

# **TOWN OF DRACUT, MASSACHUSETTS**

## **\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds**



## **FINANCING SUMMARY**

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**March 30, 2022**



54 Canal Street, Suite 320  
Boston, MA 02114  
Phone 617.619.4408

Member FINRA/SIPC/NYSE

## TABLE OF CONTENTS

<b>Summary of Terms .....</b>	<b>TAB 1</b>
<b>Competitive Bidding Results &amp; Bid Sheets .....</b>	<b>TAB 2</b>
<b>Debt Service Schedules.....</b>	<b>TAB 3</b>
<b>Pricing Summaries.....</b>	<b>TAB 4</b>
<b>Bond Summary Statistics &amp; Proof of Bond Yield .....</b>	<b>TAB 5</b>
<b>Sources and Uses of Funds .....</b>	<b>TAB 6</b>
Final Structure Reflecting Application of Net Premium	
<b>Municipal Credit Report.....</b>	<b>TAB 7</b>
S&P Global Ratings Report dated March 18, 2022	
<b>Closing Memo, Wire Instructions &amp; Invoice.....</b>	<b>TAB 8</b>
Arbitrage Rebate and Post-Issuance Compliance Packet	
<b>Distribution List.....</b>	<b>TAB 9</b>
<b>Official Statement.....</b>	<b>TAB 10</b>



## SUMMARY OF TERMS

### Town of Dracut, Massachusetts \$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds Dated March 30, 2022, Payable March 15, 2023 through March 15, 2042

<b>ISSUER:</b>	Town of Dracut, Massachusetts.			
<b>FINANCIAL ADVISOR:</b>	Hilltop Securities Inc., Boston, Massachusetts.			
<b>PURCHASER:</b>	Fidelity Capital Markets, Boston, Massachusetts.			
<b>RATING:</b>	S&P Global Ratings:	AA		
<b>KEY DATES:</b>	Dated Date:	March 30, 2022		
	Delivery Date:	March 30, 2022		
	Date of Sale:	March 22, 2022		
	Final Maturity:	March 15, 2042		
<b>STRUCTURE:</b>	\$1,310,000 Serial Bonds maturing annually on March 15 in the years 2023 through 2034, inclusive, and two Term Bonds maturing on March 15, 2037 (\$330,000) and March 15, 2042 (\$225,000), subject to mandatory redemption as set forth below.			
<b>INTEREST PAYMENT DATES:</b>	Interest on the Bonds will be payable semiannually on March 15 and September 15, commencing September 15, 2022.			
<b>INTEREST BASIS:</b>	30 day month/360 day year (30/360).			
<b>DELIVERY:</b>	Depository Trust Company, New York, New York.			
<b>DENOMINATIONS:</b>	\$5,000 or any integral multiple thereof.			
<b>BOND COUNSEL:</b>	Locke Lord LLP, Boston, Massachusetts.			
<b>PAYING AGENT:</b>	U.S. Bank Trust National Association, Boston, Massachusetts.			
<b>OPTIONAL REDEMPTION:</b>	Bonds maturing on or prior to March 15, 2031 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after March 15, 2032 shall be subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2031, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.			
<b>MANDATORY REDEMPTION:</b>	The Bonds maturing March 15, 2037 and March 15, 2042 (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts as set forth below (the particular portion of each Term Bond to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.			
	<b>\$330,000 Term Bond Maturing March 15, 2037</b>		<b>\$225,000 Term Bond Maturing March 15, 2042</b>	
	<u>March 15</u>	<u>Principal Amount</u>	<u>March 15</u>	<u>Principal Amount</u>
	2035	\$ 110,000	2038	\$ 45,000
	2036	110,000	2039	45,000
	2037 *	110,000	2040	45,000
			2041	45,000
			2042 *	45,000
	* Final maturity.			
<b>TAX STATUS:</b>	The Bonds will be designated as "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.			



## COMPETITIVE BIDDING RESULTS

Town of Dracut, Massachusetts  
\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds  
Dated March 30, 2022, Payable March 15, 2023 through March 15, 2042

DATE OF SALE: March 22, 2022

BIDS RECEIVED: Three

AWARD: Fidelity Capital Markets

BID: 109.810157 (resized)

TIC: 2.824037% (resized)

<u>Due March 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due March 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2023	\$ 15,000	4.00 %	1.32 %	2030	\$ 120,000	5.00 %	2.15 %
2024	120,000	4.00	1.58	2031	120,000	5.00	2.25
2025	120,000	4.00	1.68	2032	115,000	4.00	2.42
2026	120,000	4.00	1.77	2033	110,000	4.00	2.50
2027	120,000	4.00	1.87	2034	110,000	4.00	2.55
2028	120,000	5.00	1.98				
2029	120,000	5.00	2.09				

\$330,000 Interest Rate 4.00% Term Bond Maturing March 15, 2037 Yield 2.65%

\$225,000 Interest Rate 3.25% Term Bond Maturing March 15, 2042 Yield 3.319%

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BID:	106.065395	TIC:	2.850230%
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Robert W. Baird & Co., Inc.

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BID:	106.979572	TIC:	3.098040%
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Roosevelt & Cross, Inc.

11:00:27 a.m. EDST	Upcoming Calendar	Overview	Compare	Summary
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**Bid Results**

**Dracut (Town)**  
**\$2,000,000 General Obligation Municipal Purpose Loan of 2022**  
**Bonds**

The following bids were submitted using **PARITY**<sup>®</sup> and displayed ranked by lowest TIC.  
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input type="checkbox"/>	<a href="#">Fidelity Capital Markets</a>	2.816077
<input type="checkbox"/>	<a href="#">Robert W. Baird &amp; Co., Inc.</a>	2.850230
<input type="checkbox"/>	<a href="#">Roosevelt &amp; Cross, Inc.</a>	3.098040

\*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

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Upcoming Calendar	Overview	Result	Excel
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**Fidelity Capital Markets - Boston , MA's Bid**



**Dracut (Town)**  
**\$2,000,000 General Obligation Municipal Purpose Loan of 2022**  
**Bonds**

For the aggregate principal amount of \$2,000,000.00, we will pay you \$2,198,475.35, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price
03/15/2023	15M	4.0000	1.3200	102.543
03/15/2024	130M	4.0000	1.5800	104.647
03/15/2025	130M	4.0000	1.6800	106.667
03/15/2026	130M	4.0000	1.7700	108.488
03/15/2027	130M	4.0000	1.8700	110.040
03/15/2028	130M	5.0000	1.9800	116.893
03/15/2029	130M	5.0000	2.0900	118.753
03/15/2030	130M	5.0000	2.1500	120.743
03/15/2031	130M	5.0000	2.2500	122.197
03/15/2032	120M	4.0000	2.4200	112.655
03/15/2033	120M	4.0000	2.5000	111.971
03/15/2034	120M	4.0000	2.5500	111.546
<a href="#">03/15/2035</a>				
<a href="#">03/15/2036</a>				
<a href="#">03/15/2037</a>	360M	4.0000	2.6500	110.701
<a href="#">03/15/2038</a>				
<a href="#">03/15/2039</a>				
<a href="#">03/15/2040</a>				
<a href="#">03/15/2041</a>				
<a href="#">03/15/2042</a>	225M	3.2500	3.3190	99.000

Total Interest Cost: \$756,545.31  
Premium: \$198,475.35  
Net Interest Cost: \$558,069.96  
TIC: 2.816077  
Time Last Bid Received On: 03/22/2022 10:52:56 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Fidelity Capital Markets, Boston , MA  
Contact: Dan Noonan  
Title: Vice-President  
Telephone: 781-820-8150  
Fax: 617-692-5949

Issuer Name: Town of Dracut

Company Name: \_\_\_\_\_



Upcoming Calendar	Overview	Result	Excel
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**Robert W. Baird & Co., Inc. - Milwaukee , WI's Bid**



**Dracut (Town)**  
**\$2,000,000 General Obligation Municipal Purpose Loan of 2022**  
**Bonds**

For the aggregate principal amount of \$2,000,000.00, we will pay you \$2,121,307.90, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price
03/15/2023	15M	5.0000	1.5000	103.317
03/15/2024	130M	5.0000	1.6000	106.528
03/15/2025	130M	5.0000	1.7000	109.481
03/15/2026	130M	5.0000	1.8000	112.172
03/15/2027	130M	5.0000	1.9000	114.602
03/15/2028	130M	5.0000	2.0000	116.771
03/15/2029	130M	2.5000	2.1000	102.576
03/15/2030	130M	2.5000	2.2000	102.178
03/15/2031	130M	5.0000	2.3000	121.744
<a href="#">03/15/2032</a>				
<a href="#">03/15/2033</a>				
<a href="#">03/15/2034</a>	360M	4.0000	2.4500	112.398
<a href="#">03/15/2035</a>				
<a href="#">03/15/2036</a>				
<a href="#">03/15/2037</a>	360M	3.0000	2.8500	101.177
<a href="#">03/15/2038</a>				
<a href="#">03/15/2039</a>				
<a href="#">03/15/2040</a>				
<a href="#">03/15/2041</a>				
<a href="#">03/15/2042</a>	225M	3.1250	3.2000	98.899

Total Interest Cost: \$670,892.45

Premium: \$121,307.90

Net Interest Cost: \$549,584.55

TIC: 2.850230

Time Last Bid Received On: 03/22/2022 10:55:28 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Robert W. Baird & Co., Inc., Milwaukee , WI

Contact: Geoff Kuczmariski

Title:

Telephone: 414-765-7331

Fax:

Issuer Name: Town of Dracut

Company Name: \_\_\_\_\_

Upcoming Calendar	Overview	Result	Excel
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**Roosevelt & Cross, Inc. - New York , NY's Bid**



**Dracut (Town)**  
**\$2,000,000 General Obligation Municipal Purpose Loan of 2022**  
**Bonds**

For the aggregate principal amount of \$2,000,000.00, we will pay you \$2,139,591.45, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price
03/15/2023	15M	5.0000	1.3000	103.511
03/15/2024	130M	5.0000	1.5500	106.628
03/15/2025	130M	5.0000	1.6800	109.541
03/15/2026	130M	5.0000	1.7700	112.294
03/15/2027	130M	5.0000	1.8700	114.755
03/15/2028	130M	5.0000	1.9800	116.893
03/15/2029	130M	5.0000	2.0900	118.753
03/15/2030	130M	5.0000	2.1500	120.743
03/15/2031	130M	5.0000	2.2500	122.197
<a href="#">03/15/2032</a>				
<a href="#">03/15/2033</a>				
<a href="#">03/15/2034</a>				
<a href="#">03/15/2035</a>				
<a href="#">03/15/2036</a>				
<a href="#">03/15/2037</a>				
<a href="#">03/15/2038</a>				
<a href="#">03/15/2039</a>				
<a href="#">03/15/2040</a>				
<a href="#">03/15/2041</a>				
<a href="#">03/15/2042</a>	945M	3.5000	3.2500	101.928

Total Interest Cost: \$739,923.96  
Premium: \$139,591.45  
Net Interest Cost: \$600,332.51  
TIC: 3.098040  
Time Last Bid Received On: 03/22/2022 10:49:03 EDST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Roosevelt & Cross, Inc., New York , NY  
Contact: Niki Castillo  
Title:  
Telephone: 212-742-2295  
Fax: 212-509-7908

Issuer Name: Town of Dracut

Company Name: \_\_\_\_\_



**Town of Dracut, Massachusetts**  
**\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds**  
**Dated March 30, 2022**

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/30/2022	-	-	-	-	-
09/15/2022	-	-	35,618.23	35,618.23	-
03/15/2023	15,000.00	4.000%	38,856.25	53,856.25	-
06/30/2023	-	-	-	-	89,474.48
09/15/2023	-	-	38,556.25	38,556.25	-
03/15/2024	120,000.00	4.000%	38,556.25	158,556.25	-
06/30/2024	-	-	-	-	197,112.50
09/15/2024	-	-	36,156.25	36,156.25	-
03/15/2025	120,000.00	4.000%	36,156.25	156,156.25	-
06/30/2025	-	-	-	-	192,312.50
09/15/2025	-	-	33,756.25	33,756.25	-
03/15/2026	120,000.00	4.000%	33,756.25	153,756.25	-
06/30/2026	-	-	-	-	187,512.50
09/15/2026	-	-	31,356.25	31,356.25	-
03/15/2027	120,000.00	4.000%	31,356.25	151,356.25	-
06/30/2027	-	-	-	-	182,712.50
09/15/2027	-	-	28,956.25	28,956.25	-
03/15/2028	120,000.00	5.000%	28,956.25	148,956.25	-
06/30/2028	-	-	-	-	177,912.50
09/15/2028	-	-	25,956.25	25,956.25	-
03/15/2029	120,000.00	5.000%	25,956.25	145,956.25	-
06/30/2029	-	-	-	-	171,912.50
09/15/2029	-	-	22,956.25	22,956.25	-
03/15/2030	120,000.00	5.000%	22,956.25	142,956.25	-
06/30/2030	-	-	-	-	165,912.50
09/15/2030	-	-	19,956.25	19,956.25	-
03/15/2031	120,000.00	5.000%	19,956.25	139,956.25	-
06/30/2031	-	-	-	-	159,912.50
09/15/2031	-	-	16,956.25	16,956.25	-
03/15/2032	115,000.00	4.000%	16,956.25	131,956.25	-
06/30/2032	-	-	-	-	148,912.50
09/15/2032	-	-	14,656.25	14,656.25	-
03/15/2033	110,000.00	4.000%	14,656.25	124,656.25	-
06/30/2033	-	-	-	-	139,312.50
09/15/2033	-	-	12,456.25	12,456.25	-
03/15/2034	110,000.00	4.000%	12,456.25	122,456.25	-
06/30/2034	-	-	-	-	134,912.50
09/15/2034	-	-	10,256.25	10,256.25	-
03/15/2035	110,000.00	4.000%	10,256.25	120,256.25	-
06/30/2035	-	-	-	-	130,512.50
09/15/2035	-	-	8,056.25	8,056.25	-
03/15/2036	110,000.00	4.000%	8,056.25	118,056.25	-
06/30/2036	-	-	-	-	126,112.50
09/15/2036	-	-	5,856.25	5,856.25	-
03/15/2037	110,000.00	4.000%	5,856.25	115,856.25	-
06/30/2037	-	-	-	-	121,712.50
09/15/2037	-	-	3,656.25	3,656.25	-
03/15/2038	45,000.00	3.250%	3,656.25	48,656.25	-
06/30/2038	-	-	-	-	52,312.50
09/15/2038	-	-	2,925.00	2,925.00	-
03/15/2039	45,000.00	3.250%	2,925.00	47,925.00	-
06/30/2039	-	-	-	-	50,850.00
09/15/2039	-	-	2,193.75	2,193.75	-
03/15/2040	45,000.00	3.250%	2,193.75	47,193.75	-
06/30/2040	-	-	-	-	49,387.50
09/15/2040	-	-	1,462.50	1,462.50	-
03/15/2041	45,000.00	3.250%	1,462.50	46,462.50	-
06/30/2041	-	-	-	-	47,925.00
09/15/2041	-	-	731.25	731.25	-
03/15/2042	45,000.00	3.250%	731.25	45,731.25	-
06/30/2042	-	-	-	-	46,462.50
Total	\$1,865,000.00	-	\$708,186.98	\$2,573,186.98	-

**Yield Statistics**

Bond Year Dollars.....	\$17,567.29
Average Life.....	9.419 Years
Average Coupon.....	4.0312815%
Net Interest Cost (NIC).....	2.9898038%
True Interest Cost (TIC).....	2.8240371%
Bond Yield for Arbitrage Purposes.....	2.5334935%
All Inclusive Cost (AIC).....	3.1156313%

**IRS Form 8038**

Net Interest Cost.....	2.6111169%
Weighted Average Maturity.....	9.333 Years

**Town of Dracut, Massachusetts**

\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds

\$900,000 Fire Station Construction (I) , Dated March 30, 2022

Ch. 44, s. 7(1), Auth. 11/18/2019, Art. 9

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/30/2022	-	-	-	-	-
09/15/2022	-	-	16,643.23	16,643.23	-
03/15/2023	5,000.00	4.000%	18,156.25	23,156.25	-
06/30/2023	-	-	-	-	39,799.48
09/15/2023	-	-	18,056.25	18,056.25	-
03/15/2024	50,000.00	4.000%	18,056.25	68,056.25	-
06/30/2024	-	-	-	-	86,112.50
09/15/2024	-	-	17,056.25	17,056.25	-
03/15/2025	50,000.00	4.000%	17,056.25	67,056.25	-
06/30/2025	-	-	-	-	84,112.50
09/15/2025	-	-	16,056.25	16,056.25	-
03/15/2026	50,000.00	4.000%	16,056.25	66,056.25	-
06/30/2026	-	-	-	-	82,112.50
09/15/2026	-	-	15,056.25	15,056.25	-
03/15/2027	50,000.00	4.000%	15,056.25	65,056.25	-
06/30/2027	-	-	-	-	80,112.50
09/15/2027	-	-	14,056.25	14,056.25	-
03/15/2028	50,000.00	5.000%	14,056.25	64,056.25	-
06/30/2028	-	-	-	-	78,112.50
09/15/2028	-	-	12,806.25	12,806.25	-
03/15/2029	50,000.00	5.000%	12,806.25	62,806.25	-
06/30/2029	-	-	-	-	75,612.50
09/15/2029	-	-	11,556.25	11,556.25	-
03/15/2030	50,000.00	5.000%	11,556.25	61,556.25	-
06/30/2030	-	-	-	-	73,112.50
09/15/2030	-	-	10,306.25	10,306.25	-
03/15/2031	50,000.00	5.000%	10,306.25	60,306.25	-
06/30/2031	-	-	-	-	70,612.50
09/15/2031	-	-	9,056.25	9,056.25	-
03/15/2032	45,000.00	4.000%	9,056.25	54,056.25	-
06/30/2032	-	-	-	-	63,112.50
09/15/2032	-	-	8,156.25	8,156.25	-
03/15/2033	45,000.00	4.000%	8,156.25	53,156.25	-
06/30/2033	-	-	-	-	61,312.50
09/15/2033	-	-	7,256.25	7,256.25	-
03/15/2034	45,000.00	4.000%	7,256.25	52,256.25	-
06/30/2034	-	-	-	-	59,512.50
09/15/2034	-	-	6,356.25	6,356.25	-
03/15/2035	45,000.00	4.000%	6,356.25	51,356.25	-
06/30/2035	-	-	-	-	57,712.50
09/15/2035	-	-	5,456.25	5,456.25	-
03/15/2036	45,000.00	4.000%	5,456.25	50,456.25	-
06/30/2036	-	-	-	-	55,912.50
09/15/2036	-	-	4,556.25	4,556.25	-
03/15/2037	45,000.00	4.000%	4,556.25	49,556.25	-
06/30/2037	-	-	-	-	54,112.50
09/15/2037	-	-	3,656.25	3,656.25	-
03/15/2038	45,000.00	3.250%	3,656.25	48,656.25	-
06/30/2038	-	-	-	-	52,312.50
09/15/2038	-	-	2,925.00	2,925.00	-
03/15/2039	45,000.00	3.250%	2,925.00	47,925.00	-
06/30/2039	-	-	-	-	50,850.00
09/15/2039	-	-	2,193.75	2,193.75	-
03/15/2040	45,000.00	3.250%	2,193.75	47,193.75	-
06/30/2040	-	-	-	-	49,387.50
09/15/2040	-	-	1,462.50	1,462.50	-
03/15/2041	45,000.00	3.250%	1,462.50	46,462.50	-
06/30/2041	-	-	-	-	47,925.00
09/15/2041	-	-	731.25	731.25	-
03/15/2042	45,000.00	3.250%	731.25	45,731.25	-
06/30/2042	-	-	-	-	46,462.50
Total	\$900,000.00	-	\$368,311.98	\$1,268,311.98	-

**Yield Statistics**

Bond Year Dollars.....	\$9,592.50
Average Life.....	10.658 Years
Average Coupon.....	3.8395828%

Net Interest Cost (NIC).....	3.0820036%
True Interest Cost (TIC).....	2.9507294%
Bond Yield for Arbitrage Purposes.....	2.5334935%
All Inclusive Cost (AIC).....	3.2192175%

**IRS Form 8038**

Net Interest Cost.....	2.7757578%
Weighted Average Maturity.....	10.465 Years

## Town of Dracut, Massachusetts

\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds  
\$965,000 School Pedestrian & Traffic Improvements (I) , Dated March 30, 2022  
Ch. 44, s. 7(1), Auth. 6/14/2021, Art. 17

