistical rating organization.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. As of June 30, 2021, the Town was not exposed to concentration of credit risk.

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2021, the Town was not exposed to foreign currency risk.

Investments – Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investment Type	Total Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Money Market Mutual Funds	\$ 3,698,696	\$ 3,698,696	\$ -	\$ -
Certificates of Deposit	753,779	-	753,779	-
Equity Securities	2,070,037	2,070,037	-	-
Fixed Income Securities	84,656	-	84,656	-
Total Investments by Fair Value Level	6,607,168	<u>\$ 5,768,733</u>	<u>\$ 838,435</u>	<u>\$ -</u>
<b>Investments measured at Amortized Cost:</b>				
External Investment Pool (MMDT)	6,164,079			
Total Investments	<u>\$ 12,771,247</u>			

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Pension Trust Fund (The System)**

A portion of the System's investments include participation in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2020, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$65,782 as of December 31, 2020.

Investment Summary

The System's investments at December 31, 2020 are presented below. All investments are presented by investment type, with debt securities presented by maturity:

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investment Type	Total Amount	Investment Maturities (in Years) <u>Less Than 1</u>
<u>Debt Securities:</u>		
Fixed Income Mutual Funds	\$ 16,716,443	\$ 16,716,443
PRIT	<u>47,630,555</u>	<u>47,630,555</u>
Total Debt Securities	<u>64,346,998</u>	<u>\$ 64,346,998</u>
<u>Other Investments:</u>		
Equity Mutual Funds	<u>45,238,871</u>	
Total Investments	<u>\$ 109,585,869</u>	

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

Investments – Custodial Credit Risk

The Pension System does not have an investment policy for custodial credit risk. At December 31, 2020, the System's investments in PRIT totaling \$47,630,555 are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book entry-form. At December 31, 2020, the System's other investments totaling \$61,955,314 are not subject to custodial credit risk exposure because they are registered in the name of the System.

Investments – Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2020, the investments in fixed income mutual funds and PRIT were unrated by a nationally recognized statistical rating organization.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. As of December 31, 2020, the System was not exposed to concentration of credit risk.

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2020, the System was not exposed to foreign currency risk.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments – Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Equity Mutual Funds	\$ 45,238,871	\$ 45,238,871	\$ -	\$ -
Fixed Income Mutual Funds	16,716,443	16,716,443	-	-
Total Investments by Fair Value Level	61,955,314	<u>\$ 61,955,314</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments measured at the NAV:</b>				
External Investment Pool (PRIT)	47,630,555			
Total Investments	<u>\$ 109,585,869</u>			

PRIT investments are measured at the net asset value (NAV) per share or its equivalent. The PRIT fund is an external investment pool that is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The fair value of the PRIT pooled fund is based on unit value (NAV) as reported by management of the PRIT fund. Investments can be redeemed on a monthly basis with 24 hours' notice.

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2021, receivables for the governmental funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Real Estate and Personal Property Taxes	\$ 1,134,832	\$ -	\$ 1,134,832
Tax and Trash Liens	188,936	-	188,936
Motor Vehicle and Other Excise Taxes	380,831	-	380,831
Departmental and Other	135,295	-	135,295
Intergovernmental	715,310	-	715,310
Total	<u>\$ 2,555,204</u>	<u>\$ -</u>	<u>\$ 2,555,204</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Receivables:</b>			
Sewer	\$ 2,570,848	\$ -	\$ 2,570,848
Water	1,954,302	-	1,954,302
Utility Liens	79,191	-	79,191
<b>Total</b>	<b>\$ 4,604,341</b>	<b>\$ -</b>	<b>\$ 4,604,341</b>

**Stoneham Central Middle School**

The Massachusetts School Building Authority (MSBA) provides contract assistance to the Town for the completed Stoneham Central Middle School construction project. The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2021, \$1,148,092 of such assistance was received and is reported as revenue in the General Fund. \$683,652 will be received in future fiscal years. Of this amount, \$35,788 represents reimbursement of long-term interest costs, and \$647,864 represents reimbursement of approved construction costs. Accordingly, a \$647,864 intergovernmental receivable and corresponding deferred inflow have been reported on the General Fund balance sheet. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal 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	\$ 6,258,486	\$ -	\$ -	\$ 6,258,486
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	788,383	-	-	788,383
Buildings	111,345,936	645,226	-	111,991,162
Machinery, Vehicles and Equipment	8,295,603	1,103,423	-	9,399,026
Infrastructure	20,161,786	462,073	-	20,623,859
Total Capital Assets Being Depreciated	140,591,708	2,210,722	-	142,802,430
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(243,683)	(64,723)	-	(308,406)
Buildings	(47,732,675)	(2,631,876)	-	(50,364,551)
Machinery, Vehicles and Equipment	(5,909,713)	(611,085)	-	(6,520,798)
Infrastructure	(8,428,397)	(556,564)	-	(8,984,961)
Total Accumulated Depreciation	(62,314,468)	(3,864,248)	-	(66,178,716)
Total Capital Assets Being Depreciated, Net	78,277,240	(1,653,526)	-	76,623,714
Total Governmental Activities Capital Assets, Net	\$ 84,535,726	\$ (1,653,526)	\$ -	\$ 82,882,200