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/30/2022	-	-	-	-	-
09/15/2022	-	-	18,975.00	18,975.00	-
03/15/2023	10,000.00	4.000%	20,700.00	30,700.00	-
06/30/2023	-	-	-	-	49,675.00
09/15/2023	-	-	20,500.00	20,500.00	-
03/15/2024	70,000.00	4.000%	20,500.00	90,500.00	-
06/30/2024	-	-	-	-	111,000.00
09/15/2024	-	-	19,100.00	19,100.00	-
03/15/2025	70,000.00	4.000%	19,100.00	89,100.00	-
06/30/2025	-	-	-	-	108,200.00
09/15/2025	-	-	17,700.00	17,700.00	-
03/15/2026	70,000.00	4.000%	17,700.00	87,700.00	-
06/30/2026	-	-	-	-	105,400.00
09/15/2026	-	-	16,300.00	16,300.00	-
03/15/2027	70,000.00	4.000%	16,300.00	86,300.00	-
06/30/2027	-	-	-	-	102,600.00
09/15/2027	-	-	14,900.00	14,900.00	-
03/15/2028	70,000.00	5.000%	14,900.00	84,900.00	-
06/30/2028	-	-	-	-	99,800.00
09/15/2028	-	-	13,150.00	13,150.00	-
03/15/2029	70,000.00	5.000%	13,150.00	83,150.00	-
06/30/2029	-	-	-	-	96,300.00
09/15/2029	-	-	11,400.00	11,400.00	-
03/15/2030	70,000.00	5.000%	11,400.00	81,400.00	-
06/30/2030	-	-	-	-	92,800.00
09/15/2030	-	-	9,650.00	9,650.00	-
03/15/2031	70,000.00	5.000%	9,650.00	79,650.00	-
06/30/2031	-	-	-	-	89,300.00
09/15/2031	-	-	7,900.00	7,900.00	-
03/15/2032	70,000.00	4.000%	7,900.00	77,900.00	-
06/30/2032	-	-	-	-	85,800.00
09/15/2032	-	-	6,500.00	6,500.00	-
03/15/2033	65,000.00	4.000%	6,500.00	71,500.00	-
06/30/2033	-	-	-	-	78,000.00
09/15/2033	-	-	5,200.00	5,200.00	-
03/15/2034	65,000.00	4.000%	5,200.00	70,200.00	-
06/30/2034	-	-	-	-	75,400.00
09/15/2034	-	-	3,900.00	3,900.00	-
03/15/2035	65,000.00	4.000%	3,900.00	68,900.00	-
06/30/2035	-	-	-	-	72,800.00
09/15/2035	-	-	2,600.00	2,600.00	-
03/15/2036	65,000.00	4.000%	2,600.00	67,600.00	-
06/30/2036	-	-	-	-	70,200.00
09/15/2036	-	-	1,300.00	1,300.00	-
03/15/2037	65,000.00	4.000%	1,300.00	66,300.00	-
06/30/2037	-	-	-	-	67,600.00
Total	\$965,000.00	-	\$339,875.00	\$1,304,875.00	-

#### Yield Statistics

Bond Year Dollars.....	\$7,974.79
Average Life.....	8.264 Years
Average Coupon.....	4.2618668%
Net Interest Cost (NIC).....	2.8789010%
True Interest Cost (TIC).....	2.6818158%
Bond Yield for Arbitrage Purposes.....	2.5334935%
All Inclusive Cost (AIC).....	2.9999111%

#### IRS Form 8038

Net Interest Cost.....	2.4234754%
Weighted Average Maturity.....	8.309 Years

Hilltop Securities Inc.  
Public Finance



**Town of Dracut, Massachusetts**  
**\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds**  
**Dated March 30, 2022**

**Pricing Summary**

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	YTM	Call Date	Call Price	Dollar Price
03/15/2023	Serial Coupon	4.000%	1.320%	15,000.00	102.543%	-	-	-	15,381.45
03/15/2024	Serial Coupon	4.000%	1.580%	120,000.00	104.647%	-	-	-	125,576.40
03/15/2025	Serial Coupon	4.000%	1.680%	120,000.00	106.667%	-	-	-	128,000.40
03/15/2026	Serial Coupon	4.000%	1.770%	120,000.00	108.488%	-	-	-	130,185.60
03/15/2027	Serial Coupon	4.000%	1.870%	120,000.00	110.040%	-	-	-	132,048.00
03/15/2028	Serial Coupon	5.000%	1.980%	120,000.00	116.893%	-	-	-	140,271.60
03/15/2029	Serial Coupon	5.000%	2.090%	120,000.00	118.753%	-	-	-	142,503.60
03/15/2030	Serial Coupon	5.000%	2.150%	120,000.00	120.743%	-	-	-	144,891.60
03/15/2031	Serial Coupon	5.000%	2.250%	120,000.00	122.197%	-	-	-	146,636.40
03/15/2032	Serial Coupon	4.000%	2.420%	115,000.00	112.655%	c 2.553%	03/15/2031	100.000%	129,553.25
03/15/2033	Serial Coupon	4.000%	2.500%	110,000.00	111.971%	c 2.729%	03/15/2031	100.000%	123,168.10
03/15/2034	Serial Coupon	4.000%	2.550%	110,000.00	111.546%	c 2.853%	03/15/2031	100.000%	122,700.60
03/15/2037	Term 1 Coupon	4.000%	2.650%	330,000.00	110.701%	c 3.100%	03/15/2031	100.000%	365,313.30
03/15/2042	Term 2 Coupon	3.250%	3.319%	225,000.00	99.000%	-	-	-	222,750.00
Total	-	-	-	\$1,865,000.00	-	-	-	-	\$2,068,980.30

**Bid Information**

Par Amount of Bonds.....	\$1,865,000.00
Reoffering Premium or (Discount).....	203,980.30
Gross Production.....	\$2,068,980.30
Total Underwriter's Discount (1.127%).....	\$(21,020.88)
Bid (109.810%).....	2,047,959.42
Total Purchase Price.....	\$2,047,959.42
Bond Year Dollars.....	\$17,567.29
Average Life.....	9.419 Years
Average Coupon.....	4.0312815%
Net Interest Cost (NIC).....	2.9898038%
True Interest Cost (TIC).....	2.8240371%



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## Town of Dracut, Massachusetts

\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds

\$900,000 Fire Station Construction (I) , Dated March 30, 2022

Ch. 44, s. 7(1), Auth. 11/18/2019, Art. 9

### Pricing Summary

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Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	YTM	Call Date	Call Price	Dollar Price
03/15/2023	Serial Coupon	4.000%	1.320%	5,000.00	102.543%	-	-	-	5,127.15
03/15/2024	Serial Coupon	4.000%	1.580%	50,000.00	104.647%	-	-	-	52,323.50
03/15/2025	Serial Coupon	4.000%	1.680%	50,000.00	106.667%	-	-	-	53,333.50
03/15/2026	Serial Coupon	4.000%	1.770%	50,000.00	108.488%	-	-	-	54,244.00
03/15/2027	Serial Coupon	4.000%	1.870%	50,000.00	110.040%	-	-	-	55,020.00
03/15/2028	Serial Coupon	5.000%	1.980%	50,000.00	116.893%	-	-	-	58,446.50
03/15/2029	Serial Coupon	5.000%	2.090%	50,000.00	118.753%	-	-	-	59,376.50
03/15/2030	Serial Coupon	5.000%	2.150%	50,000.00	120.743%	-	-	-	60,371.50
03/15/2031	Serial Coupon	5.000%	2.250%	50,000.00	122.197%	-	-	-	61,098.50
03/15/2032	Serial Coupon	4.000%	2.420%	45,000.00	112.655%	c 2.553%	03/15/2031	100.000%	50,694.75
03/15/2033	Serial Coupon	4.000%	2.500%	45,000.00	111.971%	c 2.729%	03/15/2031	100.000%	50,386.95
03/15/2034	Serial Coupon	4.000%	2.550%	45,000.00	111.546%	c 2.853%	03/15/2031	100.000%	50,195.70
03/15/2037	Term 1 Coupon	4.000%	2.650%	135,000.00	110.701%	c 3.100%	03/15/2031	100.000%	149,446.35
03/15/2042	Term 2 Coupon	3.250%	3.319%	225,000.00	99.000%	-	-	-	222,750.00
Total	-	-	-	\$900,000.00	-	-	-	-	\$982,814.90

### Bid Information

Par Amount of Bonds.....	\$900,000.00
Reoffering Premium or (Discount).....	82,814.90
Gross Production.....	\$982,814.90
Total Underwriter's Discount (1.127%).....	\$(10,144.12)
Bid (108.075%).....	972,670.78
Total Purchase Price.....	\$972,670.78
Bond Year Dollars.....	\$9,592.50
Average Life.....	10.658 Years
Average Coupon.....	3.8395828%
Net Interest Cost (NIC).....	3.0820036%
True Interest Cost (TIC).....	2.9507294%

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## Town of Dracut, Massachusetts

\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds  
\$965,000 School Pedestrian & Traffic Improvements (I) , Dated March 30, 2022  
Ch. 44, s. 7(1), Auth. 6/14/2021, Art. 17

### Pricing Summary

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Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	YTM	Call Date	Call Price	Dollar Price
03/15/2023	Serial Coupon	4.000%	1.320%	10,000.00	102.543%	-	-	-	10,254.30
03/15/2024	Serial Coupon	4.000%	1.580%	70,000.00	104.647%	-	-	-	73,252.90
03/15/2025	Serial Coupon	4.000%	1.680%	70,000.00	106.667%	-	-	-	74,666.90
03/15/2026	Serial Coupon	4.000%	1.770%	70,000.00	108.488%	-	-	-	75,941.60
03/15/2027	Serial Coupon	4.000%	1.870%	70,000.00	110.040%	-	-	-	77,028.00
03/15/2028	Serial Coupon	5.000%	1.980%	70,000.00	116.893%	-	-	-	81,825.10
03/15/2029	Serial Coupon	5.000%	2.090%	70,000.00	118.753%	-	-	-	83,127.10
03/15/2030	Serial Coupon	5.000%	2.150%	70,000.00	120.743%	-	-	-	84,520.10
03/15/2031	Serial Coupon	5.000%	2.250%	70,000.00	122.197%	-	-	-	85,537.90
03/15/2032	Serial Coupon	4.000%	2.420%	70,000.00	112.655%	c 2.553%	03/15/2031	100.000%	78,858.50
03/15/2033	Serial Coupon	4.000%	2.500%	65,000.00	111.971%	c 2.729%	03/15/2031	100.000%	72,781.15
03/15/2034	Serial Coupon	4.000%	2.550%	65,000.00	111.546%	c 2.853%	03/15/2031	100.000%	72,504.90
03/15/2037	Term 1 Coupon	4.000%	2.650%	195,000.00	110.701%	c 3.100%	03/15/2031	100.000%	215,866.95
Total	-	-	-	\$965,000.00	-	-	-	-	\$1,086,165.40

### Bid Information

Par Amount of Bonds.....	\$965,000.00
Reoffering Premium or (Discount).....	121,165.40
Gross Production.....	\$1,086,165.40
Total Underwriter's Discount (1.127%).....	\$(10,876.76)
Bid (111.429%).....	1,075,288.64
Total Purchase Price.....	\$1,075,288.64
Bond Year Dollars.....	\$7,974.79
Average Life.....	8.264 Years
Average Coupon.....	4.2618668%
Net Interest Cost (NIC).....	2.8789010%
True Interest Cost (TIC).....	2.6818158%



BOND SUMMARY STATISTICS

Town of Dracut, Massachusetts  
General Obligation Municipal Purpose Loan of 2022 Bonds dated March 30, 2022

Dated Date	03/30/2022
Delivery Date	03/30/2022
Last Maturity	03/15/2042
Arbitrage Yield	2.533494%
True Interest Cost (TIC)	2.824037%
Net Interest Cost (NIC)	2.989804%
All-In TIC	3.115631%
Average Coupon	4.031282%
Average Life (years)	9.419
Weighted Average Maturity (years)	9.333
Duration of Issue (years)	7.803
Par Amount	1,865,000.00
Bond Proceeds	2,068,980.30
Total Interest	708,186.98
Net Interest	525,227.56
Total Debt Service	2,573,186.98
Maximum Annual Debt Service	197,112.50
Average Annual Debt Service	128,927.95
Underwriter's Fees (per \$1000)	
Average Takedown	-
Other Fee	11.271249
Total Underwriter's Discount	11.271249
Bid Price	109.810157

Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	1,310,000.00	113.047	4.401%	6.809
Term 1	330,000.00	110.701	4.000%	13.958
Term 2	225,000.00	99.000	3.250%	17.958
	1,865,000.00			9.419

	TIC	All-In TIC	Arbitrage Yield
Par Value	1,865,000.00	1,865,000.00	1,865,000.00
+ Accrued Interest	-	-	-
+ Premium (Discount)	203,980.30	203,980.30	203,980.30
- Underwriter's Discount	(21,020.88)	(21,020.88)	
- Cost of Issuance Expense		(45,212.00)	
- Other Amounts	-	-	-
Target Value	2,047,959.42	2,002,747.42	2,068,980.30
Target Date	03/30/2022	03/30/2022	03/30/2022
Yield	2.824037%	3.115631%	2.533494%

PROOF OF ARBITRAGE YIELD

Town of Dracut, Massachusetts  
General Obligation Municipal Purpose Loan of 2022 Bonds dated March 30, 2022

Date	Debt Service	Total	Present Value to 03/30/2022 @ 2.5334935463%
09/15/2022	35,618.23	35,618.23	35,209.60
03/15/2023	53,856.25	53,856.25	52,572.42
09/15/2023	38,556.25	38,556.25	37,166.34
03/15/2024	158,556.25	158,556.25	150,928.59
09/15/2024	36,156.25	36,156.25	33,986.36
03/15/2025	156,156.25	156,156.25	144,948.52
09/15/2025	33,756.25	33,756.25	30,941.53
03/15/2026	153,756.25	153,756.25	139,172.52
09/15/2026	31,356.25	31,356.25	28,027.09
03/15/2027	151,356.25	151,356.25	133,594.12
09/15/2027	28,956.25	28,956.25	25,238.44
03/15/2028	148,956.25	148,956.25	128,207.08
09/15/2028	25,956.25	25,956.25	22,061.16
03/15/2029	145,956.25	145,956.25	122,501.74
09/15/2029	22,956.25	22,956.25	19,026.27
03/15/2030	142,956.25	142,956.25	117,000.84
09/15/2030	19,956.25	19,956.25	16,128.65
03/15/2031	804,956.25	804,956.25	642,427.91
09/15/2031	3,656.25	3,656.25	2,881.52
03/15/2032	3,656.25	3,656.25	2,845.47
09/15/2032	3,656.25	3,656.25	2,809.88
03/15/2033	3,656.25	3,656.25	2,774.73
09/15/2033	3,656.25	3,656.25	2,740.02
03/15/2034	3,656.25	3,656.25	2,705.74
09/15/2034	3,656.25	3,656.25	2,671.90
03/15/2035	3,656.25	3,656.25	2,638.48
09/15/2035	3,656.25	3,656.25	2,605.47
03/15/2036	3,656.25	3,656.25	2,572.88
09/15/2036	3,656.25	3,656.25	2,540.70
03/15/2037	3,656.25	3,656.25	2,508.91
09/15/2037	3,656.25	3,656.25	2,477.53
03/15/2038	48,656.25	48,656.25	32,557.78
09/15/2038	2,925.00	2,925.00	1,932.75
03/15/2039	47,925.00	47,925.00	31,271.20
09/15/2039	2,193.75	2,193.75	1,413.52
03/15/2040	47,193.75	47,193.75	30,028.47
09/15/2040	1,462.50	1,462.50	918.92
03/15/2041	46,462.50	46,462.50	28,828.20
09/15/2041	731.25	731.25	448.04
03/15/2042	45,731.25	45,731.25	27,669.05
	2,480,586.98	2,480,586.98	2,068,980.30

Proceeds Summary

Delivery date	03/30/2022
Par Value	1,865,000.00
Premium (Discount)	203,980.30
Target for yield calculation	2,068,980.30

PROOF OF ARBITRAGE YIELD

Town of Dracut, Massachusetts  
General Obligation Municipal Purpose Loan of 2022 Bonds dated March 30, 2022

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Yield To Call/Maturity
BOND	03/15/2032	4.000%	2.420%	03/15/2031	100.000	2.4202915%
BOND	03/15/2033	4.000%	2.500%	03/15/2031	100.000	2.5002827%
BOND	03/15/2034	4.000%	2.550%	03/15/2031	100.000	2.5502716%
BOND2	03/15/2035	4.000%	2.650%	03/15/2031	100.000	2.6503231%
BOND2	03/15/2036	4.000%	2.650%	03/15/2031	100.000	2.6503231%
BOND2	03/15/2037	4.000%	2.650%	03/15/2031	100.000	2.6503231%

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Yield To Call/Maturity	Increase to Yield
BOND	03/15/2032	4.000%	2.420%	-	-	2.5528932%	0.1326017%
BOND	03/15/2033	4.000%	2.500%	-	-	2.7288532%	0.2285706%
BOND	03/15/2034	4.000%	2.550%	-	-	2.8536860%	0.3034143%
BOND2	03/15/2035	4.000%	2.650%	-	-	2.9974719%	0.3471488%
BOND2	03/15/2036	4.000%	2.650%	-	-	3.0528071%	0.4024840%
BOND2	03/15/2037	4.000%	2.650%	-	-	3.1006009%	0.4502778%

FORM 8038 STATISTICS

Town of Dracut, Massachusetts  
General Obligation Municipal Purpose Loan of 2022 Bonds dated March 30, 2022

Dated Date 03/30/2022  
Delivery Date 03/30/2022

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	03/15/2023	15,000.00	4.000%	102.543	15,381.45	15,000.00
	03/15/2024	120,000.00	4.000%	104.647	125,576.40	120,000.00
	03/15/2025	120,000.00	4.000%	106.667	128,000.40	120,000.00
	03/15/2026	120,000.00	4.000%	108.488	130,185.60	120,000.00
	03/15/2027	120,000.00	4.000%	110.040	132,048.00	120,000.00
	03/15/2028	120,000.00	5.000%	116.893	140,271.60	120,000.00
	03/15/2029	120,000.00	5.000%	118.753	142,503.60	120,000.00
	03/15/2030	120,000.00	5.000%	120.743	144,891.60	120,000.00
	03/15/2031	120,000.00	5.000%	122.197	146,636.40	120,000.00
	03/15/2032	115,000.00	4.000%	112.655	129,553.25	115,000.00
	03/15/2033	110,000.00	4.000%	111.971	123,168.10	110,000.00
	03/15/2034	110,000.00	4.000%	111.546	122,700.60	110,000.00
Term 1:						
	03/15/2035	110,000.00	4.000%	110.701	121,771.10	110,000.00
	03/15/2036	110,000.00	4.000%	110.701	121,771.10	110,000.00
	03/15/2037	110,000.00	4.000%	110.701	121,771.10	110,000.00
Term 2:						
	03/15/2038	45,000.00	3.250%	99.000	44,550.00	45,000.00
	03/15/2039	45,000.00	3.250%	99.000	44,550.00	45,000.00
	03/15/2040	45,000.00	3.250%	99.000	44,550.00	45,000.00
	03/15/2041	45,000.00	3.250%	99.000	44,550.00	45,000.00
	03/15/2042	45,000.00	3.250%	99.000	44,550.00	45,000.00
					1,865,000.00	2,068,980.30
						1,865,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	03/15/2042	3.250%	44,550.00	45,000.00	-	-
Entire Issue	-	-	2,068,980.30	1,865,000.00	9.3331	2.5335%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	66,232.88
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00





SOURCES AND USES OF FUNDS

Town of Dracut, Massachusetts  
General Obligation Municipal Purpose Loan of 2022 Bonds dated March 30, 2022

Sources:	Fire Station Construction (I)	Pedestrian Safety and Traffic Circulation Improvements at the School Complex (I)	Total
Bond Proceeds:			
Par Amount	900,000.00	965,000.00	1,865,000.00
Net Premium/OID	82,814.90	121,165.40	203,980.30
	982,814.90	1,086,165.40	2,068,980.30
Uses:	Fire Station Construction (I)	Pedestrian Safety and Traffic Circulation Improvements at the School Complex (I)	Total
Project Fund Deposits:			
Retire Maturing Notes	900,000.00	-	900,000.00
New Money	-	1,100,000.00	1,100,000.00
	900,000.00	1,100,000.00	2,000,000.00
Delivery Date Expenses:			
Cost of Issuance	21,818.12	23,393.88	45,212.00
Underwriter's Discount	10,144.12	10,876.76	21,020.88
	31,962.24	34,270.64	66,232.88
Other Uses of Funds:			
Additional Proceeds	50,852.66	(48,105.24)	2,747.42
	982,814.90	1,086,165.40	2,068,980.30

**Town of Dracut, Massachusetts**

General Obligation Bonds Dated March 30, 2022

Final Structure - 20 Years, Hybrid (Reduced principal payment in year 1, equal principal thereafter)

Reflects Application of Net Premium

HTS Use:

1 2

	GENERAL			Grand Total Principal
	Fire Station Construction	Pedestrian Safety and Traffic Circulation Improvements at the School Complex	Total General	
15-Mar-23	5,000	10,000	\$ 15,000	\$ 15,000
15-Mar-24	50,000	70,000	\$ 120,000	\$ 120,000
15-Mar-25	50,000	70,000	\$ 120,000	\$ 120,000
15-Mar-26	50,000	70,000	\$ 120,000	\$ 120,000
15-Mar-27	50,000	70,000	\$ 120,000	\$ 120,000
15-Mar-28	50,000	70,000	\$ 120,000	\$ 120,000
15-Mar-29	50,000	70,000	\$ 120,000	\$ 120,000
15-Mar-30	50,000	70,000	\$ 120,000	\$ 120,000
15-Mar-31	50,000	70,000	\$ 120,000	\$ 120,000
15-Mar-32	45,000	70,000	\$ 115,000	\$ 115,000
15-Mar-33	45,000	65,000	\$ 110,000	\$ 110,000
15-Mar-34	45,000	65,000	\$ 110,000	\$ 110,000
15-Mar-35	45,000	65,000	\$ 110,000	\$ 110,000
15-Mar-36	45,000	65,000	\$ 110,000	\$ 110,000
15-Mar-37	45,000	65,000	\$ 110,000	\$ 110,000
15-Mar-38	45,000	-	\$ 45,000	\$ 45,000
15-Mar-39	45,000	-	\$ 45,000	\$ 45,000
15-Mar-40	45,000	-	\$ 45,000	\$ 45,000
15-Mar-41	45,000	-	\$ 45,000	\$ 45,000
15-Mar-42	45,000	-	\$ 45,000	\$ 45,000
<b>Total</b>	<b>\$ 900,000</b>	<b>\$ 965,000</b>	<b>\$ 1,865,000</b>	<b>\$ 1,865,000</b>
Original Issue Date of BANs	6/25/2021	N/A		
BANs Outstanding	\$900,000	\$0		\$900,000
Date of Auth.	11/18/2019	6/14/2021		
Original Auth. Amt	\$1,500,000	\$1,100,000		
Article #	9	17		
Reference	Ch. 44, s. 7(1)	Ch. 44, s. 7(1)		
Maximum Term	30	15		
Maximum Maturity	6/25/2051	3/31/2037		
Remaining Life	29	15		

<b>AMOUNT REQUESTED:</b>	<b>\$ 900,000</b>	<b>\$ 1,100,000</b>	<b>\$2,000,000</b>
<b>LESS: NET PREMIUM TO BE APPLIED TO PROJECT</b>	<b>\$ -</b>	<b>\$ 135,000</b>	<b>\$135,000</b>
<b>EQUALS: REVISED PAR AMOUNT</b>	<b>\$ 900,000</b>	<b>\$ 965,000</b>	<b>\$1,865,000</b>



# RatingsDirect®

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## Summary:

# Dracut, Massachusetts; General Obligation

### Primary Credit Analyst:

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### Secondary Contact:

Christian Richards, Washington D.C. + 1 (617) 530 8325; christian.richards@spglobal.com

## Table Of Contents

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Rating Action

Stable Outlook

Credit Opinion

Related Research

## Summary:

# Dracut, Massachusetts; General Obligation

Credit Profile		
US\$2.0 mil GO mun purp loan ser 2022 due 03/15/2042		
Long Term Rating	AA/Stable	New
Dracut Town GO rfdg bnds		
Long Term Rating	AA/Stable	Affirmed

## Rating Action

S&P Global Ratings has assigned its 'AA' long-term rating to Dracut, Mass.' approximately \$2 million series 2022 general obligation (GO) municipal-purpose bonds. At the same time, we affirmed our 'AA' long-term rating on the town's GO debt outstanding. The outlook is stable.

The town's full-faith-and-credit pledge, subject to Proposition 2-1/2 limitations, secures the bonds and GO debt outstanding. We rate the limited-tax GO debt based on the application of our "Issue Credit Ratings Linked To U.S. Public Finance Obligor's Creditworthiness" criteria published Nov. 20, 2019, on RatingsDirect. Despite limitations imposed by the commonwealth's levy limit law, we did not make a rating distinction between the limited- and unlimited-tax GO pledges due to the town's operating flexibility under the levy limit. We rate the limited-tax GO debt on par with our view of Dracut's general creditworthiness because the ad valorem tax is not derived from a measurably narrower property tax base and there are no limitations on the fungibility of resources, supporting our view of its overall ability and willingness to pay debt service.

We understand officials plan to use bond proceeds to finance improvements for a fire station and school capital projects.

### Credit overview

Dracut's credit profile is characterized by a track record of conservative budgeting, strong budgetary performance, and increasing reserves. We believe these factors will support our rating while the broader economic recovery is gaining traction, and the town's tax base will benefit from new commercial development and expanding cannabis retail and cultivation facilities. In the longer term and in line with other Massachusetts localities, rising pension and other postemployment benefit (OPEB) contributions remain a risk and represent a potential budget pressure. Therefore, our stable outlook indicates that we do not expect to change the rating within the outlook period.

The rating also reflects:

- Very strong economy, with access to the broad and diverse Boston-Cambridge-Newton metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;

- Positive operating results with a history of surpluses, but reflecting risks that growing pension, OPEBs, and health care contributions could pressure the budget over the medium term;
- Strong debt profile, but a large pension and OPEB obligation and the lack of a plan to sufficiently address it.

### **Environmental, social, and governance**

We have analyzed Dracut's environmental, social, and governance (ESG) risks relative to its economy, management, financial measures, and debt and liability profile. We view its environmental and social risks as in line with our view of the sector standard. Dracut participates in a cost-sharing, multiple-employer pension plan (CSME), which limits its ability to directly control contribution cost trajectory, hindering its flexibility and oversight of plan benefits and assumptions. As a result, we believe the town's governance risk relative to risk management, culture, and oversight is elevated when compared to peers that do not operate within these constraints. While we do not view CSMEs as inherently risky, the Middlesex County Retirement System (MCRS) is governed by weak methodologies that requires an aggressive funding schedule to meet full funding prior to fiscal year 2040, as required by the state. We believe this risk could add operating pressure to the town given our expectation for higher contribution requirements (see: "Pension Spotlight: Massachusetts," published Oct. 14, 2020, and "ESG Brief: ESG Pension And OPEB Analysis In U.S. Public Finance," published Oct. 7, 2021, for more information).

## **Stable Outlook**

### **Downside scenario**

We could consider a negative rating action if negative operating results lead to decreased budgetary flexibility or liquidity.

### **Upside scenario**

We could consider a positive rating action if underlying wealth and income metrics and available reserves were to rise to levels we consider commensurate with those of higher-rated peers, along with Dracut making significant progress in funding its unfunded retirement liabilities.

## **Credit Opinion**

### **Growing local economy with additional expected commercial development**

Dracut is a historically agricultural community with an estimated population of 32,500. The town is in northeastern Massachusetts' Middlesex County on the New Hampshire border, about 28 miles north of Boston and 15 miles south of Nashua, N.H. It is in the Boston-Cambridge-Newton MSA, which we consider broad and diverse.

Dracut is near interstates 93 and 495, offering residents easy access to several regional employment centers. Over the past several years, the town has experienced steady growth, particularly in the residential sector, leading to consistent growth in total assessed value (AV). Management is actively working to develop its commercial and industrial sectors and is in the process of amending the town's by-laws to attract both larger commercial projects and at-home businesses. Dracut also has host agreements with four cannabis cultivation facilities and retail establishments, three of which are currently operating with the fourth under construction. Management expects the host agreements will add

significantly to the general fund revenues over time and has been conservative in budgeting for these revenues beginning in fiscal 2022.

### **Good financial management supported by some formalized financial policies**

Strengths of the policies and practices include conservative budgeting practices, with assumptions based on historical trend data. An annually updated, multiyear financial projection helps identify future trends in revenue and expenditure changes, although management may not fully incorporate long-term retirement liability growth into its planning. Monthly updates on budgetary revenue and expenditure variances are reported to the town manager. A five-year, annually updated capital plan is contained in the adopted budget; it prioritizes projects and identifies funding sources for each year and project. The town has a formal investment policy that limits investments and provides guidelines on monitoring and safeguarding assets. The formal debt policy mirrors state law on statutory debt limits and allowable types and uses of debt. The formal reserve policy requires the town to maintain unassigned reserves between 3%-10% of general fund operating expenditures, less debt service.

The town has taken steps to mitigate cyber-related risks and is also in the early stages of mitigating future environmental issues such as capping the landfill and removing dams in the town, two of which are considered "significant hazard" by the state Department of Conservation and Recreation.

### **Low debt cost with no material medium-term debt plans**

Following this issuance, Dracut will have approximately \$69.9 million in total direct debt outstanding. Of the total outstanding, \$29 million in the sewer enterprise fund is self-supporting through user fees. We have also included in our analysis overlapping debt from the regional vocational high school.

We understand the town does have some medium-term debt plans, including the purchase of a fire engine within the two-year outlook. Management reports the town was included in a Massachusetts School Building Authority (MSBA) feasibility study for a school project beyond our two-year outlook period. We do not expect these future debt plans to change our view of the town's debt profile.

### **Elevated pension and OPEB costs that are likely to grow**

- Dracut's large pension and OPEB obligation, particularly due to the pension system's low funding, is a credit weakness. Although the town is currently managing these costs, we think it has a limited ability to control future pension-liability growth.
- While the pension plan uses an actuarially determined contribution (ADC), some of the assumptions used to develop the ADC are weak and could lead to cost escalation and volatility, and are deferring costs to future budget years.
- The town has a substantial OPEB liability with minimal contributions to an OPEB trust, and we think annual costs and the total liability are likely to grow

The town participates in:

- MCRS, which is 53.4% funded, with a \$66.5 million net pension liability; and
- Its single-employer, defined-benefit, health care plan, which is 0.51% funded, with a \$160.4 million net OPEB liability.

The pension plan uses a 7.3% discount, which we consider high and could lead to contribution volatility. While Massachusetts requires all pension systems to achieve full funding no later than 2040, MCRS has planned to achieve full funding by 2035. We generally view closed, short amortization schedules as positive, but for MCRS to meet its adopted funding schedule to achieve full funding by 2035, costs must rise, given the low funded ratio. As a result, Dracut's elevated costs could rise further. For more information on the pension plan, see "Pension Spotlight: Massachusetts," published Oct. 14, 2020.

We view the town's OPEB liability as substantial at 180% of adjusted operating expenditures. Dracut also has an OPEB trust with a current balance of about \$814,790. It contributed \$125,000 in the fiscal 2019 budget, then suspended contributions in fiscal years 2020 and 2021 to redirect funds to its storm water program. The budgets for fiscal years 2022 and 2023 do not include OPEB contributions above the pay-as-you-go cost. We do not expect the town will mitigate its OPEB liability through this funding plan, and it will become an increased burden on operations within the next decade.

### **Consistent operating performance leading to stable reserves**

Dracut's operating results remain positive, with operating surpluses in each of the past four fiscal years, including fiscal 2020, which was affected by the pandemic. The town also increased its available fund balance over the same period. Over the next two years, we expect Dracut will be able to maintain strong budgetary flexibility and positive operational results.

The town ended fiscal 2021 with positive operational results, primarily due to stronger-than-expected revenues and expenditure savings. Of note, cannabis revenues and investment income contributed to revenue increases and offset lower collections in other revenue sources. At the same time, property taxes remained strong and accounted for 52% of general fund revenues in fiscal 2021. The town also saw expenditure savings through pandemic-related limited services and savings in employee benefits.

The fiscal 2022 budget of \$104.9 million represents a 7.9% increase over fiscal 2021 actuals. The town has been conservative in budgeting for revenue from cannabis production facilities and retail operations; it projects an additional \$1 million in revenues annually but due to sunset clause provisions, only half of revenues are budgeted and the other half falls to free cash.

Dracut was allocated approximately \$9.45 million in funds from the American Rescue Plan Act, including \$3.3 million directly from the federal government and an additional \$6.1 million from Middlesex County. This allocation represents approximately 11% of the town's fiscal 2021 adjusted expenditures. The town has received approximately half of its allocations so far and intends to use a portion of the funds for water, sewer, and stormwater infrastructure needs.

In the longer term, risks for budgetary performance remain mostly in the form of rising fixed costs, especially from pension, OPEB, and health care contributions.

### **Strong institutional framework**

The institutional framework score for Massachusetts municipalities is strong.



Dracut, MA -- Key Credit Metrics				
	Most recent	Historical information		
		2021	2020	2019
<b>Very strong economy</b>				
Projected per capita EBI % of U.S.	120			
Market value per capita (\$)	139,836			
Population		32,308	31,984	
County unemployment rate(%)		7.3		
Market value (\$000)	4,517,831	4,128,757	3,893,475	
Ten largest taxpayers % of taxable value	3.4			
<b>Adequate budgetary performance</b>				
Operating fund result % of expenditures		1.8	0.3	2.4
Total governmental fund result % of expenditures		5.7	1.0	1.7
<b>Strong budgetary flexibility</b>				
Available reserves % of operating expenditures		14.2	14.2	13.3
Total available reserves (\$000)		12,738	12,508	11,202
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		24	18	19
Total government cash % of governmental fund debt service		584	396	355
<b>Strong management</b>				
Financial Management Assessment	Good			
<b>Strong debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		4.1	4.6	5.2
Net direct debt % of governmental fund revenue	38			
Overall net debt % of market value	1.0			
Direct debt 10-year amortization (%)	79			
Required pension contribution % of governmental fund expenditures	9.9			
OPEB actual contribution % of governmental fund expenditures	3.9			
<b>Strong institutional framework</b>				

EBI--Effective buying income. OPEB--Other postemployment benefits.

## Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed

*Summary: Dracut, Massachusetts; General Obligation*

to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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**Cynthia McNerney**  
Regional Managing Director

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March 30, 2022

Mr. Victor Garofalo  
Assistant Town Manager/Finance Director  
62 Arlington Street  
Dracut, MA 01826

Re: \$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds

Dear Victor:

On, March 30, 2022, we delivered \$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds dated March 30, 2022 for the Town of Dracut, Massachusetts. The attached closing memo details the distribution of the funds.

Bond Counsel's legal transcript relating to the legal proceedings should be forwarded to you shortly. You will receive separate bills from each vendor involved in the transaction.

Attached for your reference is an overview of arbitrage rebate basic rules and regulations.

There is a post issuance compliance survey at the end of the attachment that you can use to evaluate your current compliance efforts.

In light of the IRS' increased incidence of post issuance audits, it is critical that issuers adopt procedures to track expenditures of bond and ban proceeds, and to determine if and when rebate requirements apply.

Please review this material and let us know if you have any questions or if you would like to discuss or need additional information.

It has been a pleasure working with you and the Town on this issue. We hope we can be of service to you in the future.

Sincerely yours,

Cynthia McNerney  
Regional Managing Director



# UNDERSTANDING

IRS POST ISSUANCE

# COMPLIANCE





*Our mission is to serve as a trusted advisor for our clients by providing the expert guidance, solutions, and services that achieve their definition of success.*

IRS post issuance compliance rules cover three major areas:

- Arbitrage Rebate
- Document Retention
- Limitations on Private Business Use

These rules apply to any type of tax-exempt and Stimulus Act taxable obligations (BABs, QSCBs, and QZABs). The IRS rules related to these types of obligations are interrelated and very complex. The following is intended to provide a very high-level overview of the rules. Issuers should seek assistance from a qualified IRS post issuance compliance provider and work with them to develop and implement a plan.

#### **WHAT IS ARBITRAGE REBATE?**

Arbitrage is the profit from buying in one market and selling in another. For issuers of tax-exempt obligations, it consists of borrowing in the tax-exempt market and investing in the taxable market. Rebate is the profit from taking advantage of the market differentials.

#### **THE BASICS OF REBATE COMPLIANCE**

The arbitrage rebate requirements permit issuers to retain a rate of return on their unspent proceeds equal to the yield they are paying their bondholders. Issuers must rebate to the Treasury any cumulative investment rate earned above their bond yield.

Rebate and yield restriction liabilities must be paid to the Treasury every fifth bond year (or each one-year period ending on the date selected by the issuer). Installment payments are due 60 days after either the fifth bond year or the final maturity of the issue.

Each issue's liability is determined separately. The IRS does not allow issuers to net negative and positive liabilities.

Ninety percent of the liability must be paid at each fifth bond year and 100 percent of the liability at the final maturity date.

Payments are made by filing Form 8038-T. The IRS only requires issuers to file a Form 8038-T along with a check for the required payment. No supporting calculations are required. If no payment is due, there is no filing requirement.

If payments are not made timely, the IRS can assess a penalty of 50 percent of liability for governmental and 501(c)(3) issuers and 100 percent for other private activity issuers. Interest is due on the underpayment and the penalty. Issuers not under IRS audit can request a waiver of the penalty.

Overpayments of prior liabilities can be requested on Form 8038-R. Refunds must be requested no later than two years after the final maturity date of the issue.

## ALLOCATION OF BOND PROCEEDS TO EXPENDITURES

Contrary to what you might think, you do not spend bond proceeds. You allocate expenditures to them. An issuer can allocate proceeds to expenditures and investments based upon any reasonable, consistently applied accounting method. There must be a current outlay of cash to create an expenditure.

The IRS rules limit the time periods that expenditures can be reallocated to proceeds. An issuer must account for the allocations of expenditures to proceeds not later than 18 months after the expenditure is paid or, if later, 18 months after the financed property is placed in service. These time periods are subject to a maximum time limit of 60 days after the fifth anniversary of the issue date or 60 days after the final maturity of the issue.

Expenditures prior to the issuance of the bonds can be reimbursed with bond proceeds as long as the issuer makes a Declaration of Official Intent to reimburse the pre-issuance expenditures before the expenditure is made or within 60 days after the expenditure has been made.

Official intent does not apply to preliminary expenditures including architectural, engineering, survey, and soil-testing costs. Preliminary expenditures do not include land acquisition, site preparation, or similar construction commencement costs. Preliminary expenditures cannot exceed 20 percent of the issue price of the issue(s).

## EXCEPTIONS TO REBATE

While there are exceptions to the arbitrage rebate requirements, the IRS has made these exceptions technically challenging to meet. Issuers should seek assistance in verifying compliance if they believe an issue may qualify for an exception.

### *Small Issuer Exception*

If a governmental entity with general taxing powers, on the date of issuance, reasonably expects not to issue more than an aggregate limit during the calendar year, they are exempt from the rebate rules.

For municipal issuers, the aggregate limit of tax-exempt debt issued is \$5 million. For school districts (K-12) the

aggregate limit is \$15 million, as long as no more than \$5 million is for non-construction. Taxable issues are not included in the aggregate limit.

The small issuer exception is an exception from the rebate rules. Typically, if proceeds of the tax-exempt issue are not spent within three years of the date of issuance, they will be subject to the yield restriction rules (see yield restriction below).

### *Investing in Tax-Exempt Investments*

If the proceeds of a tax-exempt issue are invested in non-alternative minimum tax tax-exempt obligations, the rebate rules do not apply to those investments. The issuer is borrowing tax-exempt and investing tax-exempt, thus no arbitrage.

### *Spending Exceptions*

There are three spending exceptions that issuers can meet: the 6-month, 18-month, and 24-month exceptions. There are interim semi-annual spending benchmarks that must be met. The cumulative expenditures for the benchmarks are calculated based upon the bond proceeds and the investment earnings on those proceeds. If any single benchmark is not met, the exception is no longer available to the issuer.

For purposes of the 18- and 24-month exceptions, an issue can have unspent proceeds at the final benchmark equal to the lesser of three percent of the issue price or \$250,000 and still meet the exception. If a reasonable retainage amount has been specified in the contract, the unspent amounts at the final benchmark is increased by an additional amount equal to a maximum five percent retainage amount. The retainage must be spent within one year of the final benchmark.

### *6-Month Exception*

All proceeds and investment earnings, except amounts in a reserve or debt service fund, are spent on any type of capital assets within six months of the date of issuance. All types of issuers qualify.