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Sewer Enterprise:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 215,801	\$ -	\$ -	\$ 215,801
<u>Capital Assets Being Depreciated:</u>				
Buildings and Improvements	1,600,441	-	-	1,600,441
Machinery, Vehicles and Equipment	293,190	-	-	293,190
Infrastructure	7,152,569	100,318	-	7,252,887
Total Capital Assets Being Depreciated	9,046,200	100,318	-	9,146,518
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(912,442)	(23,799)	-	(936,241)
Machinery, Vehicles and Equipment	(251,406)	(11,938)	-	(263,344)
Infrastructure	(1,476,536)	(188,904)	-	(1,665,440)
Total Accumulated Depreciation	(2,640,384)	(224,641)	-	(2,865,025)
Total Capital Assets Being Depreciated, Net	6,405,816	(124,323)	-	6,281,493
Total Sewer Enterprise Capital Assets, Net	\$ 6,621,617	\$ (124,323)	\$ -	\$ 6,497,294
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Water Enterprise:</b>				
<u>Capital Assets Being Depreciated:</u>				
Buildings	\$ 26,438	\$ -	\$ -	\$ 26,438
Machinery, Vehicles and Equipment	6,180	-	-	6,180
Infrastructure	9,227,197	942,023	-	10,169,220
Total Capital Assets Being Depreciated	9,259,815	942,023	-	10,201,838
<u>Less Accumulated Depreciation for:</u>				
Buildings	(26,438)	-	-	(26,438)
Machinery, Vehicles and Equipment	(6,180)	-	-	(6,180)
Infrastructure	(2,193,574)	(238,709)	-	(2,432,283)
Total Accumulated Depreciation	(2,226,192)	(238,709)	-	(2,464,901)
Total Water Enterprise Capital Assets, Net	\$ 7,033,623	\$ 703,314	\$ -	\$ 7,736,937
Total Business-Type Activities Capital Assets, Net	\$ 13,655,240	\$ 578,991	\$ -	\$ 14,234,231

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

**Governmental Activities:**

General Government	\$ 28,812
Public Safety	546,721
Education	2,321,942
Public Works	707,484
Culture and Recreation	259,289
Total Depreciation Expense - Governmental Activities	<u>\$ 3,864,248</u>

**Business-Type Activities:**

Sewer	\$ 224,641
Water	238,709
Total Depreciation Expense - Business-Type Activities	<u>\$ 463,350</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 INTERFUND TRANSFERS AND BALANCES**

Interfund transfers for the fiscal year ended June 30, 2021, are summarized below:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Fund	Total
General Fund	\$ -	\$ 265,316	\$ 265,316 (1)
Sewer Enterprise Fund	517,189	-	517,189 (2)
Water Enterprise Fund	441,877	-	441,877 (3)
	<u>\$ 959,066</u>	<u>\$ 265,316</u>	<u>\$ 1,224,382</u>

- (1) Represents budgeted transfers from the general fund to special revenue funds to subsidize waste and recycling (\$220,000). Also represents unbudgeted transfer to fund prior year overpayment in the Title I special revenue fund (\$45,316).
- (2) Represents budgeted transfers from the sewer enterprise fund to the general fund for indirect costs.
- (3) Represents budgeted transfers from the water enterprise fund to the general fund for indirect costs.

**NOTE 7 SHORT-TERM DEBT**

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 anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

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 and Enterprise Funds, respectively.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 SHORT-TERM DEBT (CONTINUED)**

Details related to the short-term debt activity for the fiscal year ended June 30, 2021, is as follows:

**Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021
BAN	Golf Course Irrigation Replacement	12/20/19	12/18/20	2.24%	\$ 284,550	\$ -	\$ (284,550)	\$ -
BAN	Golf Course Irrigation Replacement	12/18/20	12/17/21	0.84%	-	284,550	(124,550) *	160,000
BAN	Pump/Vac Truck	12/18/20	12/17/21	0.60%	-	425,000	(421,000) *	4,000
BAN	Drain Line Video Camera	12/18/20	12/17/21	0.60%	-	45,000	-	45,000
Total					<u>\$ 284,550</u>	<u>\$ 754,550</u>	<u>\$ (830,100)</u>	<u>\$ 209,000</u>

**Subsequent Event**

\*On September 14, 2021, The Town issued General Obligation Bonds of \$2,700,000. A portion of the proceeds (\$545,550) was used to retire BANs outstanding at June 30, 2021. Accordingly, these amounts are reported as long-term debt obligations at June 30, 2021.

**NOTE 8 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Bonds and Notes Payable	\$ 22,545,000	\$ 545,550	\$ (3,375,000)	\$ 19,715,550	\$ 2,250,000
Unamortized Bond Premiums	800,349	-	(66,021)	734,328	66,021
Total Bonds and Notes Payable	23,345,349	545,550	(3,441,021)	20,449,878	2,316,021
Compensated Absences	1,114,282	318,972	(111,428)	1,321,826	132,183
Total	<u>\$ 24,459,631</u>	<u>\$ 864,522</u>	<u>\$ (3,552,449)</u>	<u>\$ 21,771,704</u>	<u>\$ 2,448,204</u>
<b>Business-Type Activities:</b>					
Bonds and Notes Payable	\$ 1,502,253	\$ 1,800,000	\$ (361,486)	\$ 2,940,767	\$ 447,486
Compensated Absences	32,408	11,308	(3,241)	40,475	4,048
Total	<u>\$ 1,534,661</u>	<u>\$ 1,811,308</u>	<u>\$ (364,727)</u>	<u>\$ 2,981,242</u>	<u>\$ 451,534</u>