### *18-Month Exception*

All proceeds and investment earnings, except amounts in a reserve or debt service fund, are spent on any type of capital assets with cumulative expenditures in the first six months of 15 percent, first twelve months of 60 percent, and the first 18 months of 100 percent. All types of issuers qualify.



### ***24-Month Exception***

All proceeds and investment earnings, except amounts in a reserve, cost of issuance, or debt service fund, are spent with cumulative expenditures in the first six months of 10 percent, first 12 months of 45 percent, first 18 months of 75 percent, and 100 percent in first twenty-four months. Seventy-five percent of the expenditures have to be for construction. This exception only applies to governmental and Section 501(c)(3) issuers.

### ***Debt Service Funds***

Debt service funds are exempt from rebate if they meet both an annual income and depletion test.

### ***Income***

Each issue's debt service fund is limited to \$100,000.00 of investment income per year. Long-term, fixed rate governmental issues are not subject to the income limitation. Issues with an average annual debt service not in excess of \$2,500,000.00 are also not subject to the income limitation.

### ***Depletion***

At some time during the year, the invested balance of an issue's debt service fund must drop below a reasonable carryover amount, which is typically 1/12th of the preceding year's debt service.

If both the income and depletion tests are met, the debt service fund is excluded from the rebate calculation ("Bona Fide").

## **COMMINGLED FUNDS**

A commingled fund contains proceeds of a tax-exempt issue and more than \$25,000 of amounts that are not proceeds of the issue. In addition, all of the amounts in the fund are invested and accounted for collectively. Allocations must be made to all of the participants in a commingled fund no less frequently than as of the close of each fiscal period. A fiscal period is defined as a period that does not exceed three months (e.g. daily, weekly, monthly, or quarterly).

Expenditures in a commingled fund can be allocated among the participants based upon any of these "safe harbor" methods:

- Specific tracing
- Pro-rata
- First-in, first-out
- Gross proceeds spent first

Income in a commingled fund can be allocated among the participants under one of the following safe harbor methods:

- The average daily balances
- The average of the beginning and ending balances

Mark-to-market accounting is required for commingled funds if the average investment maturity of the fund is more than 18 months. Mark-to-market accounting treats all of the investments as sold for their fair market value on the last day of each fiscal period.

## **REFUNDINGS AND TRANSFERRED PROCEEDS**

A refunding issue uses its proceeds to pay principal, interest, or a redemption price of a refunded issue(s). A refunding is performed to reduce interest costs or eliminate restrictive covenants.

There are two types of refundings:

- Current Refunding – Within 90 days of issuance
- Advance Refunding – After 90 days of issuance

Per the IRS rules, the yield on an advance refunding escrow cannot be more than .001 percent above the refunding issue bond yield.

Unspent proceeds of the refunded issue transfer to the refunding issue as the refunding issue makes principal payments on the refunded issue.

Advance refundings are only allowed for governmental and Section 501(c)(3) issuers.

Bonds issued after 1985 may only be advance refunded once. There is no limit on current refundings.

If the advance refunding produces an interest savings, the issuer must redeem the refunded bonds on the first optional call date.

## YIELD RESTRICTION

Yield restriction is a separate set of rules from the rebate rules. Rebate is the excess earnings over the bond yield (profit) on a cumulative basis from the inception of the issue. The yield restriction rules govern when an issuer can legally earn arbitrage without jeopardizing the tax-exempt status of the obligations.

Yield restriction starts after a temporary period or is based upon a size limitation and is calculated at a materially higher yield.

Unlike rebate liability payments, 100 percent of the yield restriction liability is due at any required payment date.

### *Temporary Period*

During the temporary period an issuer can earn a yield on their investments in excess of the bond yield. However, the investments are still subject to the rebate rules during the temporary period.

Project funds typically have a three-year temporary period. In order to receive a three-year temporary period, an issue must reasonably expect as of the date of issuance:

- That 85 percent of the project proceeds will be spent within three years after the date of issuance.
- The issuer will contract for at least five percent of the project proceeds within six months after the date of issuance.
- That the issuer will proceed with due diligence to complete the project.

Replacement proceeds (monies that bond holders are legally entitled to in the case of financial difficulties of the issuer) have a 30-day temporary period. Replacement proceeds include non bona fide debt service funds, non-bond proceeds assets pledged for the benefit of the bondholders, or reserve funds funded with non-bond proceeds issuer contributions.

### *Size Limitations*

Reserve funds are subject to a size limitation. This size limitation is referred to as the “reasonably required reserve” amount. If the reserve fund balance is less than the size limitation, it will not be subject to yield restriction. Any excess above the size limitation will be yield restricted.

The IRS size limitation is based upon the lesser of a three prong test. The reasonably required reserve amount is the lesser of:

- 10 percent of the par amount
- Maximum annual debt service
- 125 percent of average annual debt service

### *Materially Higher Amount*

The yield restriction calculation takes all of the yield restricted assets and compares their investment yield to the bond yield plus an adder. The adder is either .125 percent or .001 percent.

The adder depends upon the type of yield restricted assets.

For bond-proceeds-funded projects, cost of issuance, capitalized interest, and reserve funds, the materially higher adder is .125 percent.

For advance refunding escrows and replacement proceeds, the materially higher amount is .001 percent.

If you have both types of assets in the calculation, the lowest adder is used for all of the yield restricted assets.

The IRS yield restriction rules permits an issuer to exclude amounts invested in higher yielding investments equal to the lesser of \$100,000.00 or five percent of the sales proceeds of the issue.

## POST ISSUANCE COMPLIANCE

The IRS believes that issuers with written post issuance policies and procedures are more likely to be in compliance with their post issuance responsibilities and document-retention requirements. Post issuance policies and procedures should include:

- Assignment of responsibilities for who is responsible for what functions
- Document retention policies and procedures
- Arbitrage and yield restriction calculation requirements
- Procedures for monitoring private business use
- A training plan that avoids the turnover factor

### ***Document Retention***

Closing documents, investment support, expenditure support, and any other documents material to the issue must be maintained for the life of the issue plus three years. If the issue is refunded, the documents must be maintained for the life of the refunding issue plus three years.

### ***Monitoring Private Business Use***

The IRS limits the amount of private use on tax-exempt financed property. Governmental issues are allowed 10 percent private use. Private active issuers, including Section 501(c)(3) issuers, are only allowed five percent private use. Issuers are required to track and maintain records documenting any private business use and the fact that it does not exceed the allowable limits.

An issue can lose its tax-exempt status if the private activity tests are exceeded. These tests include:

- Ownership
- Private use and private security/payment
- Private loan financing

These rules encompass the following items that may generate private use:

- Transfer of ownership
- Management or service contracts
- Advertising or naming rights
- Lease or rental by an external party

### **HILLTOP SECURITIES CAN HELP**

HilltopSecurities Asset Management's (HSAM) Arbitrage Rebate Compliance Services Group was established in 1987. Since its inception, HSAM has performed more than 49,500 calculations for more than 2,000 issuers on more than 8,500 bond issues. Our practice today consists of a diverse client base of approximately 425 issuers, across 21 states, with 2,880 bond issues and an aggregate par value of approximately \$183 billion. HSAM's senior rebate staff has on average more than 21 years of rebate compliance experience. Fifty-eight percent of our calculations contain commingled construction, debt service, or reserve funds.

In addition to the standard rebate compliance functions, HSAM provides issuers with service after the calculation; this includes:

- Annual post issuance compliance training
- Unlimited consultation
- Process improvement suggestions
- Post issuance compliance and document retention monitoring and feedback

HSAM prides itself on its commitment to post issuance compliance education. Since 1993, HSAM has sponsored annual post issuance compliance seminars devoted solely to the topic of IRS and SEC compliance. To date, the seminars have been held in 14 states and have had more than 4,800 attendees.

HSAM takes great pride in that approximately 70 percent of its rebate compliance clients have been with us for 10 years or more. This retention history demonstrates not only HSAM's technical abilities, but our ability to continue to maintain a high level of client satisfaction over time.

When the IRS wants advice on tax-exempt obligations, they ask HSAM. From 2015 to 2018, Bill Johnson was an advisor to the IRS as part of the IRS Advisory Committee on Tax-Exempt/Governmental Entities (or "ACT") on the Tax-Exempt Bond subcommittee.

In order not to limit HSAM's pre-issuance tax advisory services to its clients or run afoul of the FINRA rules on municipal advisory representatives, each member of the senior management team of HSAM's Arbitrage Rebate Compliance Services Group is certified as a municipal advisory representative (Series 50 securities license).

HilltopSecurities also provides the following post issuance compliance services:

- SEC continuing disclosure
- Investment advisory services
- Structured products (swaps, investment contracts)
- GASB and FASB reporting for financial statement valuation

## POST ISSUANCE COMPLIANCE QUIZ

What is your post issuance compliance score? Answer each of the questions “yes” or “no.” For each “yes” answer you will receive five points. If the question does not apply, consider it a “yes.”

1. Do you have formal written Post Issuance Policies and Procedures (“PIPP”)?
2. Do you have detailed procedures in place for each of the functional areas responsible for post issuance compliance?
3. Have you followed up to ensure that the people assigned with responsibilities are performing those functions?
4. Do you review your PIPP annually for compliance and make necessary revisions?
5. Do you segregate bond related legal documents, requisitions/invoices, and investment support?
6. Are you maintaining records related to your bond issues for the life of the issue plus three years? Or, if the issue is refunded, the life of the refunding issue plus three years?
7. Have you recently audited your document retention procedures to determine they are being followed?
8. At a minimum, are you having rebate calculations performed at IRS computation dates?
9. Do you review and adjust expenditure allocations within 18 months of the project being placed in service?
10. If you are trying to take advantage of the small issuer, spending, or debt service fund exceptions, do you have documentation that supports meeting the exception?
11. At a minimum, are you spending at least 85 percent of your project proceeds in the first five years?
12. If the issue is a refunding issue, did you have a final calculation performed on the refunded issue?
13. Do you have procedures in place to monitor that necessary Zero SLGS Rolls are being made by your escrow agent?
14. Are you having yield restriction calculations performed?
15. Do you have policies and procedures in place to monitor private business use?
16. Have you entered into any leases, management contracts, or naming rights with private parties?
17. Do you have documentation to support the amount of private use?
18. Have you recently audited your private business use procedures to determine if they are being followed?
19. Do you provide annual post issuance compliance training for anyone responsible for a post issuance compliance function?
20. For any new post issuance compliance responsible personnel, have you confirmed that they understand their responsibilities and they have been properly trained to perform them?

## COMPARE YOUR SCORES TO THE FOLLOWING TABLE:

SCORE	RANKING	ACTION
0-25	Needs Improvement	Seek Assistance
26-50	Work in Process	Formulate a Plan
51-75	Getting There	Focus on Non-Compliance
76-100	Looking Good	Continue to Refine the Process

## CONTACT US

Develop a plan to get your post issuance compliance house in order. Call or email us today.

### BILL JOHNSON, CPA

Managing Director

214.953.8817

Bill.Johnson@HilltopSecurities.com

### COLBY JACKSON

Director

214.953.8760

Colby.Jackson@HilltopSecurities.com

## HEADQUARTERS

1201 Elm Street

Suite 3500

Dallas, Texas 75270

800.678.3792 | HILLTOPSECURITIES.COM

Hilltop Securities Inc. delivers the forthright advice and tailored solutions necessary for municipal issuers, institutions, broker-dealers, and individuals to thrive. We are a financial services firm and registered investment adviser headquartered in Dallas, Texas, with offices across the United States. Our areas of focus include public finance; municipal and taxable fixed income underwriting, sales and trading; equity and portfolio trading; retail brokerage services; securities clearing; structured finance; and securities lending. A wholly owned subsidiary of Hilltop Holdings Inc. (NYSE: HTH), HilltopSecurities' affiliates include Hilltop Securities Independent Network Inc., PlainsCapital Bank, PrimeLending, and National Lloyds Corporation.



54 Canal Street  
Suite 320  
Boston, MA 02114

617-619-4408 Direct  
617-619-4411 Fax

## Memorandum

**Cynthia McNerney**  
Regional Managing Director

[cinder.mcnerney@hilltopsecurities.com](mailto:cinder.mcnerney@hilltopsecurities.com)

**Date:** March 28, 2022

**To:** Dan Noonan  
Fidelity Capital Markets  
Tel: (617) 563 3890  
[SyndicateOperations@fmr.com](mailto:SyndicateOperations@fmr.com)  
[Katherine.Estes@fmr.com](mailto:Katherine.Estes@fmr.com)  
[Dan.noonan@fmr.com](mailto:Dan.noonan@fmr.com)  
[Shawn.Abney@fmr.com](mailto:Shawn.Abney@fmr.com)  
[Brian.Gleason@fmr.com](mailto:Brian.Gleason@fmr.com)

**Subject:** Town of Dracut, Massachusetts

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Delivery of \$1,865,000 Town of Dracut, Massachusetts General Obligation Municipal Purpose Loan of 2022 Bonds is scheduled for Wednesday, March 30, 2022. Disbursement of funds relating to the issue will be as follows:

\$2,047,959.42 comprised of principal (\$1,865,000) and net premium (\$182,959.42) is to be wired by Fidelity Capital Markets, purchaser of the Bonds, to the Town as follows:

BANK:	Enterprise Bank
ABA #	011 302 742
For Further Credit to:	
Town of Dracut, MA	
Account #:	314 424

If there are any questions, please call me at 617-619-4408.



March 30, 2022  
GL Ref Number: 2372024

Invoice Number: 105101  
Cinder McNerney

## Invoice

Victor Garofalo  
Finance Director/Town Accountant  
Town of Dracut, Massachusetts  
62 Arlington Street  
Dracut, MA 01826

Re: Town of Dracut, Massachusetts  
\$1,865,000.00 General Obligation Municipal Purpose Loan of 2022 Bonds dated March 30, 2022

### ***Fees And Expenses Incurred***

---

Financial Advisory Fee	\$18,000.00
Document Preparation	1,050.00
Postage & Miscellaneous	350.00
Total	<u>\$19,400.00</u>

**Please Remit Payment To:**

*Hilltop Securities Inc.  
Attn: Henriqueta Teixeira DaCosta  
54 Canal Street, Suite 320  
Boston, MA 02114*

*JPMorgan Chase Bank, N.A.  
270 Park Avenue  
New York, NY 10017-2070  
ABA # 021000021  
Hilltop Securities Inc.  
Acct # 08805076955  
Attention: Settlement Dept*





## DISTRIBUTION LIST

**Town of Dracut, Massachusetts**  
**\$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds**  
**Dated March 30, 2022, Payable March 15, 2023 through March 15, 2042**

### Issuer

Town of Dracut, MA  
Town Hall  
62 Arlington Street  
Dracut, MA 01826

Victor Garofalo, Assistant Town Manager/  
Finance Director  
Tel: (978) 459-4651  
Email: [vgarofalo@dracutma.gov](mailto:vgarofalo@dracutma.gov)

Carol Briggs, Treasurer  
Email: [cbriggs@dracutma.gov](mailto:cbriggs@dracutma.gov)

### Financial Advisor

Hilltop Securities Inc.  
54 Canal Street, Suite 320  
Boston, MA 02114

Cinder McNerney, Regional Managing Director  
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### Bond Counsel

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Michael Meidinger  
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### Paying Agent

US Bank Trust National Association  
US Bank Corporate Trust Services  
One Federal St., 10<sup>th</sup> Floor  
Boston, MA 02110

James Loring  
Tel: (617) 603-6572  
Email: [james.loring@usbank.com](mailto:james.loring@usbank.com)

### Rating Agency

S&P Global Ratings  
225 Franklin Street, 15th Floor  
Boston, MA 02110

Melissa Stoloff  
Tel: (617) 530-8030  
Email: [melissa.stoloff@spglobal.com](mailto:melissa.stoloff@spglobal.com)

Christian Richards  
Tel: (617) 530-8030  
Email: [christian.richards@spglobal.com](mailto:christian.richards@spglobal.com)

### Purchaser

Fidelity Capital Markets  
200 Seaport Boulevard  
Boston, MA 02210

Dan Noonan  
Tel: (781) 820-8150  
Email: [dan.noonan@fmr.com](mailto:dan.noonan@fmr.com)



**OFFICIAL STATEMENT DATED MARCH 22, 2022**

Rating: See "Rating" herein.  
S&P Global Ratings: AA

**New Issue**

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

**TOWN OF DRACUT, MASSACHUSETTS**  
**\$1,865,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2022 BONDS**

**DATED**  
Date of Delivery

**DUE**  
March 15  
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See "THE BONDS- Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable March 15 of the years in which the Bonds mature. Interest on the Bonds will be payable March 15 and September 15, commencing September 15, 2022. Principal and semiannual interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will be subject to redemption prior to their stated maturity dates as described herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Dracut, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

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**MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS**

Due March 15	Principal Amount	Interest Rate	Yield	CUSIP 261399	Due March 15	Principal Amount	Interest Rate	Yield	CUSIP 261399
2023	\$ 15,000	4.00 %	1.32 %	YU7	2030	\$ 120,000	5.00 %	2.15 %	ZB8
2024	120,000	4.00	1.58	YV5	2031	120,000	5.00	2.25	ZC6
2025	120,000	4.00	1.68	YW3	2032	115,000	4.00	2.42	ZD4
2026	120,000	4.00	1.77	YX1	2033	110,000	4.00	2.50	ZE2
2027	120,000	4.00	1.87	YY9	2034	110,000	4.00	2.55	ZF9
2028	120,000	5.00	1.98	YZ6					
2029	120,000	5.00	2.09	ZA0					

**\$330,000 Interest Rate 4.00% Term Bond Maturing March 15, 2037 Yield 2.65% CUSIP #261399 ZJ1**  
**\$225,000 Interest Rate 3.25% Term Bond Maturing March 15, 2042 Yield 3.319% CUSIP #261399 ZP7**

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. Hilltop Securities Inc., Boston, Massachusetts has acted as Financial Advisor to the Town of Dracut, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about March 30, 2022, against payment to the Town in federal funds.

**FIDELITY CAPITAL MARKETS**

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY STATEMENT .....	3	Tax Titles and Possessions .....	32
NOTICE OF SALE .....	4	Taxation to Meet Deficits .....	32
Bidding Parameters .....	5	Tax Limitations .....	33
Establishment of Issue Price .....	6	Unused Levy Capacity .....	34
EXHIBIT 1 – Form of Issue Price Certificates .....	9	Sale of Tax Receivables .....	34
		Pledged Taxes .....	34
OFFICIAL STATEMENT .....	15	Community Preservation Act .....	35
THE BONDS .....	15		
Description of the Bonds .....	15	TOWN FINANCES:	
Redemption Provisions .....	15	Budget and Appropriation Process .....	36
Record Date .....	16	Budget Trends .....	36
Book-Entry Transfer System .....	16	Revenues .....	37
Authorization of the Bonds and Use of Proceeds .....	17	Investment of Town Funds .....	38
Principal Payments by Purpose .....	18	State School Building Assistance Program .....	39
Tax Exemption .....	18	Summary of Significant Accounting Policies .....	39
Risk of Future Legislative Changes and/or		Annual Audits .....	39
Court Decisions .....	19	Financial Statements .....	39
Security and Remedies .....	19	Governmental Funds Balance Sheet	
Opinion of Bond Counsel .....	21	As of June 30, 2021 .....	40
Rating .....	21	Governmental Funds Balance Sheet	
Financial Advisory Services of Hilltop Securities Inc. ....	21	As of June 30, 2020 .....	41
Continuing Disclosure .....	21	Governmental Funds Balance Sheet	
		As of June 30, 2019 .....	42
TOWN OF DRACUT, MASSACHUSETTS:		Statement of Revenues, Expenditures and Changes	
General .....	22	in Fund Balances as of June 30, 2017 – 2021 .....	43
Principal Executive Officers .....	22	Unassigned General Fund Balances and Free Cash .....	48
Corona Virus (COVID-19) Disclosure .....	22	Stabilization Fund .....	48
Municipal Services .....	23	Tax Increment Financing for Development Districts .....	48
Education .....	23		
Public School Enrollments .....	23	INDEBTEDNESS:	
Industry and Commerce .....	24	Authorization Procedure and Limitations .....	49
Economic Development .....	24	Types of Obligations .....	49
Other Data .....	25	Direct Debt Summary .....	50
Population .....	25	Debt Ratios .....	51
Median Age .....	25	Principal Payments by Purpose .....	51
Per Capita Income .....	25	Debt Service Requirements .....	52
Family Income Distribution .....	26	Authorized Unissued Debt .....	52
Household Income Distribution .....	26	Overlapping Debt .....	53
Medium Value Owner – Occupied Housing Units .....	26	Underlying Debt .....	53
Largest Employers .....	27	Contractual Obligations .....	53
Labor Force, Employment and Unemployment Rates .....	27	RETIREMENT PLAN .....	55
Building Permits .....	27	Current Middlesex County Retirement System	
		Funding Schedule .....	56
PROPERTY TAXATION:		Other Post-Employment Benefits .....	57
Tax Levy Computation .....	28	EMPLOYEE RELATIONS .....	57
Assessed Valuations and Tax Levies .....	29	LITIGATION .....	58
Classification of Property .....	29		
Largest Taxpayers .....	30	APPENDIX A – Fiscal 2021 Audit	
State Equalized Valuation .....	30		
Abatements and Overlay .....	30	APPENDIX B – Proposed Form of Legal Opinion	
Tax Collections .....	31		
		APPENDIX C – Proposed Form of Continuing	
		Disclosure Certificate	

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement. The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Tuesday, March 22, 2022, 11:00 a.m. (Eastern Time).