The governmental activities long-term liabilities are generally liquidated by the General Fund. The business-type long-term liabilities are liquidated by the sewer and water enterprise funds.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 9 LONG-TERM DEBT**

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

**Bonds and Notes Payable - Governmental Funds**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2020	Issued	Redeemed	Outstanding at June 30, 2021
General Obligation Refunding Bonds 2010	11/15/20	2.25-5.00%	\$ 1,105,000	\$ -	\$ (1,105,000)	\$ -
General Obligation Bonds 2010	06/01/21	2.00-5.00%	480,000	-	(50,000)	430,000
General Obligation Bonds 2011	06/15/31	2.00-4.00%	1,020,000	-	(120,000)	900,000
General Obligation Refunding Bonds 2012	06/15/23	2.00-4.00%	1,815,000	-	(685,000)	1,130,000
General Obligation Bonds 2013	02/15/33	2.00-4.00%	12,590,000	-	(765,000)	11,825,000
General Obligation Refunding Bonds 2016	12/15/26	2.00-3.00%	219,000	-	(115,000)	104,000
General Obligation Bonds 2016	12/15/26	2.00-3.00%	1,186,000	-	(95,000)	1,091,000
General Obligation Bonds 2017	06/30/42	3.00-4.00%	1,305,000	-	(70,000)	1,235,000
General Obligation Bonds 2018	12/15/31	3.00-4.00%	1,390,000	-	(75,000)	1,315,000
General Obligation Bonds 2019	12/15/29	4.00-5.00%	745,450	-	(180,450)	565,000
General Obligation Bonds 2019	12/15/29	4.00-5.00%	689,550	-	(114,550)	575,000
Pump/Vac Truck	06/01/30	4.00%	-	421,000	-	421,000
Golf Course Inflow & Infiltration Study	06/01/36	2.00-4.00%	-	124,550	-	124,550
Total Governmental Funds			<u>\$ 22,545,000</u>	<u>\$ 545,550</u>	<u>\$ (3,375,000)</u>	<u>\$ 19,715,550</u>

Debt service requirements (gross) for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 2,250,000	\$ 676,445	\$ 2,926,445
2023	2,095,550	602,284	2,697,834
2024	1,625,000	522,888	2,147,888
2025	1,510,000	461,162	1,971,162
2026	1,490,000	403,486	1,893,486
2027	1,465,000	345,688	1,810,688
2028	1,490,000	288,438	1,778,438
2029	1,510,000	239,961	1,749,961
2030	1,555,000	190,936	1,745,936
2031	1,470,000	141,238	1,611,238
2032	1,315,000	97,863	1,412,863
2033	1,345,000	58,388	1,403,388
2034	185,000	16,549	201,549
2035	60,000	12,926	72,926
2036	60,000	11,176	71,176
2037	55,000	9,422	64,422
2038	45,000	7,636	52,636
2039	45,000	6,174	51,174
2040	45,000	4,712	49,712
2041	50,000	3,250	53,250
2042	50,000	1,624	51,624
Total	<u>\$ 19,715,550</u>	<u>\$ 4,102,246</u>	<u>\$ 23,817,796</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Sewer Enterprise Fund**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2020	Issued	Redeemed	Outstanding at June 30, 2021
Sewer - MWRA*	6/30/2026	0.00%	\$ 212,700	\$ -	\$ (50,450)	\$ 162,250
Sewer - MWRA*	6/30/2029	0.00%	218,250	-	(24,250)	194,000
Total Sewer Enterprise Fund			<u>\$ 430,950</u>	<u>\$ -</u>	<u>\$ (74,700)</u>	<u>\$ 356,250</u>

\*Notes from direct borrowings

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

Fiscal Year	Notes from Direct Borrowings		
	Principal	Interest	Total
2022	\$ 69,700	\$ -	\$ 69,700
2023	54,700	-	54,700
2024	54,700	-	54,700
2025	54,700	-	54,700
2026	49,700	-	49,700
2027	24,250	-	24,250
2028	24,250	-	24,250
2029	24,250	-	24,250
Total	<u>\$ 356,250</u>	<u>\$ -</u>	<u>\$ 356,250</u>

**Bonds and Notes Payable – Water Enterprise Fund**

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2020	Issued	Redeemed	Outstanding at June 30, 2020
Water - MWRA*	6/30/2026	0.00%	\$ 1,071,303	\$ -	\$ (286,786)	\$ 784,517
Water - MWRA*	6/30/2031	0.00%	-	1,800,000	-	1,800,000
Total Water Enterprise Fund			<u>\$ 1,071,303</u>	<u>\$ 1,800,000</u>	<u>\$ (286,786)</u>	<u>\$ 2,584,517</u>

\*Notes from direct borrowings

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Debt service requirements (gross) for principal and interest for Water Enterprise Fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Notes from Direct Borrowings		
	Principal	Interest	Total
2022	\$ 377,786	\$ -	\$ 377,786
2023	354,785	-	354,785
2024	324,146	-	324,146
2025	313,900	-	313,900
2026	313,900	-	313,900
2027	180,000	-	180,000
2028	180,000	-	180,000
2029	180,000	-	180,000
2030	180,000	-	180,000
2031	180,000	-	180,000
Total	\$ 2,584,517	\$ -	\$ 2,584,517