Location of Sale: Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Dracut, Massachusetts.

Issue: \$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds, see "THE BONDS Book-Entry Transfer System" herein.

Official Statement Dated: March 22, 2022.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Serially March 15, 2023 through March 15, 2034, inclusive, and two Term Bonds maturing March 15, 2037 and March 15, 2042, each subject to mandatory redemption as detailed herein.

Interest Payable: Semi-annually March 15 and September 15 until maturity or redemption prior to maturity, commencing September 15, 2022.

Purpose and Authority: The Bonds are authorized by the Town for various municipal purposes under provisions of the Massachusetts General Laws as detailed herein.

Redemption: The Bonds will be subject to redemption prior to their stated maturity dates as detailed herein.

Security: The Bonds are valid general obligations of the Town of Dracut, Massachusetts, and the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property within the territorial limits of the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

Credit Rating: S&P Global Ratings has assigned a rating of AA to the Bonds.

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$50,000.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

Bank Qualification: The Bonds will be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: U.S. Bank Trust Company, National Association, Boston, Massachusetts.

Legal Opinion: Locke Lord LLP, Boston, Massachusetts.

Financial Advisor: Hilltop Securities Inc., Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about March 30, 2022, against payment in federal funds.

Issuer Official: Questions concerning the Official Statement should be addressed to Victor Garofalo, Finance Director, Town of Dracut, Massachusetts Telephone (978) 459-4651 or Cinder McNerney, Regional Managing Director, Hilltop Securities Inc., Boston, Massachusetts Telephone (617) 619-4408.

## NOTICE OF SALE

### TOWN OF DRACUT, MASSACHUSETTS \$2,000,000\* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2022 BONDS

The Town of Dracut, Massachusetts (the "Town") will receive electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Tuesday, March 22, 2022, for the purchase of the following described General Obligation Municipal Purpose Loan of 2022 Bonds of the Town (the "Bonds"):

\$2,000,000\* General Obligation Municipal Purpose Loan of 2022 Bonds payable March 15 of the years and in the amounts as follows:

Due March 15	Principal Amount*	Due March 15	Principal Amount*
2023	\$ 15,000	2033	** \$ 120,000
2024	130,000	2034	** 120,000
2025	130,000	2035	** 120,000
2026	130,000	2036	** 120,000
2027	130,000	2037	** 120,000
2028	130,000	2038	** 45,000
2029	130,000	2039	** 45,000
2030	130,000	2040	** 45,000
2031	130,000	2041	** 45,000
2032	** 120,000	2042	** 45,000

\*Preliminary, subject to change.

\*\*Callable maturities. May be combined into not more than three Term Bonds as described herein.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on March 15 of the years in which the Bonds mature. Interest will be payable on March 15 and September 15, until maturity or redemption prior to maturity, commencing September 15, 2022.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The original Bonds to be immobilized at DTC will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

The Bonds maturing on and before March 15, 2031 are not subject to redemption prior to their stated maturity dates. Bonds maturing on and after March 15, 2032 are subject to redemption prior to their stated maturity dates, at the option of the Town, on and after March 15, 2031 either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

For Bonds maturing on and after March 15, 2032, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise a maturity of term bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule (which is subject to change as described herein). Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than three term bonds.

Term bonds, if any, shall be subject to mandatory redemption on March 15 of the year or years immediately prior to the stated maturity of such term bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule (which is subject to change as described herein) at the principal amount thereof plus accrued interest to the redemption date, without premium.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

### **Bidding Parameters**

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent or (c) **any coupon in excess of 5.0%. NO BID OF LESS THAN PAR PLUS A PREMIUM OF AT LEAST \$50,000 WILL BE CONSIDERED.**

**The current bond structure does not reflect any premium.** The Town reserves the right to decrease the aggregate par amount of the Bonds by the amount of the net premium to be received and to restructure the remaining balance on an equal or more rapid principal amortization schedule through the same term. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder for the Bonds by 4 p.m. Eastern Time on the day of the sale.

Bids must be submitted electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of March 30, 2022, discounts semi-annually all future payments on account of principal and interest to the price bid, not including interest accrued, if any, which accrued interest shall be paid by the successful bidder. The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town. In the event that two or more bidders submit the same lowest true interest cost for the Bonds, the Treasurer shall determine the successful bidder by lot from among all such proposals.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Dracut has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to S&P Global Ratings for the rating on the Bonds. Such fee paid to S&P Global Ratings will be borne by the Town.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the "Code").

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated March 15, 2022, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, as of its date and the date of sale the Preliminary Official Statement did not, and as of its date and the date of the delivery of the Bonds, the Final Official Statement did not and does not, contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form appearing as Appendix C of the Preliminary Official Statement.

### **Establishment of Issue Price**

The successful bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town on the Closing Date an “issue price” or similar certificate, substantially in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sales price of the Bonds together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by Hilltop Securities Inc. (the “Financial Advisor”) and any notice or report to be provided to the Town may be provided to the Financial Advisor.

Competitive Sale Requirements. If the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) have been satisfied, the Town will furnish to the successful bidder on the Closing Date a certificate of the Financial Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

**Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by contacting the Financial Advisor, telephone (617) 619-4400, and affirming in writing via email at [cinder.mcnerney@hilltopsecurities.com](mailto:cinder.mcnerney@hilltopsecurities.com), or in its bid submitted via Parity, that it will NOT be an “underwriter” (as defined below) of the Bonds, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Bonds, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Bonds to the public.**

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Bonds to the Public and the 10% Test to Apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Bonds to the public, the Successful Bidder may, at its option, use the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds.



If the competitive sale requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the Financial Advisor until notified in writing by the Town or the Financial Advisor that it no longer needs to do so. If the successful bidder uses Option A the Successful Bidder shall provide to the Town on or before the closing date, the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public), and
3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Intends to Reoffer the Bonds to the Public and Agrees to Hold the Price of Maturities of Bonds for Which the 10% Test in Option A is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. on the Sale Date, that it has not sold 10% of the maturities of the Bonds listed in the Hold the Price Notice (the “Unsold Maturities”) and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Financial Advisor, the successful bidder must provide to the Issuer on or before the Closing Date, in addition to the certification described in Option A above, evidence that each underwriter of the Bonds, including underwriters in an underwriting syndicate or selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

Failure to Meet the Competitive Sale Requirements and/or the Successful Bidder Does Not Intend to Reoffer the Bonds to the Public – Option C. If the successful bidder has purchased the Bonds for its own account and will not distribute, reoffer or resell the Bonds to the public, then, whether or not the competitive sale requirements were met, the issue price certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

Additional information concerning the Town of Dracut and the Bonds is contained in the Preliminary Official Statement dated March 15, 2022, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 5 copies of the Final Official Statement will be available from Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about March 30, 2022 for settlement in federal funds.

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TOWN OF DRACUT, MASSACHUSETTS  
/s/ Victor Garofalo, Finance Director

March 15, 2022

**Issue Price Certificate for Use If the Competitive  
Sale Requirements Are Met  
\$2,000,000\*  
Town of Dracut, Massachusetts  
General Obligation Municipal Purpose Loan of 2022 Bonds Dated March 30, 2022**

**ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds") of the Town of Dracut, Massachusetts (the "Issuer").

**1. Reasonably Expected Initial Offering Prices.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Bonds.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

**2. Defined Terms.**

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is March 22, 2022.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

**3. Receipt.**

The Successful Bidder hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_, 2022

Successful Bidder

By: \_\_\_\_\_

Name:

Title:

\*Preliminary, subject to change.

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
**(To be Attached)**

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**SCHEDULE B**  
**COPY OF SUCCESSFUL BIDDER'S BID**  
**(To Be Attached)**

**Issue Price Certificate for Use If the Competitive Sale Requirements Are  
Not Met and the 10% Test to Apply  
\$2,000,000\*  
Town of Dracut, Massachusetts  
General Obligation Municipal Purpose Loan of 2022 Bonds Dated March 30, 2022  
ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the [Successful Bidder][Representative]), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) by the Town of Dracut, Massachusetts (the “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% Test has not been met or all of the Bonds have not been sold for one or more Maturities of Bonds as of the Closing Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until at least 10% of each such Maturity of the Bonds is sold to the Public (the “10% Test”) or all of the Bonds are sold to the Public, the [Successful Bidder][Representative] agrees to promptly report to the Town of Dracut’s financial advisor, Hilltop Securities Inc. (the “Financial Advisor”) the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% Test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The [Successful Bidder][Representative] shall continue to report each sale of Bonds to the Financial Advisor until notified by email or in writing by the Issuer or the Financial Advisor that it no longer needs to do so.

2. Defined Terms.

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Underwriter* means (i) any person, including the [Successful Bidder][Representative] that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. Receipt. The [Successful Bidder][Representative] hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the [Successful Bidder][Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder][Representative]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_, 2022

[SUCCESSFUL BIDDER][REPRESENTATIVE]

By: \_\_\_\_\_

Name:

Title:

\*Preliminary, subject to change.

**SALE PRICES**  
**(To Be Attached)**

**SCHEDULE A**

**Issue Price Certificate for Use If the Competitive Sale Requirements Are  
Not Met and the Hold the Price Rule Is Used  
\$2,000,000\*  
TOWN OF DRACUT, MASSACHUSETTS  
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2022 BONDS**

**DATED MARCH 30, 2022**

**ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of \_\_\_\_\_ (the “[Successful Bidder][Representative]”), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Town of Dracut, Massachusetts (the “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% Test has not been met as of the Sale Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Bonds, the [Successful Bidder][Representative] and any other Underwriter did not [and will not] reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the Public until the earlier of (i) \_\_\_\_\_, 2022 or (ii) the date on which the “Successful Bidder][Representative] or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

2. Defined Terms.

(a) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Underwriter means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. Receipt. The [Successful Bidder][Representative] hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the [Successful Bidder][Representative], before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the [Successful Bidder][Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder’s][Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_, 2022

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: \_\_\_\_\_  
Name:  
Title:

\*Preliminary, subject to change.

**SCHEDULE A**  
**SALE PRICES**  
**(To be Attached)**



**OFFICIAL STATEMENT  
TOWN OF DRACUT, MASSACHUSETTS  
\$1,865,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2022 BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Dracut, Massachusetts (the "Town") in connection with the sale of \$1,865,000 stated principal amount of its General Obligation Municipal Purpose Loan of 2022 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another source.

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated their date of delivery and will bear interest payable semiannually on March 15 and September 15, commencing September 15, 2022 until maturity or redemption prior to maturity. The Bonds shall mature on March 15 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or Registered Owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, Boston, Massachusetts or its successor as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

**Redemption Provisions**

**Optional Redemption**

Bonds maturing on or prior to March 15, 2031 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after March 15, 2032 shall be subject to redemption prior to maturity, at the option of the Town, on or after March 15, 2031, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

**Mandatory Redemption**

The Bonds maturing March 15, 2037 and March 15, 2042 (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts as set forth below (the particular portion of each Term Bond to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.

**\$330,000 Term Bond Maturing March 15, 2037**

<u>March 15</u>	<u>Principal Amount</u>
2035	\$ 110,000
2036	110,000
2037 *	110,000

**\$225,000 Term Bond Maturing March 15, 2042**

<u>March 15</u>	<u>Principal Amount</u>
2038	\$ 45,000
2039	45,000
2040	45,000
2041	45,000
2042 *	45,000

\*Final maturity.

## **Notice of Redemption**

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed or sent in other manner acceptable to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

## **Record Date**

The record date for each payment of interest on the Bonds is the last business day of the month preceding the interest payment date, provided that, under certain circumstances, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

## **Book-Entry Transfer System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The issuer of such securities may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

#### Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amounts, purposes, bond anticipation notes outstanding, total amounts authorized, dates of authorization, statutory references and article numbers for the current offering of Bonds:

This Issue	Purpose	BANs Outstanding (1)	Amount Originally Authorized	Date of Authorization	Law Cite, M.G.L., as amended	Article No.
\$ 900,000	Fire Station Construction	\$ 900,000	\$ 1,500,000	11/18/2019	Ch. 44, s. 7(1)	9
965,000	Pedestrian Safety and Traffic Circulation Improvements at the School Complex	-	1,100,000	6/14/2021	Ch. 44, s. 7(1)	17
<u>\$ 1,865,000</u>		<u>\$ 900,000</u>				

(1) Payable June 24, 2022. To be retired with the proceeds of the Bonds.

## Principal Payments by Purpose

Maturity Year	Fire Station Construction	Pedestrian Safety and Traffic Circulation Improvements	TOTAL
2023	\$ 5,000	\$ 10,000	\$ 15,000
2024	50,000	70,000	120,000
2025	50,000	70,000	120,000
2026	50,000	70,000	120,000
2027	50,000	70,000	120,000
2028	50,000	70,000	120,000
2029	50,000	70,000	120,000
2030	50,000	70,000	120,000
2031	50,000	70,000	120,000
2032	45,000	70,000	115,000
2033	45,000	65,000	110,000
2034	45,000	65,000	110,000
2035	45,000	65,000	110,000
2036	45,000	65,000	110,000
2037	45,000	65,000	110,000
2038	45,000		45,000
2039	45,000		45,000
2040	45,000		45,000
2041	45,000		45,000
2042	45,000		45,000
<b>Totals</b>	<b>\$ 900,000</b>	<b>\$ 965,000</b>	<b>\$ 1,865,000</b>

## Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually.

(with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction, or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

### **Risk of Future Legislative Changes and/or Court Decisions**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

### **Security and Remedies**

**Full Faith and Credit.** General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "*Serial Bonds and Notes*" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "*State Distributions*" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

**Tax Levy.** The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

*No Lien.* Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See “INDEBTEDNESS-Authorization Procedures and Limitations” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

*Court Proceedings.* Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

*Restricted Funds.* Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

*State Distributions.* State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to The Commonwealth of Massachusetts (the “Commonwealth”) or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (“MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority (“MWRA”) if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority (“MSBA”), or for charges necessary to meet obligations under the Commonwealth’s Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum

has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

**Bankruptcy.** Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

### **Opinion of Bond Counsel**

The successful bidder will be furnished the legal opinion of the firm of Locke Lord LLP, Boston, Massachusetts ("Bond Counsel"). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

### **Rating**

S&P Global Ratings has assigned a rating of AA to the Bonds. The rating only reflects the rating agency's views and is subject to revision or withdrawal, which could affect the price and marketability of the Bonds.

### **Financial Advisory Services of Hilltop Securities Inc.**

Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town.

### **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, as amended (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

**Except as noted below, the Town is not aware of any instance of material non-compliance with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule within the past five years.**

**The June 30, 2016 draft audited financial statements were posted on EMMA on February 24, 2017. The June 30, 2016 final audited financial statements were completed and publicly available on March 17, 2017 and inadvertently filed late on EMMA on May 9, 2017.**

**The Town has taken steps to improve its required disclosure filings including hiring a new disclosure group and filing agent to assist in the process.**

## TOWN OF DRACUT, MASSACHUSETTS

### General

The Town of Dracut, Massachusetts ("The Town"), incorporated in 1701, is governed by an open town meeting and a five member Board of Selectmen. The Town is located in northeastern Middlesex County, about 28 miles north of Boston. It is bordered on the North by Pelham, New Hampshire, on the east by Methuen, Massachusetts, on the south by Lowell and Tewksbury, Massachusetts and on the west by Tyngsborough, Massachusetts. The Town occupies a land area of 20.84 square miles.

Local legislative decisions are made by an open town meeting. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of five selectmen who are elected on an at-large basis for staggered three-year terms. The operations of the Town are under the direction of a Town Manager appointed by the Board of Selectmen.

Local school affairs are administered by an elected school committee of five persons while local taxes are assessed by a board of three assessors all appointed on an at-large basis for staggered three-year terms.

The following is a list of the principal executive officers:

### PRINCIPAL EXECUTIVE OFFICERS

Title	Name	Manner of Selection and Term	Expiration of Term
Selectman	Alison Genest, Chairman	Elected/3 years	2023
	Tony Archinski, Vice Chairman	Elected/3 years	2022
	Jesse Forcier	Elected/3 years	2022
	Heather Santiago Hutchings, Clerk	Elected/3 years	2023
	Joseph DiRocco	Elected/3 years	2024
Town Manager	Ann M. Vandal	Appointed	Indefinite
Tax Collector	Colleen I. Merrill	Appointed	Indefinite
Treasurer	Carol Briggs	Appointed	Indefinite
Assistant Town Manager/Finance Director	Victor Garofalo	Appointed	Indefinite
Town Clerk	Jayne Boissonneault	Appointed	Indefinite
Town Counsel	James A. Hall	Appointed	2022

### Corona Virus (COVID-19) Disclosure

COVID-19 is a respiratory disease caused by a novel coronavirus that has not previously been seen in humans. On March 10, 2020, the Governor of The Commonwealth of Massachusetts declared a state of emergency to support the Commonwealth's response to the outbreak of the virus. On March 11, 2020 the World Health Organization declared COVID-19 a pandemic. On March 13, 2020, the President declared a national emergency due to the outbreak, which has enabled disaster funds to be made available to states to fight the pandemic. The Governor has removed the remaining COVID-19 restrictions and the state of emergency in The Commonwealth expired on June 15, 2021.

In response to the COVID-19 pandemic, federal and state legislation was signed into law that provides various forms of financial assistance and other relief to state and local governments. For example, the U.S. Congress enacted the CARES Act which includes various forms of financial relief. The Town was eligible to receive up to \$2,799,060 from the CARES Act and to date has incurred \$2,799,060 in COVID expenses.

Another action at the federal level was the American Rescue Plan Act of 2021 ("ARPA"). Among other provisions, ARPA provides \$350 billion to state and local governments to mitigate the fiscal disruptions created by the pandemic. Such funds may be used to replace revenues lost or reduced as a result of the pandemic and fund COVID-related costs, among other purposes. The Town expects to receive approximately \$9,455,618 in direct ARPA funds. To date the Town has received 50% of these funds.



Pursuant to M.G.L. Chapter 44, Section 31, the Town can set up a fund specifically related to COVID-19 expenses. This fund can be used to capture all unbudgeted costs related to the COVID-19 pandemic and deficit spending for these costs, including but not limited to, overtime, cleaning and medical supplies, and IT equipment would be allowed, with the approval of the Commonwealth's Department of Revenue. The Town has created a COVID-19 fund.

The virus, its variants and the resulting actions by national, state and local governments are altering the behavior of businesses and people in a manner that may have negative impacts on global and local economies. There can be no assurances regarding the extent to which COVID-19 will impact the national and state economies and, accordingly, how it will adversely impact municipalities, including the Town.

There was no impact from COVID-19 in fiscal 2020 and 2021. The Town did not use any federal funds to offset revenues. All funds received were used to address COVID issues related to schools and Town Buildings, additional temporary remote staffing, School IT Equipment, PPE supplies, and disinfecting Town and School Buildings.

## **Municipal Services**

The Town provides general governmental services for the territory within its boundaries including police and fire protection, disposal of garbage and rubbish, public education in grades K to 12, sewer services, streets, parks and recreation. Water services are provided by the Town and the Dracut Water Supply District.

The Dracut Housing Authority provides housing for eligible low income families and handicapped persons. The Greater Lowell Regional Vocational School District provides vocational training for students in grades 9-12.

Legislation was passed by the state legislature abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was partly in response to a default by the County in the payment of general obligation notes of the County. The legislation abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the County tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

## **Education**

### **PUBLIC SCHOOL ENROLLMENTS – OCTOBER 1**

			Actual		
	2017-18	2018-19	2019-20	2020-21	2021-22
Elementary	1,797	1,838	1,872	1,850	1,856
Junior High	901	877	928	920	896
Senior High	801	836	877	889	876
Total	3,499	3,551	3,677	3,659	3,628

## Industry and Commerce

The table below sets forth the most recent trend in the major categories of employment.