**Authorized and Unissued Debt**

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
Streets and Sidewalks	\$ 100,000
Drainage MS4	64,000
Fire Engine	820,000
Rebuild Hole 9	21,505
Design Study Ice Arena Lower Roof & Envelope Replacement	25,000
Total	\$ 1,030,505

**Subsequent Event**

On September 14, 2021, the Town issued General Obligation Bonds of \$2,700,000 with a premium of \$369,685, an interest rate of 2.00-4.00%, and a maturity date of June 1, 2036. A portion of the proceeds were used to retire \$545,550 of BANs outstanding at June 30, 2021. Accordingly, those amounts are reported as long-term debt at June 30, 2021. The remaining proceeds were authorized for the following purposes:

- Current Refunding (\$1,225,000)
- Fire Engine Purchase (\$820,000)
- Streets and Sidewalks (\$100,000)
- Golf Course – Rebuild Hole 9 (\$9,450)

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description** – The Town provides lifetime healthcare insurance coverage for its retirees and their spouses (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. The Plan does not issue a stand-alone financial report.

**Funding Policy** – The contribution requirements of Plan members and the Town are established and may be negotiated between the Town and Union representatives. The required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 15 - 25% and 85 - 75%, respectively. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

**Employees Covered by Benefit Terms** – At June 30, 2021 the following employees were covered by benefit terms:

Active Employees	500
Inactive Members Entitled to But Not Receiving Benefits	12
Retired Employees and Spouses	429
Total	941

**Total OPEB Liability**

The Town's Total OPEB liability of \$156,586,574 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2019, which has been rolled forward to the June 30, 2021 measurement date.

The significant methods and assumptions used to measure the total OPEB liability are as follows:

Discount Rate:	2.16% (Bond Buyer 20 Bond Index for 20-year Municipal GO Bond as of June 2021)
Healthcare/Medical Cost Trend Rate:	
Commercial Managed Care Plan	8.00% decreasing to an ultimate level of 5.0%
Commercial Indemnity Plan	9.00% decreasing to an ultimate level of 5.0%
Medicare Managed Care Plan	7.00% decreasing to an ultimate level of 5.0%
Medicare Indemnity Plan	8.00% decreasing to an ultimate level of 5.0%
Actives Mortality:	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality ad scale MP-2019
Retirees Mortality:	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2019
Disabled Mortality:	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2019. Set forward 2 years.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Changes in the Total OPEB Liability**

Balance at June 30, 2020	\$ 149,703,631
Changes for the year:	
Service cost	6,372,652
Interest	3,403,358
Benefit payments	(4,156,353)
Changes of Assumptions	<u>1,263,286</u>
Net Changes	<u>6,882,943</u>
Balance at June 30, 2021	<u><u>\$ 156,586,574</u></u>

Changes of Assumptions reflects a change in the discount rate from 2.21% to 2.16%.

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

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB Liability	\$ 185,408,062	\$ 156,586,574	\$ 133,969,726

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

	1% Decrease	Base Trend Rate	1% Increase
Net OPEB Liability	\$ 128,453,871	\$ 156,586,574	\$ 194,237,724

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$8,909,035. At June 30, 2021, the Town reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 18,097,331
Changes of Assumptions	<u>16,584,713</u>	<u>506,084</u>
Total	<u><u>\$ 16,584,713</u></u>	<u><u>\$ 18,603,415</u></u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ (866,975)
2023	(452,905)
2024	(915,908)
2025	217,086
Total	<u>\$ (2,018,702)</u>

**NOTE 11 FUND BALANCE**

The constraints on fund balances in the Governmental Funds Balance Sheet are detailed as follows:

	<u>General</u>	<u>Highway Projects</u>	<u>State and Local Fiscal Recovery Fund</u>	<u>COVID-19 CARES Grant</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>						
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -	\$ 1,152,678	\$ 1,152,678
<b>Restricted:</b>						
OPEB	312,440	-	-	-	-	312,440
Town Gift and Grant Funds	-	-	-	-	345,393	345,393
Town Other Funds	-	-	-	-	2,127,962	2,127,962
School Lunch	-	-	-	-	182,880	182,880
School Gift and Grant Funds	-	-	-	-	1,124,874	1,124,874
School Other Funds	-	-	-	-	474,811	474,811
Receipts Reserved for Appropriation	-	-	-	-	15,311	15,311
Capital Projects	-	-	-	-	302,622	302,622
Cemeteries	-	-	-	-	265,885	265,885
Libraries	-	-	-	-	132,319	132,319
Other Permanent Funds	-	-	-	-	476,633	476,633
Sub-Total - Restricted	<u>312,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,448,690</u>	<u>5,761,130</u>
<b>Committed:</b>						
Capital Stabilization	441,234	-	-	-	-	441,234
Subsequent Year's Expenditures	670,210	-	-	-	-	670,210
Continuing Appropriations	1,015,725	-	-	-	-	1,015,725
Sub-Total - Committed	<u>2,127,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,127,169</u>
<b>Assigned:</b>						
Encumbrances	666,078	-	-	-	-	666,078
<b>Unassigned</b>						
	<u>11,111,289</u>	<u>-</u>	<u>-</u>	<u>(714,099)</u>	<u>(309,655)</u>	<u>10,087,535</u>
<b>Total</b>	<u>\$ 14,216,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (714,099)</u>	<u>\$ 6,291,713</u>	<u>\$ 19,794,590</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 12 STABILIZATION FUNDS**

The Town maintains general and capital stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization funds require two-thirds vote of Town Meeting. Investment income is retained by the funds.

The balance of the general and capital stabilization funds at June 30, 2021 total \$4,543,911, and \$441,234, respectively, and are reported as unassigned and committed fund balances in the general fund, respectively.

**NOTE 13 PENSION PLAN**

**Plan Description** – The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Stoneham Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

As of the most recent actuarial valuation, the System’s membership consisted of the following:

Active Members	313
Inactive Members	97
Retirees and Beneficiaries Currently Receiving Benefits	291
Total	701

The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System’s participants, a fourth member appointed by the Select Board and a fifth member appointed by the Retirement Board’s members.

**Benefits Provided** – The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to MGL Chapter 32, up to a maximum of 80% of the average of a member’s three (if hired before April 1, 2012) or five (if hired on or after April 1, 2012) highest consecutive years’ regular compensation. In addition to regular compensation, benefits are based upon a member’s age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55 (if hired before April 1, 2012) or 60 (if hired on or after April 1, 2012), with 10 years of service. Normal retirement for most employees occurs at age 65 (if hired before April 1, 2012) or 67 (if hired on or after April 1, 2012), except for certain hazardous duty and public safety employees who attain normal retirement at age 55 (if hired before April 1, 2012) or 57 (if hired on or after April 1, 2012).

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Contributions** – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2020, active member contributions totaled \$1,677,755 and employer contributions totaled \$6,465,692. Contributions to the System from the Town were \$6,273,661 for the year ended June 30, 2021.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The components of the net pension liability of the System at December 31, 2020, were as follows:

Total Pension Liability	\$ 131,272,118
Plan Fiduciary Net Position	<u>(109,661,278)</u>
Net Pension Liability	<u>\$ 21,610,840</u>
Plan Fiduciary Net Position as a Percentage of the Total	83.54%

At June 30, 2021, the Town reported a liability of \$20,968,997 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 that was rolled forward to the December 31, 2020 measurement date. The Town's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2020, actuarially determined. At December 31, 2020, the Town's proportion was 97.03%, compared to a proportion of 97.14% as of December 31, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$3,124,653. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 1,823,371
Changes in Assumptions	1,498,349	1,289,909
Changes in Proportion	4,848	49,133
Differences Between Expected and Actual Experience	<u>3,832,913</u>	<u>32,491</u>
Total	<u>\$ 5,336,110</u>	<u>\$ 3,194,904</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 13 PENSION PLAN (CONTINUED)**

The net amount reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 1,048,741
2023	1,601,608
2024	(1,017,310)
2025	508,167
Total	<u>\$ 2,141,206</u>

Actuarial Assumptions

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

Salary Increases	4.25% ultimate rate, plus the following steps: Group 4 - 8.75% steps for years 1 - 5; Others - 6.25% steps for years 1 - 8.
Investment Rate of Return	7.25%
Interest Rate Credited to Annuity Savings Fund	2.00%
Cost of Living Adjustment	A 3% COLA on the first \$13,000 of a member's retirement allowance is assumed to be granted every year.
Mortality	RP-2014 mortality table projected with Generational Mortality, using MP-2019, with a base year of 2006 (sex-distinct). Prior valuation used RP-2014 projected with Generational Mortality, using MP-2016, with a base year of 2006 (sex-distinct). Post-employment the healthy annuitant table is used. In-service death is assumed to be 45% accidental for group 1 and 2 and 90% accidental for group 4.
Retirement Rates	General Employees (Group 1 and 2) - Ages 60 - 70. Police and Fire (Group 4) - Ages 55 - 65.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 13 PENSION PLAN (CONTINUED)**

Investment Policies and Rates of Return

Deposits and investments made by the System are governed by Chapter 32 of the MGL.

For the year ended December 31, 2020, the annual money-weighted rate of return on System investments, net of investment expense, was 7.10%. 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 pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	26.22 %	4.33%
International Equities	15.98	5.49%
Emerging Equities	4.18	7.06%
Hedge Equity	2.06	3.42%
Core Fixed Income	10.45	0.20%
Short-Term Fixed Income	0.52	-0.20%
Long Duration Treasury	0.77	-0.49%
Inflation-Linked Bonds	1.03	-0.10%
Value-Added Fixed Income	2.06	3.91%
High Yield Fixed Income	3.89	2.40%
Emerging Market Debt	3.45	0.70%
Private Equity	13.33	7.51%
Hedged Funds	7.42	4.30%
Real Estate	5.03	3.60%
Timberland	1.03	4.31%
Portfolio Completion (PCS)	2.58	2.94%
Totals	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 13 PENSION PLAN (CONTINUED)**

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

The following presents the net pension liability of the System calculated using the discount rate of 7.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
System's Net Pension Liability	\$ 35,311,951	\$ 21,610,840	\$ 9,980,929

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's Proportionate Share of the Net Pension Liability	\$ 34,263,186	\$ 20,968,997	\$ 9,684,496

Legally Required Reserve Accounts – The balance in the System's legally required reserves as of December 31, 2020 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 16,630,991	Active members' contribution balance
Annuity Reserve Fund	4,431,675	Retired members' contribution account
Military Service Fund	48,194	Military leave of absence contribution balance
Pension Reserve Fund	88,357,973	Amounts appropriated to fund future retirement
Pension Fund	<u>192,445</u>	Remaining Net Position
Total	<u><u>\$ 109,661,278</u></u>	

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**Plan Description** – Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be found at: <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

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

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

**Contributions** – The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2.0% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2021. The Commonwealth's net pension liability associated with the Town was \$74,151,481.