Industry	Calendar Year Average				
	2020	2019	2018	2017	2016
Construction	751	807	746	748	795
Manufacturing	348	497	502	499	494
Trade, Transportation and Utilities	1,228	1,359	1,359	1,379	1,348
Information	158	-	-	-	147
Financial Activities	240	249	228	238	244
Professional and Business Services	338	334	319	381	382
Education and Health Services	1,141	1,175	1,161	1,153	1,101
Leisure and Hospitality	828	994	1,008	963	978
Other Services	154	192	198	200	198
Total Employment	5,414	5,607	5,521	5,561	5,687
Number of Establishments	743	700	704	680	670
Total Annual Wage (000)	\$ 292,606,829	\$ 290,796,582	\$ 279,555,940	\$ 274,287,090	\$ 259,085,149
Average Weekly Wage	\$ 1,039	\$ 931	\$ 905	\$ 882	\$ 844

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

## Economic Development

The Town is located in northeastern Massachusetts along the New Hampshire border in Middlesex County. The principal highways serving the Town are State Routes 113 and 110, and Interstate Route 93 with access to Route 495. Route 93 provides easy access to Boston (south) and New Hampshire (north). With a population of approximately 32,617, the Town occupies a land area of approximately 21 square miles and is primarily a residential community with some commercial and industrial activity.

The Lowell Regional Transit Authority provides bus service between Dracut, Lowell and Tyngsboro. Commuter rail service to Boston is available on a regular basis in nearby Lowell.

The Town continues to see growth in many different sectors. On the commercial side, the Arbors of Dracut, an assisted living facility, is occupied and operating. On the adjacent lot, the construction of an urgent care facility and other medical offices is in the planning stages. In other areas of Town, there are retail spaces, trade buildings and other small businesses under construction. There is also an additional assisted living that has been constructed on Bridge Street and a proposal for a large industrial/retail facility to be located on Silva Lane.

On the residential side, there is an over 55 community under construction which is approximately 75% complete and occupied. In addition, the Town has several subdivisions under construction (approximately 75 lots), approximately 250 lots have been approved and are also expected to begin over the next 3 to 4 years. The Town also expects to see the construction of a 280 unit apartment complex and 44 duplex units.

As a community, the residents of Dracut voted in favor of the legalization of marijuana. As a result, zoning bylaws and general bylaws changes were accepted at the June 4, 2018 Town Meeting in regard to retail, medical and cultivation facilities established in Town.

The Town currently has three retail cannabis operations, RISE (formerly Green Star Herbal), Lazy River, and Tree House and all are open for business, with a fourth retail store, Nova Farms, to open this spring on Merrimack Avenue. There is also a cannabis cultivation on Lakeview Avenue called Bailey's Buds. with separate parties that will build, own and operate cannabis facilities. In fiscal year 2021, the Town received \$533,922, and in fiscal year 2022 it is projected to receive \$2,400,000.

## Other Data

The following tables set forth age characteristics, income levels, housing characteristics, population trends, and employment figures for the Town of Dracut, Middlesex County, and the Commonwealth of Massachusetts.

## Population

Year	Dracut		Middlesex County		Massachusetts	
	Number	% Change	Number	% Change	Number	% Change
2018 (estimate)	31,747	7.8 %	1,614,714	7.4 %	6,902,149	5.4 %
2010	29,457	3.1	1,503,085	2.6	6,547,629	3.1
2000	28,562	11.6	1,465,396	4.8	6,349,097	5.5
1990	25,594	20.4	1,398,468	2.3	6,016,425	4.9
1980	21,249	-	1,367,034	-	5,737,037	-

Source: U. S. Department of Commerce.

## Median Age

Age	Dracut		Middlesex County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Under 5 Years	2,050	6.6 %	87,158	5.5 %	362,681	5.3 %
5 Years to 17 years	5,634	18.0	280,519	17.6	1,226,228	18.0
18 Years to 64 Years	18,786	60.1	993,446	62.3	4,163,060	61.0
65 Years and over	4,796	15.3	234,069	14.7	1,078,224	15.8
Total	31,266	100.0 %	1,595,192	100.0 %	6,830,193	100.0 %
Median Age	39.4		38.5		39.4	
Median Age (2000)	36.1		36.4		36.5	

Source: U. S. Department of Commerce.

## Per Capita Income

Year	Dracut		Middlesex County		Massachusetts	
	Amount	% Change	Amount	% Change	Amount	% Change
2018	\$ 37,166	32.8 %	\$ 49,669	N.A.	\$ 41,794	25.9 %
2009	27,996	17.9	N.A.	N.A.	33,203	27.9
1999	23,750	43.9	31,199	53.4 %	25,952	50.7
1989	16,508	136.7	20,343	141.1	17,224	131.0
1979	6,974	-	8,439	-	7,457	-
Median Family Income (2018)	\$ 105,888		\$ 121,813		\$ 98,625	
Median Household Income (2018)	\$ 88,555		\$ 97,012		\$ 77,378	
% Below Poverty Level (2016 5-year estimates)	7.5%		7.9%		10.8%	

Source: U. S. Department of Commerce.

## Family Income Distribution

Income For Families	Dracut		Middlesex County		Massachusetts	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000	178	2.2 %	8,827	2.3 %	53,279	3.2 %
10,000 - 24,999	314	3.9	18,623	4.8	111,203	6.7
25,000 - 49,999	1,193	15.0	38,740	10.0	230,707	14.0
50,000 - 74,999	1,043	13.1	44,647	11.5	229,597	13.9
75,000 - 99,999	1,080	13.6	44,512	11.5	211,355	12.8
100,000 - 149,999	1,971	24.7	82,416	21.3	347,464	21.0
150,000 or more	2,185	27.4	150,016	38.7	468,203	28.3
Total	7,964	100.0 %	387,781	100.0 %	1,651,808	100.0 %

Source: U. S. Department of Commerce.

## Household Income Distribution

Income For Families	Dracut		Middlesex County		Massachusetts	
	Households	Percent	Households	Percent	Households	Percent
Less than \$10,000	178	2.2 %	8,827	2.3 %	53,279	3.2 %
10,000 - 24,999	314	3.9	18,623	4.8	111,203	6.7
25,000 - 49,999	1,193	15.0	38,740	10.0	230,707	14.0
50,000 - 74,999	1,043	13.1	44,647	11.5	229,597	13.9
75,000 - 99,999	1,080	13.6	44,512	11.5	211,355	12.8
100,000 - 149,999	1,971	24.7	82,416	21.3	347,464	21.0
150,000 or more	2,185	27.4	150,016	38.7	468,203	28.3
Total	7,964	100.0 %	387,781	100.0 %	1,651,808	100.0 %

Source: U. S. Department of Commerce.

## Median Value Owner – Occupied Housing Units

Units	Dracut		Middlesex County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than \$100,000	259	2.9 %	8,028	2.1 %	54,909	3.4 %
100,000 - 199,999	1,128	12.6	15,630	4.2	189,404	11.7
200,000 - 299,999	2,588	29.0	40,807	10.9	337,647	20.8
300,000 - 499,999	4,055	45.4	138,707	37.0	577,836	35.6
500,000 - 999,999	816	9.1	137,877	36.8	375,842	23.2
1,000,000 or more	78	0.9	33,364	8.9	85,415	5.3
Total	8,924	100.0 %	374,413	100.0 %	1,621,053	100.0 %
Median value	\$ 316,700		\$ 476,500		\$ 366,800	

Source: U. S. Department of Commerce.

The following table sets forth the largest employers located in the Town, excluding the Town itself.

### LARGEST EMPLOYERS

Name	Nature of Business	No. of Employees
Hannaford	Supermarket	225
George Brox Inc.	Contractor/Construction	181
Dunkin Donuts	Franchise	155
Verizon New England Inc.	Communications	125
Old Dominion Freight Lines Inc.	Trucking	81
Toupin Rigging Co., Inc.	Contractor	64
Poland Springs	Warehouse	64
Lenzi Catering	Restaurant/Functions	60
Masili	Manufacturer	52

SOURCE: Individual employers listed.

### Labor Force, Employment and Unemployment Rates

According to the Massachusetts Department of Employment and Training data in October 2021, the Town had a total labor force of 18,382, of which 17,495 were employed and 887 or 4.8% were unemployed as compared to 5.1% for the Commonwealth, although it is likely that the COVID-19 pandemic will adversely affect unemployment levels nationwide.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2017 through 2020 and also the unemployment rates for the Commonwealth of Massachusetts and the United States for the same period.

Year	Town of Dracut			Massachusetts		United States	
	Labor Force	Unemployment Rate		Unemployment Rate		Unemployment Rate	
2020	18,040	8.5	%	8.9	%	8.1	%
2019	18,761	2.8		2.9		3.7	
2018	18,650	3.3		3.3		3.9	
2017	17,868	3.4		3.7		4.4	
2016	17,504	3.6		3.9		4.9	

SOURCE: Mass. Department of Employment and Training and the U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment. Monthly data are unadjusted.

### Building Permits

The following table sets forth the trend in the number of building permits issued and the estimated dollar value of new construction and alterations.

Calendar Year	Number	Estimated Value
2021	1,480	\$ 43,150,771
2020	1,293	37,640,411
2019	1,087	41,106,298
2018	1,106	51,190,550
2017	980	58,795,431

## PROPERTY TAXATION

### Tax Levy Computation

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. As to the inclusion of debt service and final judgments, see "Securities and Remedies" under "THE BONDS" above. The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits").

The table below illustrates the recent trend in the manner in which the tax levy is determined, and excludes the surcharge of property tax levied under the Community Preservation Act.

	Fiscal 2022	Fiscal 2021	Fiscal 2020	Fiscal 2019	Fiscal 2018
Total Appropriations(1)	\$ 99,777,077	\$ 95,991,067	\$ 94,425,013	\$ 90,722,789	\$ 90,153,160
Additions:					
Other Additions	168,327	557,510	270,801	198,638	1,280,781
State and County Assessments	4,239,141	4,118,494	4,272,810	3,756,429	3,490,142
Overlay Reserve	404,254	37,183	374,394	309,759	433,320
Total Additions	4,811,722	4,713,187	4,918,005	4,264,826	5,204,243
Gross Amount to be Raised	104,588,799	100,704,253	99,343,018	94,987,615	95,357,403
Deductions:					
State Receipts (2):	25,973,441	25,154,838	25,227,476	24,796,068	24,822,036
Local Receipts	18,463,585	17,724,301	19,024,236	17,813,115	19,061,475
Available Funds(3):					
Free Cash	2,426,837	2,850,122	1,616,108	1,107,536	1,462,793
Other Available Funds	2,200,789	1,259,859	1,497,307	1,149,547	1,660,996
Free Cash and Other Revenue					
Used to Reduce the Tax Rate	-	-	-	-	-
Total Deductions	49,064,652	46,989,120	47,365,127	44,866,266	47,007,300
Net Amount to be Raised (Tax Levy)	<u>\$55,524,147</u>	<u>\$53,715,134</u>	<u>\$51,977,891</u>	<u>\$50,121,349</u>	<u>\$48,350,103</u>

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments.
- (3) Transfers from other available funds, including "free cash" (See "TOWN FINANCES - Free Cash"), generally made as an offset to a particular appropriation item.

## Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every five years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

The following table sets forth the trend in the Town's assessed valuations, tax rates, tax levies, and tax levies per capita.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate	Tax Levy	Tax Levy Per Capita (1)
2022	\$4,406,966,797	\$110,864,520	\$4,517,831,317	\$12.29	\$55,524,147	\$1,885
2021	4,025,171,163	103,586,249	4,128,757,412	13.01	53,715,134	1,824
2020	3,799,684,995	93,790,010	3,893,475,005	13.35	51,977,891	1,765
2019	3,545,215,450	99,973,547	3,645,188,997	13.75	50,121,349	1,702
2018	3,331,449,050	87,935,860	3,419,384,910	14.14	48,350,103	1,641

(1) Based on 2010 federal census (29,457).

## Classification of Property

The following is a breakdown of the Town's assessed valuation of real estate and personal property in fiscal years 2020, 2021 and 2022.

	Fiscal 2020		Fiscal 2021		Fiscal 2022	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$3,552,398,629	91.2 %	\$3,774,910,916	91.4 %	\$4,147,212,836	91.8 %
Commercial	189,939,661	4.9	194,374,287	4.7	200,298,761	4.4
Industrial	57,436,705	1.5	55,885,960	1.4	59,455,200	1.3
Personal	93,790,010	2.4	103,586,249	2.5	110,864,520	2.5
Total Real Estate	<u>\$3,893,565,005</u>	<u>100.0 %</u>	<u>\$4,128,757,412</u>	<u>100.0 %</u>	<u>\$4,517,831,317</u>	<u>100.0 %</u>

## Largest Taxpayers

The following table lists the ten largest taxpayers in the Town based upon assessed valuations for fiscal year 2022. All taxpayers listed are current in their tax payments.

Name	Nature of Business	Fiscal 2022 Assessed Valuation	Fiscal 2022 Amount of Tax	% of Total Assessed Valuation
MASS ELECTRIC	ELECTRIC COMPANY	\$28,250,748	\$347,202	0.63 %
NATIONAL GRID/ COLONIAL	ELECTRIC COMPANY	22,807,484	280,304	0.50
CORCORAN SKYLINE LLC	RENTAL APARTMENTS	20,779,300	255,378	0.46
NEW ENGLAND POWER	ELECTRIC COMPANY	19,521,216	239,916	0.43
PRINCETON DRACUT LLC	RENTAL APARTMENTS	13,719,200	168,609	0.30
ROBBINS AVE, LLC	RENTAL APARTMENTS	11,526,400	141,659	0.26
MARITIMES & NORTHEAST PIPELINE	GAS PIPELINE	10,891,100	133,852	0.24
GRASSFIELD COMMONS	RENTAL APARTMENTS	9,681,400	118,984	0.21
DRACUT REAL ESTATE	RENTAL APARTMENTS	9,413,200	115,688	0.21
ANTONIO KATSIKAS	RENTAL APARTMENTS	9,206,800	113,152	0.20
Total		<u>\$155,796,848</u>	<u>\$1,914,744</u>	<u>3.45 %</u>

## State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". The following table sets forth the trend in equalized valuations of the Town.

January 1,	State Equalized Valuation	Percent Change
2020	\$ 4,153,988,500	13.9 %
2018	3,647,155,100	13.4
2016	3,215,541,900	10.1
2014	2,920,269,000	(3.2)
2012	3,018,060,600	(5.0)
2010	3,175,898,800	-

Local assessed valuations are determined annually as of January 1 and used for the fiscal year beginning on the next July 1.

## Abatements and Overlay

A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue, but uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.



The following table sets forth the amount of the overlay reserve for the last five fiscal years, actual abatements granted as of June 30, 2021, transfers to overlay surplus, and amounts remaining in the overlay account.

Fiscal Year	Net Tax Levy(1)	Overlay Dollar Amount	Overlay As a % of Net Levy	Abatements and Exemptions Granted During Fiscal Year of Levy (000's)	Abatements and Exemptions Granted Through June 30, 2021 (000's)
2021	\$ 53,677,951	\$ 37,183	0.07 %	\$ 303	\$ 303
2020	51,603,497	374,394	0.73	307	368
2019	49,811,590	309,759	0.62	305	305
2018	47,916,783	433,320	0.90	282	282
2017	46,100,881	388,970	0.84	255	255

(1) Net of overlay reserve for abatements.

### Tax Collections

The taxes for each fiscal year generally are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless a city or town accepts a statute providing for quarterly tax payments. The Town has accepted this provision. Under the statute, preliminary tax payments are to be due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the trend in the Town's net tax collections with its tax levies for each of the following fiscal years exclusive of the surcharge of property tax levied under the Community Preservation Act.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable		Collections as of June 30, 2021 (1)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2021	\$ 53,715,134	\$ 37,183	\$ 53,677,951	\$53,148,033	99.0 %	\$53,148,033	99.0 %
2020	51,977,891	374,394	51,603,497	51,139,513	99.1	51,591,520	100.0
2019	50,121,349	309,759	49,811,590	49,278,401	98.9	49,629,334	99.6
2018	48,350,103	433,320	47,916,783	47,697,000	99.5	47,967,121	100.1
2017	46,489,851	388,970	46,100,881	44,712,000	97.0	46,028,640	99.8

(1) Actual dollar collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

## Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court. Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

The table below sets forth the trend in the amount of tax titles and possessions at fiscal year-end.

	For Fiscal Year Ending June 30,				
	2021	2020	2019	2018	2017
Aggregate (1)	\$1,017,074	\$1,028,170	\$1,365,856	\$ 1,131,439	\$ 1,138,794
Tax Titles	625,471	636,567	974,253	739,836	747,191
Tax Possessions	391,603	391,603	391,603	391,603	391,603

(1) Excludes tax titles, tax possessions and abated taxes. Includes taxes in litigation, if any.

## Taxation to Meet Deficits

As noted elsewhere (see "*Abatements and Overlay*" above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

## Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

## Unused Levy Capacity

The following table shows the calculation of levy limits for the following fiscal years.

	Fiscal Year				
	2022	2021	2020	2019	2018
Primary Levy Limit (1)	\$ 112,945,783	\$ 103,218,935	\$ 97,336,875	\$ 91,129,725	\$ 85,484,623
Prior Fiscal Year Levy Limit	50,832,350	49,198,678	47,461,299	45,512,281	43,644,368
Amended Prior FY Growth	-	-	-	-	-
2.5% Levy Growth	1,270,809	1,229,967	1,186,532	1,137,807	1,091,109
New Growth (2)	378,901	403,705	550,847	811,211	776,804
Overrides	-	-	-	-	-
Growth Levy Limit	52,482,060	50,832,350	49,198,678	47,461,299	45,512,281
Debt Exclusions	3,086,636	2,917,226	2,941,128	2,933,242	2,865,190
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	55,568,696	53,749,576	52,139,806	50,394,541	48,377,471
Tax Levy	55,524,147	53,715,134	51,977,891	50,121,349	48,350,103
Unused Levy Capacity (3)	44,549	34,442	161,915	273,192	27,368
Unused Primary Levy Capacity (4)	<u>\$ 60,463,723</u>	<u>\$ 52,386,585</u>	<u>\$ 48,138,197</u>	<u>\$ 43,668,426</u>	<u>\$ 39,972,342</u>

(1) 2.5% of assessed valuation.

(2) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy Limit less Growth Levy Limit.

## Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

## Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. See "Tax Increment Financing for Development Districts" below.

## Community Preservation Act

The Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “Tax Limitations” under “PROPERTY TAXATION” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has accepted the Community Preservation Act and set a rate at 2% with certain exemptions. The table below summarizes amounts collected, balances, and amounts appropriated for the succeeding fiscal year.

<u>Fiscal Year</u>	<u>Amount Collected</u>	<u>Fund Balance</u>	<u>Appropriated for Next Fiscal Year</u>
2021	\$ 1,029,510	\$ 6,394,037	\$ 1,130,415
2020	986,050	5,492,997	1,226,378
2019	956,369	4,915,553	1,122,900
2018	948,670	3,566,496	1,117,010
2017	880,492	3,992,673	1,034,874

The balance in the CPA fund was \$6,394,037 as of June 30, 2021.

## TOWN FINANCES

### Budget and Appropriation Process

Town Meeting: The annual appropriations of the Town are ordinarily made at the annual meeting which takes place in May. Appropriations may also be voted at special meetings. The Town has a finance committee which submits reports and recommendations on proposed expenditures at town meetings.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. In fiscal years 1994 through 2020 the Town's net school spending exceeded the minimum required local contributions.

Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department, provided that no such transfer may be made from any appropriation for a school department, regional school district, or municipal light department.

Enterprise Fund: The Town operates its sewer fund on an enterprise basis. Sewer department appropriations are made at the annual town meeting.

Mandatory Items: Mandatory items, such as state and county assessments, the overlay for abatements, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget.

Revenues: Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION--Tax Levy Computation".)

### Budget Trends

The following table sets forth the trend in operating budgets as voted at annual town meeting.

#### BUDGET COMPARISON

	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
General Government	\$ 3,528,048	\$ 3,328,737	\$ 3,433,711	\$ 3,137,433	\$ 2,859,127
Public Safety	10,046,104	9,475,387	9,361,084	8,831,963	8,269,380
Education	40,450,297	38,610,000	37,808,368	37,029,299	36,155,600
Public Works	5,981,936	5,282,555	5,484,015	5,330,546	5,170,185
Human Services	837,965	762,689	753,533	720,926	700,437
Culture & Recreation	1,085,883	986,990	1,091,483	1,023,357	1,003,551
Debt Service	4,449,401	4,308,495	4,594,985	4,983,158	5,337,283
Miscellaneous (1)	16,978,234	16,794,150	16,240,633	15,700,000	15,762,626
Reserves	490,253	250,000	1,210,060	1,221,450	451,092
Total Budget	<u>\$ 83,848,121</u>	<u>\$ 79,799,003</u>	<u>\$ 79,977,873</u>	<u>\$ 77,978,132</u>	<u>\$ 75,709,282</u>

(1) Includes pension, employee insurance expenses and snow and ice deficits.