The MTRS' net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

For the year ended June 30, 2021, the Town recognized pension expense of \$9,158,770 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

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

Investment rate of return – 7.15%

Salary increases – Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

Mortality rates – Pre-retirement reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct). Postretirement reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct). Disability is assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

Other – 3.5% interest rate credited to the annuity savings fund; 3.0% cost of living increase on the first \$13,000 per year.

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

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.00 %	4.8%
Core Fixed Income	15.00	0.7%
Private Equity	13.00	8.2%
Portfolio Completion Strategies	11.00	3.2%
Real Estate	10.00	3.5%
Value Added Fixed Income	8.00	4.2%
Timber/Natural Resources	4.00	4.1%
Totals	<u>100.00 %</u>	

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

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

**Pension Plan Fiduciary Net Position** – Detailed information about the MTRS’ fiduciary net position is available in the Commonwealth’s audited financial statements.

**NOTE 15 COMMITMENTS**

The Town has entered into, or is planning to enter into, various construction projects totaling approximately \$1,031,000. Other significant commitments include encumbrances and continuing appropriations totaling \$1,681,803 for the General Fund as of June 30, 2021.

**NOTE 16 CONTINGENCIES**

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

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

**NOTE 17 FUTURE IMPLEMENTATIONS OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 87, Leases, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement’s future impact on the basic financial statements.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement’s future impact on the basic financial statements.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 17 FUTURE IMPLEMENTATIONS OF GASB PRONOUNCEMENTS (CONTINUED)**

- Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 92, *Omnibus 2020*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which is required to be implemented during fiscal year 2022. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented during fiscal year 2023. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 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 during fiscal year 2022. Management is evaluating the Statement's future impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-GAAP BUDGETARY BASIS – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2021**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 53,665,741	\$ -	\$ 53,665,741
Motor Vehicle and Other Excise Taxes	-	3,400,000	-	3,400,000
Hotel/Motel Tax	-	177,000	-	177,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	55,000	-	55,000
Intergovernmental	-	11,067,030	-	11,067,030
Penalties and Interest on Taxes	-	175,000	-	175,000
Licenses and Permits	-	560,000	-	560,000
Fines and Forfeitures	-	45,000	-	45,000
Departmental and Other	-	973,000	-	973,000
Investment Income	-	65,000	-	65,000
Total Revenues	<u>-</u>	<u>70,182,771</u>	<u>-</u>	<u>70,182,771</u>
<b>EXPENDITURES</b>				
Current:				
General Government	405,648	2,589,170	282,140	3,276,958
Public Safety	24,794	9,082,429	66,000	9,173,223
Education	254,445	31,109,024	286,000	31,649,469
Public Works	315,790	2,620,516	450,000	3,386,306
Health and Human Services	2,800	695,237	68,000	766,037
Culture and Recreation	79,559	1,302,141	-	1,381,700
Pension Benefits	-	6,273,630	-	6,273,630
Employee Benefits	25,479	10,050,775	70,000	10,146,254
State and County Charges	-	2,523,819	-	2,523,819
Debt Service:				
Principal	-	3,375,000	-	3,375,000
Interest	-	779,276	-	779,276
Total Expenditures	<u>1,108,515</u>	<u>70,401,017</u>	<u>1,222,140</u>	<u>72,731,672</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(1,108,515)</u>	<u>(218,246)</u>	<u>(1,222,140)</u>	<u>(2,548,901)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	959,066	-	959,066
Transfers Out	-	(823,000)	-	(823,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>136,066</u>	<u>-</u>	<u>136,066</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>(1,108,515)</u>	<u>(82,180)</u>	<u>(1,222,140)</u>	<u>(2,412,835)</u>
Fund Balance - Beginning of Year	<u>7,038,184</u>	<u>7,038,184</u>	<u>7,038,184</u>	<u>7,038,184</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,929,669</u>	<u>\$ 6,956,004</u>	<u>\$ 5,816,044</u>	<u>\$ 4,625,349</u>

See accompanying notes to required supplementary information.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NON-GAAP BUDGETARY BASIS – BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 53,861,368	\$ -	\$ 53,861,368	\$ 195,627
3,648,010	-	3,648,010	248,010
306,775	-	306,775	129,775
23,263	-	23,263	23,263
2,736	-	2,736	(52,264)
11,011,346	-	11,011,346	(55,684)
178,887	-	178,887	3,887
773,141	-	773,141	213,141
34,016	-	34,016	(10,984)
1,842,945	-	1,842,945	869,945
14,054	-	14,054	(50,946)
<u>71,696,541</u>	<u>-</u>	<u>71,696,541</u>	<u>1,513,770</u>
2,724,542	430,709	3,155,251	121,707
8,890,923	158,878	9,049,801	123,422
31,268,728	382,777	31,651,505	(2,036)
2,522,509	615,211	3,137,720	248,586
734,767	5,080	739,847	26,190
1,213,916	89,148	1,303,064	78,636
6,271,371	-	6,271,371	2,259
9,852,066	-	9,852,066	294,188
2,489,091	-	2,489,091	34,728
3,375,000	-	3,375,000	-
779,276	-	779,276	-
<u>70,122,189</u>	<u>1,681,803</u>	<u>71,803,992</u>	<u>927,680</u>
<u>1,574,352</u>	<u>(1,681,803)</u>	<u>(107,451)</u>	<u>2,441,450</u>
959,066	-	959,066	-
(868,316)	-	(868,316)	(45,316)
<u>90,750</u>	<u>-</u>	<u>90,750</u>	<u>(45,316)</u>
1,665,102	(1,681,803)	(16,701)	2,396,134
7,038,184	-	7,038,184	-
<u>\$ 8,703,286</u>	<u>\$ (1,681,803)</u>	<u>\$ 7,021,483</u>	<u>\$ 2,396,134</u>

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULE**

**SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND  
RELATED RATIOS (PLAN) (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total OPEB Liability</u>				
Service Cost	\$ 6,372,652	\$ 5,308,599	\$ 4,713,064	\$ 4,851,472
Interest	3,403,358	5,301,865	5,439,349	4,923,108
Differences Between Expected and Actual Experience	-	(28,573,012)	(3,292,643)	-
Changes of Assumptions	1,263,286	21,224,711	7,642,632	(2,346,390)
Changes in Benefit Terms	-	2,295,854	-	-
Benefit Payments	<u>(4,156,353)</u>	<u>(4,055,296)</u>	<u>(4,280,152)</u>	<u>(4,230,108)</u>
Net Change in Total OPEB Liability	6,882,943	1,502,721	10,222,250	3,198,082
Total OPEB Liability - Beginning	<u>149,703,631</u>	<u>148,200,910</u>	<u>137,978,660</u>	<u>134,780,578</u>
Total OPEB Liability - Ending	<u><u>\$ 156,586,574</u></u>	<u><u>\$ 149,703,631</u></u>	<u><u>\$ 148,200,910</u></u>	<u><u>\$ 137,978,660</u></u>

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND  
RELATED RATIOS (SYSTEM) (1)**

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<u>Total Pension Liability</u>							
Service Cost	\$ 2,336,615	\$ 2,235,992	\$ 2,139,709	\$ 2,047,568	\$ 1,959,395	\$ 1,892,280	\$ 1,810,794
Interest	8,944,825	8,759,422	8,742,692	8,513,362	8,358,786	8,240,349	8,016,557
Changes in Benefit Terms	-	-	-	-	(2,284,697)	-	-
Change in Assumptions	(1,688,687)	-	5,107,777	-	1,365,326	-	-
Difference Between Expected and Actual Experience	5,017,867	-	(110,760)	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(8,757,563)	(8,319,945)	(7,610,099)	(7,777,887)	(7,206,972)	(6,760,615)	(7,373,458)
Net Change in Total Pension Liability	5,853,057	2,675,469	8,269,319	2,783,043	2,191,838	3,372,014	2,453,893
Total Pension Liability - Beginning	125,419,061	122,743,592	114,474,273	111,691,230	109,499,392	106,127,378	103,673,485
Total Pension Liability - Ending (a)	<u>\$ 131,272,118</u>	<u>\$ 125,419,061</u>	<u>\$ 122,743,592</u>	<u>\$ 114,474,273</u>	<u>\$ 111,691,230</u>	<u>\$ 109,499,392</u>	<u>\$ 106,127,378</u>
<u>Plan Fiduciary Net Position</u>							
Contributions - Employer	\$ 6,465,692	\$ 6,805,992	\$ 6,578,380	\$ 6,099,564	\$ 5,690,889	\$ 5,276,670	\$ 4,892,601
Contributions - Member	1,677,755	1,626,284	1,497,813	1,469,429	1,376,935	1,323,924	1,394,426
Net Investment Income	7,304,415	15,275,904	(4,634,357)	13,113,308	6,476,051	427,356	5,239,667
Benefit Payments, Including Refunds of Member Contributions and Net of Transfers (to)/from Other Systems	(8,757,562)	(8,319,945)	(7,610,100)	(7,777,887)	(7,206,972)	(6,760,615)	(7,373,458)
Administrative Expense	(258,931)	(280,429)	(261,640)	(250,143)	(282,419)	(239,647)	(229,368)
Net Change in Plan Fiduciary Net Position	6,431,369	15,107,806	(4,429,904)	12,654,271	6,054,484	27,688	3,923,868
Plan Fiduciary Net Position - Beginning	103,229,909	88,122,103	92,552,007	79,897,736	73,843,252	73,815,564	69,891,696
Plan Fiduciary Net Position - Ending (b)	<u>\$ 109,661,278</u>	<u>\$ 103,229,909</u>	<u>\$ 88,122,103</u>	<u>\$ 92,552,007</u>	<u>\$ 79,897,736</u>	<u>\$ 73,843,252</u>	<u>\$ 73,815,564</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 21,610,840</u>	<u>\$ 22,189,152</u>	<u>\$ 34,621,489</u>	<u>\$ 21,922,266</u>	<u>\$ 31,793,494</u>	<u>\$ 35,656,140</u>	<u>\$ 32,311,814</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.54%	82.31%	71.79%	80.85%	71.53%	67.44%	69.55%
Covered Payroll	\$ 17,055,524	\$ 16,149,414	\$ 15,393,845	\$ 15,158,456	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Net Pension Liability as a Percentage of Covered Payroll	126.7%	137.4%	224.9%	144.6%	219.9%	259.1%	246.9%

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM) (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 6,465,692	\$ 6,805,992	\$ 6,578,380	\$ 6,099,564	\$ 5,690,889	\$ 5,276,670	\$ 4,892,601
Contributions in Relation to the Actuarially Determined Contribution	<u>(6,465,692)</u>	<u>(6,805,992)</u>	<u>(6,578,380)</u>	<u>(6,099,564)</u>	<u>(5,690,889)</u>	<u>(5,276,670)</u>	<u>(4,892,601)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>						
Covered Payroll	\$ 17,055,524	\$ 16,149,414	\$ 15,393,845	\$ 15,158,456	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Contributions as a Percentage of Covered Payroll	37.91%	42.14%	42.73%	40.24%	39.36%	38.34%	37.39%

(1) Data is being accumulated annually to present 10 years of the reported information.