## Revenues

Property Taxes: Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION-- Tax Limitations" above.

State Aid: The Town's state aid entitlement is based upon a number of different formulas which are subject to amendment by the state legislature. While said formulas might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate.

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In every fiscal year, the Town has appropriated at least the minimum expenditure requirement imposed by the Act.

The following table sets forth the amount of State aid to the Town in recent years.

<u>Fiscal Year</u>	<u>State Aid</u>
2021	\$ 26,076,015
2020	23,860,403
2019	23,830,894
2018	21,655,904
2017	21,632,303

Motor Vehicle Excise Tax: An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles.

The Town collects the motor vehicle excise tax from bills prepared by the Massachusetts Registry of Motor Vehicles. The following table reflects motor vehicle excise receipts for each of the following fiscal years.

<u>Fiscal Year</u>	<u>Motor Vehicle Excise Taxes</u>
2021	\$ 4,924,151
2020	4,906,584
2019	4,945,945
2018	4,892,635
2017	4,777,554

Local Option Meals Tax: The Town has voted to accept the local meals excise tax of 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The following table reflects the amounts collected for the most recent fiscal years.

<u>Fiscal Year</u>	<u>Receipts</u>
2021	\$ 411,866
2020	419,861
2019	467,773
2018	405,570
2017	365,420

**Marijuana Excise Tax:** In November, 2016, voters of the Commonwealth approved a law legalizing and regulating the cultivation, manufacture, processing, distribution, sale, possession, testing and use of recreational marijuana, which was amended by the legislature in July 2017. The local adoption statute permits a municipality to impose an excise tax of up to 3% on local sales of marijuana and marijuana products by marijuana retailers operating within the community. The Town approved a 3% local option excise on retail marijuana sales in June 2018. In fiscal 2021 the Town collected \$291,299 in retail excise tax and \$242,623 host community agreement fees.

**Sewer Enterprises:** The financial operations of the Town's sewer services are accounted as enterprise funds. It is the Town's policy to maintain sewer rates to be sufficient to cover the full costs of providing the service, including debt service, depreciation, and administrative costs incurred by the Town. The Town increased the sewer rates during fiscal year 2016 to sustain the annual costs of debt and treatment of flow. The only increase was on the flat fee. It went from \$520 per year to \$600 per year. At this time, the Town does not foresee another increase.

Residential rates are \$600 annually with quarterly billings at \$150. Commercial rates consist of semi-annual metered billing with a minimum sewer bill of \$260 on November 1<sup>st</sup> and May 1<sup>st</sup>, and a per usage charged based upon use in excess of 4,000 cubic feet at a rate of \$6.50 per cubic feet.

The following table shows operating revenues and retained earnings for the sewer funds.

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Retained Earnings</u>
2021	\$ 7,679,369	\$ 4,134,085
2020	7,304,518	2,172,605
2019	7,442,708	2,172,605
2018	7,760,304	2,652,582
2017	7,633,921	1,491,504

### **Investment of Town Funds**

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §§54 and 55 do not apply to city and town retirement systems.

A breakdown of investments may be obtained from the Town Treasurer.



## **State School Building Assistance Program**

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program. Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The maximum reimbursement rates for new project grant applications submitted to the Authority is up to 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

## **Summary of Significant Accounting Policies**

See the Town's audited financial statements.

## **Annual Audits**

The Town's most recent audit was prepared by Melanson, Heath & Company, P.A., Certified Public Accountants for the fiscal year ended June 30, 2021, a copy of which is attached hereto as Appendix A.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented.

## **Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended June 30, 2021, June 30, 2020 and June 30, 2019 and Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years ended June 30, 2021, June 30, 2020, June 30, 2019, June 30, 2018 and June 30, 2017. Said financial statements were extracted from audited financial statements and are presented in accordance with the fund method of accounting described in the Town's audited financial statements.

**TOWN OF DRACUT, MASSACHUSETTS**

**BALANCE SHEET**

**JUNE 30, 2021 (1)**

	General Fund	Community Preservation Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and short-term investments	\$ 16,036,799	\$ 5,673,816	\$ 12,922,805	\$ 34,633,420
Investments	6,492,501	717,068	-	7,209,569
Receivables:				
Property taxes	1,146,285	7,130	-	1,153,415
Excises	702,804	-	-	702,804
Intergovernmental	95,388	-	1,360,121	1,455,509
Betterments	136,844	-	-	136,844
Due from other funds	287,559	-	-	287,559
Deparatmental and other	-	-	82,345	82,345
<b>Total Assets</b>	<u>24,898,180</u>	<u>6,398,014</u>	<u>14,365,271</u>	<u>45,661,465</u>
<b>Liabilities:</b>				
Warrants and accounts payable	\$ 1,823,266	\$ 1,305	\$ 953,381	\$ 2,777,952
Accrued payroll	3,482,224	-	-	3,482,224
Unearned revenue	-	-	1,655,542	1,655,542
Due to other funds	-	-	287,559	287,559
Escrow deposits	1,410,044	-	-	1,410,044
Notes payable	-	-	900,000	900,000
Other liabilities	475,216	-	-	475,216
<b>Total Liabilities</b>	<u>7,190,750</u>	<u>1,305</u>	<u>3,796,482</u>	<u>10,988,537</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	1,914,790	7,129	82,345	2,004,264
<b>Fund Balances:</b>				
Nonspendable	-	-	259,720	259,720
Restricted	-	6,389,580	8,555,654	14,945,234
Committed	3,054,620	-	2,921,535	5,976,155
Assigned	1,323,385	-	-	1,323,385
Unassigned	11,414,635	-	(1,250,465)	10,164,170
<b>Total Fund Balances</b>	<u>15,792,640</u>	<u>6,389,580</u>	<u>10,486,444</u>	<u>32,668,664</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u><u>\$ 24,898,180</u></u>	<u><u>\$ 6,398,014</u></u>	<u><u>\$ 14,365,271</u></u>	<u><u>\$ 45,661,465</u></u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF DRACUT, MASSACHUSETTS**

**BALANCE SHEET**

**JUNE 30, 2020 (1)**

	General Fund	Capital Improvement Fund	Community Preservation Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and short-term investments	\$ 12,140,409	\$ 2,850,538	\$ 2,268,407	\$ 10,629,721	\$ 27,889,075
Investments	6,792,625	-	-	723,951	7,516,576
Receivables:					
Property taxes	1,310,158	-	-	11,095	1,321,253
Excises	737,834	-	-	-	737,834
Intergovernmental	1,426,463	-	-	356,858	1,783,321
Betterments	166,546	-	-	-	166,546
Due from other funds	66,687	-	-	-	66,687
<b>Total Assets</b>	<u>22,640,722</u>	<u>2,850,538</u>	<u>2,268,407</u>	<u>11,721,625</u>	<u>39,481,292</u>
<b>Liabilities:</b>					
Warrants payable	\$ 2,370,647	\$ 1,143,301	\$ 395,732	\$ 715,365	\$ 4,625,045
Accrued payroll	3,575,130	-	-	-	3,575,130
Accrued liabilities	42,428	-	-	-	42,428
Notes payable	-	4,300,000	4,069,000	300,000	8,669,000
Due to other funds	-	-	-	66,687	66,687
Other liabilities	28,500	-	-	-	28,500
<b>Total Liabilities</b>	<u>6,016,705</u>	<u>5,443,301</u>	<u>4,464,732</u>	<u>1,082,052</u>	<u>17,006,790</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	2,079,692	-	-	11,095	2,090,787
<b>Fund Balances:</b>					
Nonspendable	-	-	-	259,720	259,720
Restricted	409,124	314,295	1,737,815	10,122,578	12,583,812
Committed	1,627,410	746,984	25,000	742,706	3,142,100
Assigned	3,900	-	-	-	3,900
Unassigned	12,503,891	(3,654,042)	(3,959,140)	(496,526)	4,394,183
<b>Total Fund Balances</b>	<u>14,544,325</u>	<u>(2,592,763)</u>	<u>(2,196,325)</u>	<u>10,628,478</u>	<u>20,383,715</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 22,640,722</u>	<u>\$ 2,850,538</u>	<u>\$ 2,268,407</u>	<u>\$ 11,721,625</u>	<u>\$ 39,481,292</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF DRACUT, MASSACHUSETTS**

**BALANCE SHEET**

**JUNE 30, 2019 (1)**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and short-term investments	\$ 14,001,639	\$ 11,653,431	\$ 25,655,070
Investments	4,552,993	1,242,089	5,795,082
Receivables:			
Property taxes	1,492,071	8,590	1,500,661
Excises	705,872	-	705,872
Intergovernmental	423,663	1,021,529	1,445,192
Betterments	195,776	-	195,776
Due from other funds	477,981	-	477,981
<b>Total Assets</b>	<b>21,849,995</b>	<b>13,925,639</b>	<b>35,775,634</b>
<b>Liabilities:</b>			
Warrants payable	\$ 2,132,143	\$ 649,320	\$ 2,781,463
Accrued payroll	3,037,834	143,221	3,181,055
Notes payable	-	1,800,000	1,800,000
Unearned revenue	-	29,794	29,794
Due to other funds	-	477,981	477,981
Other liabilities	19,742	-	19,742
<b>Total Liabilities</b>	<b>5,189,719</b>	<b>3,100,316</b>	<b>8,290,035</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	2,383,955	8,590	2,392,545
<b>Fund Balances:</b>			
Nonspendable	-	249,720	249,720
Restricted	469,684	10,878,433	11,348,117
Committed	2,603,945	456,625	3,060,570
Assigned	50,634	-	50,634
Unassigned	11,152,058	(768,045)	10,384,013
<b>Total Fund Balances</b>	<b>14,276,321</b>	<b>10,816,733</b>	<b>25,093,054</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 21,849,995</b>	<b>\$ 13,925,639</b>	<b>\$ 35,775,634</b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF DRACUT, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2021 (1)**

	General Fund	Community Preservation Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 53,554,190	\$ 1,029,510	\$ -	\$ 54,583,700
Excises	4,926,551	-	-	4,926,551
Penalties, interest, and other taxes	1,263,783	3,442	-	1,267,225
Charges for services	480,883	-	1,534,737	2,015,620
Intergovernmental	30,137,316	290,606	11,318,931	41,746,853
Licenses and permits	583,878	-	-	583,878
Investment income	5,201	45,340	4,197	54,738
Miscellaneous	162,839	500	320,225	483,564
<b>Total Revenues</b>	<u>91,114,641</u>	<u>1,369,398</u>	<u>13,178,090</u>	<u>105,662,129</u>
<b>Expenditures:</b>				
Current:				
General government	2,971,036	61,518	2,941,829	5,974,383
Public safety	9,514,751	-	5,564,268	15,079,019
Education	43,003,348	-	10,638,452	53,641,800
Public works	5,427,615	-	1,189,334	6,616,949
Health and human services	679,796	-	157,665	837,461
Culture and recreation	865,194	-	247,714	1,112,908
Employee benefits	16,584,675	-	-	16,584,675
Debt Service				
Principal	2,451,500	34,000	-	2,485,500
Interest	1,348,056	146,571	-	1,494,627
Intergovernmental	3,866,316	-	-	3,866,316
<b>Total Expenditures</b>	<u>86,712,287</u>	<u>242,089</u>	<u>20,739,262</u>	<u>107,693,638</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>4,402,354</u>	<u>1,127,309</u>	<u>(7,561,172)</u>	<u>(2,031,509)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of bonds	-	-	12,985,000	12,985,000
Premium on bonds	-	-	1,950,702	1,950,702
Proceeds of refunding bonds	15,370,500	-	-	15,370,500
Premium on refunding bonds	3,975,905	-	123,637	4,099,542
Payment to refunded escrow agent	(19,689,098)	-	-	(19,689,098)
Transfers In	36,686	-	2,656,254	2,692,940
Transfers Out	(2,848,032)	(308,500)	(36,686)	(3,193,218)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,154,039)</u>	<u>(308,500)</u>	<u>17,678,907</u>	<u>14,216,368</u>
<b>Net Change in Fund Balances</b>	<u>1,248,315</u>	<u>818,809</u>	<u>10,117,735</u>	<u>12,184,859</u>
Fund Balances - Beginning of year	<u>14,544,325</u>	<u>5,570,771</u>	<u>368,709</u>	<u>20,483,805</u>
Fund Balances - Ending	<u><b>\$ 15,792,640</b></u>	<u><b>\$ 6,389,580</b></u>	<u><b>\$ 10,486,444</b></u>	<u><b>\$ 32,668,664</b></u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF DRACUT, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2020 (1)**

	General Fund	Capital Improvement Fund	Community Preservation Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 51,963,444	\$ -	\$ -	\$ 990,333	\$ 52,953,777
Excises	4,832,128	-	-	-	4,832,128
Penalties, interest, and other taxes	707,095	-	-	2,019	709,114
Charges for services	486,724	-	-	1,768,821	2,255,545
Intergovernmental	28,614,061	135,126	-	4,450,623	33,199,810
Licenses and permits	760,321	-	-	-	760,321
Investment income	665,300	-	-	134,558	799,858
Miscellaneous	113,534	-	-	290,117	403,651
<b>Total Revenues</b>	<b>88,142,607</b>	<b>135,126</b>	<b>-</b>	<b>7,636,471</b>	<b>95,914,204</b>
<b>Expenditures:</b>					
Current:					
General government	3,428,322	12,653	101,296	277,271	3,819,542
Public safety	9,468,820	2,021,137	-	110,352	11,600,309
Education	41,864,362	756,772	2,811,202	4,705,666	50,138,002
Public works	5,506,269	193,228	-	840,001	6,539,498
Health and human services	694,433	-	-	166,378	860,811
Culture and recreation	918,951	-	1,819,140	210,811	2,948,902
Employee benefits	15,798,246	-	-	-	15,798,246
Debt Service	4,333,696	-	-	45,440	4,379,136
Intergovernmental	3,579,831	-	-	-	3,579,831
<b>Total Expenditures</b>	<b>85,592,930</b>	<b>2,983,790</b>	<b>4,731,638</b>	<b>6,355,919</b>	<b>99,664,277</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,549,677</b>	<b>(2,848,664)</b>	<b>(4,731,638)</b>	<b>1,280,552</b>	<b>(3,750,073)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	18,201	1,200,672	972,202	488,000	2,679,075
Transfers Out	(2,299,874)	(700,000)	-	(679,201)	(3,679,075)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,281,673)</b>	<b>500,672</b>	<b>972,202</b>	<b>(191,201)</b>	<b>(1,000,000)</b>
<b>Net Change in Fund Balances</b>	<b>268,004</b>	<b>(2,347,992)</b>	<b>(3,759,436)</b>	<b>1,089,351</b>	<b>(4,750,073)</b>
Fund Balances - Beginning of year	14,276,321	(244,771)	1,563,111	9,539,127	25,133,788
Fund Balances - Ending	<b>\$ 14,544,325</b>	<b>\$ (2,592,763)</b>	<b>\$ (2,196,325)</b>	<b>\$ 10,628,478</b>	<b>\$ 20,383,715</b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF DRACUT, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2019 (1)**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 49,830,543	\$ 956,737	\$ 50,787,280
Excises	4,949,207	-	4,949,207
Penalties, interest, and other taxes	873,965	2,167	876,132
Charges for services	782,978	1,940,205	2,723,183
Intergovernmental	28,450,405	5,444,456	33,894,861
Licenses and permits	858,559	-	858,559
Investment income	312,411	73,124	385,535
Contributions	-	81,315	81,315
Miscellaneous	268,965	111,150	380,115
<b>Total Revenues</b>	<u>86,327,033</u>	<u>8,609,154</u>	<u>94,936,187</u>
<b>Expenditures:</b>			
Current:			
General government	3,243,178	1,686,881	4,930,059
Public safety	8,624,405	997,340	9,621,745
Education	40,789,104	5,411,725	46,200,829
Public works	5,245,263	1,414,171	6,659,434
Health and human services	677,642	76,854	754,496
Culture and recreation	968,015	292,802	1,260,817
Employee benefits	15,255,284	-	15,255,284
Debt Service	4,827,789	46,140	4,873,929
Intergovernmental	3,788,612	-	3,788,612
<b>Total Expenditures</b>	<u>83,419,292</u>	<u>9,925,913</u>	<u>93,345,205</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>2,907,741</u>	<u>(1,316,759)</u>	<u>1,590,982</u>
<b>Other Financing Sources (Uses):</b>			
Issuance of bonds	-	2,578,186	2,578,186
Premium on bonds	-	111,062	111,062
Transfers In	231,095	1,075,273	1,306,368
Transfers Out	(1,075,273)	(184,954)	(1,260,227)
<b>Total Other Financing Sources (Uses)</b>	<u>(844,178)</u>	<u>3,579,567</u>	<u>2,735,389</u>
<b>Net Change in Fund Balances</b>	2,063,563	2,262,808	4,326,371
Fund Balances - Beginning of year	<u>12,212,758</u>	<u>8,553,925</u>	<u>20,766,683</u>
Fund Balances - Ending	<u><b>\$ 14,276,321</b></u>	<u><b>\$ 10,816,733</b></u>	<u><b>\$ 25,093,054</b></u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF DRACUT, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FISCAL YEAR ENDED JUNE 30, 2018 (1)**

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 47,942,723	\$ -	\$ 926,990	\$ 48,869,713
Excises	4,895,598	-	-	4,895,598
Penalties, interest, and other taxes	1,135,575	-	2,443	1,138,018
Charges for services	548,407	-	1,997,436	2,545,843
Intergovernmental	28,267,485	1,664,293	6,373,197	36,304,975
Licenses and permits	862,545	-	-	862,545
Investment income (loss)	(29,828)	-	44,913	15,085
Contributions	-	-	75,205	75,205
Miscellaneous	49,406	-	181,363	230,769
<b>Total Revenues</b>	<b>83,671,911</b>	<b>1,664,293</b>	<b>9,601,547</b>	<b>94,937,751</b>
<b>Expenditures:</b>				
Current:				
General government	2,793,042	-	1,409,986	4,203,028
Public safety	8,185,054	-	426,639	8,611,693
Education	39,806,538	2,181	5,373,131	45,181,850
Public works	5,255,348	-	2,803,317	8,058,665
Health and human services	698,893	-	67,497	766,390
Culture and recreation	953,517	-	277,003	1,230,520
Employee benefits	15,168,063	-	-	15,168,063
Debt Service	4,954,255	-	48,540	5,002,795
Intergovernmental	3,388,192	-	-	3,388,192
<b>Total Expenditures</b>	<b>81,202,902</b>	<b>2,181</b>	<b>10,406,113</b>	<b>91,611,196</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,469,009</b>	<b>1,662,112</b>	<b>(804,566)</b>	<b>3,326,555</b>
<b>Other Financing Sources (Uses):</b>				
Lease proceeds	30,656	-	449,639	480,295
Transfers In	73,283	88,000	1,662,250	1,823,533
Transfers Out	(1,550,250)	-	(73,283)	(1,623,533)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,446,311)</b>	<b>88,000</b>	<b>2,038,606</b>	<b>680,295</b>
<b>Net Change in Fund Balances</b>	<b>1,022,698</b>	<b>1,750,112</b>	<b>1,234,040</b>	<b>4,006,850</b>
Fund Balances - Beginning of year	11,190,060	(3,944,313)	9,514,086	16,759,833
Fund Balances - Ending	<b>\$ 12,212,758</b>	<b>\$ (2,194,201)</b>	<b>\$ 10,748,126</b>	<b>\$ 20,766,683</b>

(1) Extracted from the Town's audited financial statements.