**SCHEDULE OF INVESTMENT RETURNS (SYSTEM) (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	7.10%	17.29%	-4.97%	16.28%	8.92%	0.50%	7.56%

(1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (1)(2)**

	2020	2019	2018	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability	97.03%	97.14%	97.44%	97.38%	97.29%	97.26%	97.87%
Town's Proportionate Share of the Net Pension Liability	\$ 20,968,997	\$ 21,541,229	\$ 33,717,745	\$ 21,354,750	\$ 30,932,526	\$ 34,690,539	\$ 31,622,155
Town's Covered Payroll	\$ 16,711,031	\$ 15,714,808	\$ 14,979,862	\$ 14,759,994	\$ 14,457,252	\$ 13,761,993	\$ 13,086,805
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	125.48%	137.08%	225.09%	144.68%	213.96%	252.07%	241.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.54%	82.31%	71.88%	80.85%	71.53%	67.44%	69.55%

- (1) Data is being accumulated annually to present 10 years of the reported information.  
(2) The amounts presented were determined as of December 31 of the applicable fiscal year.

**SCHEDULE OF TOWN'S CONTRIBUTIONS (1)(2)**

	2021	2020	2019	2018	2017	2016	2015
Actuarially Required Contribution	\$ 6,273,661	\$ 6,611,111	\$ 6,409,652	\$ 5,943,258	\$ 5,538,241	\$ 5,135,261	\$ 4,788,848
Contributions in Relation to the Actuarially Required Contribution	<u>(6,273,661)</u>	<u>(6,611,111)</u>	<u>(6,409,652)</u>	<u>(5,943,258)</u>	<u>(5,538,241)</u>	<u>(5,135,261)</u>	<u>(4,788,848)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>						
Town's Covered Payroll	\$ 16,711,031	\$ 15,714,808	\$ 14,979,862	\$ 14,759,994	\$ 14,457,252	\$ 13,401,725	\$ 13,086,805
Contributions as a Percentage of Covered Payroll	37.54%	42.07%	42.79%	40.27%	38.31%	38.32%	36.59%

- (1) Data is being accumulated annually to present 10 years of the reported information.  
(2) The amounts presented were determined as of December 31 of the applicable fiscal year.

**TOWN OF STONEHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (MTRS)  
(1)(2)**

	2021	2020	2019	2018	2017	2016	2015
Town's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the Town's Net Pension Liability	74,151,481	65,321,980	60,912,021	58,054,777	56,983,323	52,804,623	41,542,919
<b>Total</b>	<b>\$ 74,151,481</b>	<b>\$ 65,321,980</b>	<b>\$ 60,912,021</b>	<b>\$ 58,054,777</b>	<b>\$ 56,983,323</b>	<b>\$ 52,804,623</b>	<b>\$ 41,542,919</b>
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 9,158,770	\$ 7,921,424	\$ 6,172,551	\$ 6,059,346	\$ 5,812,673	\$ 4,282,925	\$ 2,886,186
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	50.67%	53.95%	54.84%	54.25%	52.73%	55.38%	61.64%

(1) Data is being accumulated annually to present 10 years of the reported information.

(2) The amounts presented were determined as of June 30 of the previous year.

**TOWN OF STONEHAM, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**NOTE A BUDGETARY-GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts 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 fiscal year ended June 30, 2021, is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	\$ 71,696,541	\$ 71,803,992	\$ 90,750	\$ 7,021,483
<u>Adjustments and Reclassifications</u>				
To Record 60-Day Receipts	(227,402)	-	-	381,017
To Record Tax Refunds Payable	(38,572)	-	-	(164,912)
To Record MTRS On-Behalf Payments	9,158,770	9,158,770	-	-
Stabilization Fund Activities	258,552	-	319,500	4,543,911
Capital Stabilization Fund Activities	15,702	-	183,500	441,234
To Record Encumbrances and Continuing Appropriations	-	(1,681,803)	-	1,681,803
Activities Restricted for OPEB	18,226	-	100,000	312,440
	<u>\$ 80,881,817</u>	<u>\$ 79,280,959</u>	<u>\$ 693,750</u>	<u>\$ 14,216,976</u>
GAAP Basis as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 80,881,817</u>	<u>\$ 79,280,959</u>	<u>\$ 693,750</u>	<u>\$ 14,216,976</u>

**NOTE B PENSION PLAN**

*Changes of Assumptions (2020):* Mortality tables were updated to RP-2014 table adjusted to 2006, projected generationally using MP-2019.

**NOTE C POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Changes of Assumptions (2021):* Discount rate was adjusted from 2.21% to 2.16%.