**TOWN OF DRACUT, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FISCAL YEAR ENDED JUNE 30, 2017 (1)**

	General Fund	High School Construction Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 45,944,609	\$ -	\$ 886,883	\$ -	\$ 46,831,492
Excises	4,704,280	-	-	-	4,704,280
Penalties, interest, and other taxes	780,377	-	1,679	-	782,056
Charges for services	654,132	-	-	1,910,202	2,564,334
Intergovernmental	30,785,433	-	176,568	6,499,798	37,461,799
Licenses and permits	635,689	-	-	-	635,689
Investment income	47,536	-	30,763	3,208	81,507
Contributions	-	-	-	90,500	90,500
Miscellaneous	133,057	-	900	113,879	247,836
<b>Total Revenues</b>	<b>83,685,113</b>	<b>-</b>	<b>1,096,793</b>	<b>8,617,587</b>	<b>93,399,493</b>
<b>Expenditures:</b>					
Current:					
General government	2,676,519	-	12,585	280,984	2,970,088
Public safety	8,074,200	-	-	379,504	8,453,704
Education	41,719,459	451,909	-	5,358,716	47,530,084
Public works	5,325,430	-	-	2,859,875	8,185,305
Health and human services	709,121	-	-	61,812	770,933
Culture and recreation	909,243	-	-	250,138	1,159,381
Employee benefits	14,964,780	-	-	-	14,964,780
Debt Service	5,195,651	-	49,590	-	5,245,241
Intergovernmental	2,841,196	-	-	-	2,841,196
<b>Total Expenditures</b>	<b>82,415,599</b>	<b>451,909</b>	<b>62,175</b>	<b>9,191,029</b>	<b>92,120,712</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,269,514</b>	<b>(451,909)</b>	<b>1,034,618</b>	<b>(573,442)</b>	<b>1,278,781</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	20,083	-	-	1,746,873	1,766,956
Transfers Out	(517,500)	-	(972,700)	(276,756)	(1,766,956)
<b>Total Other Financing Sources (Uses)</b>	<b>(497,417)</b>	<b>-</b>	<b>(972,700)</b>	<b>1,470,117</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>772,097</b>	<b>(451,909)</b>	<b>61,918</b>	<b>896,675</b>	<b>1,278,781</b>
Fund Balances - Beginning of year	10,417,963	(3,492,404)	3,930,755	4,624,738	15,481,052
Fund Balances - Ending	<b>\$ 11,190,060</b>	<b>\$ (3,944,313)</b>	<b>\$ 3,992,673</b>	<b>\$ 5,521,413</b>	<b>\$ 16,759,833</b>

(1) Extracted from the Town's audited financial statements.

## Unassigned General Fund Balance and Free Cash

Under Massachusetts law an amount known as “free cash” is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. The following table sets forth the trend in the unassigned general fund balance and Free Cash as certified by the Bureau of Accounts for the most recent fiscal years.

<u>Fiscal Year</u>	<u>Unassigned General Fund Balance</u>	<u>Free Cash</u>
2021	\$ 11,414,635	\$ 10,317,955
2020	12,503,891	9,898,201
2019	11,152,058	8,509,082
2018	9,089,153	6,477,970
2017	6,415,423	5,563,620

## Stabilization Fund

The Town maintains three stabilization funds: General Stabilization, Trash Disposal Stabilization, and Town Hall Stabilization. Funded by appropriations, these Stabilization Funds, plus interest income, may be appropriated at an annual or special town meeting for any project. The first is the general stabilization fund and the second is to offset increases in trash disposal charges. The following shows the balance in the accounts for the most recent fiscal years:

<u>Fiscal Year End</u>	<u>General Stabilization Fund Balance</u>	<u>Trash Disposal Stabilization Fund Balance</u>	<u>Town Hall Stabilization Fund Balance (1)</u>
2021	\$ 1,269,481	\$ 131,808	\$ 1,110,983
2020	1,111,168	131,292	1,190,108
2019	1,622,644	230,232	1,268,422
2018	1,534,167	228,632	1,346,276
2017	1,534,735	226,908	1,422,437

(1) This fund was established to pay a portion of the debt service on the Town Hall Bonds. These funds show under the Committed Fund on the General Fund Balance Sheet.

The Town also maintains an Education Stabilization Fund. The balance in the fund as of June 30, 2021 was \$201,238.

## Tax Increment Financing for Development Districts

Cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such “tax increments” for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see “Tax Limitations” under “PROPERTY TAXATION” above.)

The Town does not have any such development districts.

## INDEBTEDNESS

### Authorization Procedure and Limitations

Bonds and notes are authorized on behalf of the Town by two-thirds of town meeting. Refunding bonds are notes are authorized by the Selectmen. Borrowings for certain purposes require state administrative approval. When serial bonds or notes have been authorized, state aid anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the Treasurer with the approval of the Selectmen.

The general debt limit of a city or town consists of normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the State Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the general debt limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, water bonds, bonds for electric, gas and telecommunication systems, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for housing, urban renewal, and economic development. Revenue bonds are not subject to these debt limits. The general debt limit applies at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

### Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as "tax credit bonds" to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

State aid anticipation notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund state aid anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

For the past few years, the Town has borrowed Revenue Anticipation Notes to make the full retirement contribution each July in order to receive a discount on the Town's payment. For fiscal year 2019, the Town issued \$2 million in revenue anticipation notes in order to make the full retirement contribution in July, 2018 which resulted in a discount from the Retirement System of \$75,000. The Town has not otherwise issued revenue anticipation notes in the past five years.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Clean Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

**TOWN OF DRACUT  
DIRECT DEBT SUMMARY  
As of June 30, 2021**

**General Obligation Bonds (1)**

Outstanding:

General (2)	\$ 14,659,000	
School (3)	17,260,500	
MCWT (4)	26,050,013	
Sewer (5)	6,050,500	
CPA (6)	<u>3,870,000</u>	
		\$ 67,890,013
This Issue of Bonds to be dated March 30, 2022		1,865,000

**Temporary Loans Outstanding**

Bond Anticipation Notes (6)	900,000
Less:	
To Be Retired with Bond Proceeds	<u>(900,000)</u>

Total Short Term Debt Outstanding after This Issue

-

**Total Direct Debt after This Issue**

\$ 69,755,013

(1) Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.

(2) \$6,077,000 is exempt from the limitations of Proposition 2 ½.

(3) \$16,647,500 is outside the debt limit and \$14,300,500 is exempt from the limitations of Proposition 2 ½.

(4) \$10,489,133 is outside the debt limit.

(5) \$2,087,500 is outside the debt limit.

(6) \$3,697,000 is outside the debt limit.

## Debt Ratios

The following table sets forth the percentage of debt to equalized valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the Town of Dracut only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues. (See "Direct Debt Summary".)

Fiscal Year	General Obligation Bonds Outstanding	Population (1)	Equalized Valuation (2)	Per Capita Debt	Debt as a % of Equalized Valuation
2021	\$ 67,890,013	29,457	\$ 3,647,155,100	\$ 2,305	1.86 %
2020	64,718,571	29,457	3,647,155,100	2,197	1.77
2019	71,131,488	29,457	3,647,155,100	2,415	1.95
2018	75,982,925	29,457	3,215,541,900	2,579	2.36
2017	83,487,066	29,457	3,215,541,900	2,834	2.60

(1) Based on 2010 Federal Census.

(2) 2016 equalized valuation is used for fiscal years 2017 and 2018; 2018 equalized valuation used for fiscal years 2019 and 2020; 2020 equalized valuation used for fiscal year 2021.

## Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the Town's outstanding long-term debt as of June 30, 2021.

### GENERAL OBLIGATION BONDS PRINCIPAL PAYMENTS BY PURPOSE AS OF JUNE 30, 2021 (1)

Fiscal Year	General (2)	School (3)	MCWT (4)	Sewer (5)	CPA (6)	Total Outstanding Principal
2022	\$ 1,521,000	\$ 1,515,000	\$ 2,025,055	\$ 1,267,000	\$ 412,000	\$ 6,740,055
2023	1,435,750	1,279,750	2,067,421	1,219,500	410,000	6,412,421
2024	1,317,500	1,270,500	2,110,672	817,000	410,000	5,925,672
2025	1,142,750	1,170,250	2,154,832	782,000	405,000	5,654,832
2026	964,000	1,171,000	2,199,915	352,000	403,000	5,089,915
2027	751,000	1,171,000	2,245,943	343,000	370,000	4,880,943
2028	753,250	1,173,750	2,192,676	233,000	365,000	4,717,676
2029	763,250	1,169,750	2,223,848	232,000	365,000	4,753,848
2030	778,250	1,169,750	2,104,837	227,000	365,000	4,644,837
2031	768,250	1,169,750	2,147,489	222,000	365,000	4,672,489
2032	778,000	1,165,000	1,279,559	92,000	-	3,314,559
2033	793,000	1,160,000	1,307,369	92,000	-	3,352,369
2034	808,000	1,150,000	832,373	92,000	-	2,882,373
2035	365,000	253,000	850,463	37,000	-	1,505,463
2036	345,000	253,000	296,494	37,000	-	931,494
2037	275,000	253,000	11,069	2,000	-	541,069
2038	275,000	243,000	-	2,000	-	520,000
2039	275,000	243,000	-	2,000	-	520,000
2040	275,000	140,000	-	-	-	415,000
2041	275,000	140,000	-	-	-	415,000
Total	<u>\$ 14,659,000</u>	<u>\$ 17,260,500</u>	<u>\$ 26,050,013</u>	<u>\$ 6,050,500</u>	<u>\$ 3,870,000</u>	<u>\$ 67,890,013</u>

(1) Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.

(2) \$6,077,000 is exempt from the limitations of Proposition 2 ½.

(3) \$16,647,500 is outside the debt limit and \$14,300,500 is exempt from the limitations of Proposition 2 ½.

(4) \$10,489,133 is outside the debt limit.

(5) \$2,087,500 is outside the debt limit.

(6) \$3,697,000 is outside the debt limit.

## Debt Service Requirements

The following table sets forth the principal and interest payments on outstanding general obligation bonds of the Town of Dracut, Massachusetts as of June 30, 2021.

### GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2021

Fiscal Year	Total Principal	Total Interest	Total Outstanding Net Debt Service
2022	\$ 6,740,055	\$ 1,996,187	\$ 8,736,242
2023	6,412,421	1,969,156	8,381,577
2024	5,925,672	1,743,592	7,669,265
2025	5,654,832	1,535,002	7,189,834
2026	5,089,915	1,339,311	6,429,226
2027	4,880,943	1,160,620	6,041,563
2028	4,717,676	991,743	5,709,419
2029	4,753,848	828,666	5,582,514
2030	4,644,837	665,998	5,310,835
2031	4,672,489	512,032	5,184,520
2032	3,314,559	384,164	3,698,723
2033	3,352,369	274,027	3,626,396
2034	2,882,373	165,145	3,047,518
2035	1,505,463	98,173	1,603,636
2036	931,494	65,714	997,208
2037	541,069	46,203	587,272
2038	520,000	34,169	554,169
2039	520,000	22,456	542,456
2040	415,000	12,450	427,450
2041	415,000	4,150	419,150
Total	<u>\$ 67,890,013</u>	<u>\$ 13,848,959</u>	<u>\$ 81,738,972</u>

## Authorized Unissued Debt

Following delivery of the Bonds, the Town will have the following authorized unissued debt:

Purpose	Amount Authorized Unissued
Landfill Closure	\$ 1,500,000
Facility Plans	1,420,000
Senior Housing Complex	3,000,000
School Equipment	192,976
School Security Equipment & Devices	150,000
Fields	195,202
Englesby Elementary School Roof Replacement	1,626,808
Brookside Elementary School Roof Replacement	2,046,207
TOTAL:	<u>\$ 10,131,193</u>

## Overlapping Debt

In addition to direct debt, the Town is indirectly liable for overlapping governmental authorities and agencies. The following table sets forth the outstanding and authorized but unissued bonded debt of each authority or agency, exclusive of temporary loans in anticipation of bonds or current revenue, Dracut's percentage of this outstanding debt, and the Town's fiscal year dollar assessment.

Overlapping Entity	Outstanding Debt	Fiscal 2022 Dollar Assessment(1)
Greater Lowell Regional Vocational Technical School District (2)	\$ 13,720,000	\$ 4,800,297
Lowell Regional Transit Authority (3)	-	216,409
Merrimack Valley Air Pollution Control District (4)	-	9,076

- (1) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.
- (2) SOURCE: Greater Lowell Regional Technical Vocational High School. Debt is as of June 30, 2021. The other District members are the Towns of Dunstable and Tyngsborough, and the City of Lowell.
- (3) SOURCE: Lowell Regional Transit Authority. Debt is as of June 30, 2021. The municipal share is based on a percentage furnished by the Lowell Regional Transit Authority as that used in the most recent assessment of aggregate net cost of service of the Authority, including debt service and net operating expenses, although assessments for various categories of service are separately calculated by various formulas.
- (4) SOURCE: Merrimack Valley Air Pollution Control District. Debt is as of June 30, 2021.

## Underlying Debt

Local Districts – There are local districts within a number of towns organized for special purposes, such as fire protection, water and sewer. Except to the extent met from betterment assessments or user charges, their debt service is ordinarily assessed, along with operating expenses, on the taxable property within the district.

The following district provides water services to the Town.

	Outstanding Debt (1)
Dracut Water District	\$ -

- (1) Debt is as of June 30, 2021.

## Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

The Town has a limited number of contractual obligations. These include school busing and solid waste disposal and collection.

The Town has a long-term contract with Covanta Energy for solid waste disposal through June 30, 2024. The cost per ton and total annual cost are summarized below.

<u>Fiscal Year</u>	<u>Cost Per Ton</u>	<u>Total Annual Cost</u>
2022 (budgeted)	\$ 90.00	\$ 850,000
2021	76.00	790,206
2020	73.00	693,500
2019	71.00	636,409
2018	70.00	685,126
2017	70.00	663,347

The current year school busing contract is with North Reading Transportation, Inc. which expired June 30, 2017. The Town exercised extensions to June 30, 2024. The amounts expended under this contract are summarized below.

<u>Fiscal Year</u>	<u>Amount Expended</u>
2022 (budgeted)	\$ 1,800,000
2021	1,601,917
2020	1,483,460
2019	1,167,529
2018	1,347,785
2017	1,371,634

The other component of transportation is special education transportation. The amounts expended under this contract are summarized below.

<u>Fiscal Year</u>	<u>Amount Expended</u>
2022 (budgeted)	\$ 1,100,000
2021	1,022,535
2020	1,032,161
2019	1,164,151
2018	1,087,512
2017	1,123,224

On July 1, 2003 the Town contracted with F.W. Russell Disposal, Inc. for the collection of solid waste in the Town. The Town has renewed these contracts through June 30, 2022. The costs associated with these collection services are summarized below.

<u>Fiscal Year</u>	<u>Trash Collection</u>	<u>Recycling Collection</u>	<u>Hazardous Waste</u>
2022 (projected)	\$ 886,849	\$ 581,062	\$ 4,400
2021	852,740	558,714	4,300
2020	823,903	510,515	4,200
2019	828,986	452,078	4,000
2018	804,840	439,056	4,000
2017	781,620	426,432	3,800



## RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town participates in the contributory retirement system of Middlesex County. The annual contributions to the system for the current and most recent fiscal years are set forth below.

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2022 (budgeted)	\$ 6,152,234
2021	5,727,650
2020	5,348,633
2019	4,804,354
2018	4,506,526
2017	4,233,672

As of January 1, 2020, the total unfunded pension benefit obligation of the Middlesex County Retirement System was \$1,641,847,511 assuming 7.30% discount rate as follows:

Total Pension Benefit Obligation	\$3,165,584,276
Actuarial Value of Assets	<u>1,523,736,765</u>
Unfunded Pension Benefit Obligation	\$1,641,847,511
Dracut's Estimated Share	\$ 70,098,820

A portion of the Town's share of unfunded liability attributed to the additional benefits payable by the Town as a result of its 2002 Early Retirement Incentive Program was funded with the proceeds of \$2,175,000 pension obligation bonds in November, 2005.

The following is the funding schedule for the Middlesex County Retirement System:

#### **Middlesex County Retirement Funding Schedule**

<u>Fiscal Year Ending</u>	<u>Employer Normal Cost</u>	<u>Amortization of 2010 ERI Liability</u>	<u>Amortization of Remaining Unfunded Liability</u>	<u>Actuarially Determined Contribution</u>	<u>Total Unfunded Actuarial Liability Beg. Fiscal Year</u>	<u>Percent Increase in ADC Over Prior Year</u>
2021	\$ 27,765,926	\$ 60,290	\$ 110,021,367	\$ 137,847,583	\$ 1,700,719,456	
2022	28,786,188	60,291	117,961,197	146,807,676	1,708,816,737	6.50 %
2023	29,843,623	-	126,506,552	156,350,175	1,709,134,434	6.50
2024	30,939,574	-	135,573,362	166,512,936	1,700,529,817	6.50
2025	32,075,464	-	145,260,843	177,336,307	1,681,738,242	6.50
2026	33,252,648	-	155,610,487	188,863,135	1,651,361,710	6.50
2027	34,472,710	-	166,666,529	201,139,239	1,607,856,424	6.50
2028	35,737,168	-	178,476,122	214,213,290	1,549,519,254	6.50
2029	37,047,627	-	188,320,724	225,368,351	1,474,473,030	5.21
2030	38,405,750	-	195,853,553	234,259,303	1,383,569,612	3.95
2031	39,813,257	-	203,687,695	243,500,952	1,278,088,646	3.95
2032	41,271,934	-	211,835,203	253,107,137	1,156,648,308	3.95
2033	42,783,626	-	220,308,611	263,092,237	1,017,753,193	3.95
2034	44,350,249	-	229,120,955	273,471,204	859,785,517	3.94
2035	45,973,785	-	238,285,793	284,259,578	680,995,655	3.94
2036	47,656,289	-	247,817,225	295,473,514	479,491,965	3.94
2037	49,399,886	-	257,729,914	307,129,800	253,229,850	3.94
2038	51,206,783	-	-	51,206,783	-	

SOURCE: Segal & Company. Actuarial valuation of the Middlesex Retirement System as of January 1, 2020.

The foregoing data does not include the retirement system costs or liabilities attributable to employees of the County or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

As a result of the COVID-19 pandemic, it is likely that investments of pension fund assets have declined in value, thereby increasing the unfunded actuarial accrued liability of the System.

## Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2022 (budgeted)	\$ 5,146,499
2021	4,901,428
2020	4,685,929
2019	4,477,378
2018	4,322,562
2017	4,279,509

The Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions", replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". Statement 75 introduces a new actuarial cost method and discount rate as well as new disclosure and methodologies for reporting plan liability and OPEB expenses. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year end. Accordingly, for the Town, the net OPEB liability was measured as of June 30, 2020. Using a 2.21% discount rate, the Town has determined the net OPEB Liability for other post-employment benefits for active and retired employees following the GASB Statement 75 (including health care and life insurance) was \$162,820,657.

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. In June, 2014, the Town established a trust fund for this purpose. The Town incorporated \$100,000 in each of the Fiscal 2015, 2016 and 2017 budgets, and \$125,000 in the Fiscal 2018 and 2019 budgets. The balance, as of June 30, 2021, was \$652,154.

## EMPLOYEE RELATIONS

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town currently has approximately 984 full and part-time town and school department employees, of whom approximately 60 percent belong to unions or other collective bargaining groups as follows.

<u>Union</u>	<u>Department</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
Dracut Teachers Association	Teachers	281	6/30/2023
Massachusetts Teachers Association	Paraprofessionals	91	6/30/2023
AFSCME-AFL-CIO, Council 93, Local 1404	Custodians	20	6/30/2023
AFSCME-AFL-CIO, Council 93, Local 1404	Maintenance	8	6/30/2023
AFSCME-AFL-CIO, Council 93, Local 1404	Secretaries	20	6/30/2023
AFSCME-AFL-CIO, Council 93, Local 1404	Administrators	6	6/30/2023
Dracut Cafeteria Association	Cafeteria	24	6/30/2023
International Association of Firefighters	Firefighters	42	6/30/2024
International Brotherhood of Police Units A&B	Police		
Unit A	Patrol	31	6/30/2023
Unit B	Supervisors	11	6/30/2023
National Association of Government	Town Administrators	32	6/30/2022
American Federation of State & County Municipal Employees, Local 1404, Council 93, AFL-CIO	DPW	27	6/30/2022
<b>Total:</b>		<b>593</b>	

## LITIGATION

There are various cases pending in the Federal Court and in the Commonwealth where the Town of Dracut is a defendant. In the opinion of Town Counsel, at the present time, none of the pending lawsuits are considered likely to result either individually or in the aggregate in formal judgments that would materially affect the Town's financial position, other than two particular matters that may result in final judgments against the Town that could materially affect its financial position.

The first case is Chartrand v. James Duggan, as Town Manager of Dracut: This case involves the Deputy Police Chief's allegations that the former Town Manager, Mr. Duggan, violated his civil rights, among other things, by harassing Mr. Chartrand and harming his reputation, thereby preventing him from becoming the Chief of Police.

The second case, George v. Town of Dracut, Mr. George alleges that Mr. James Duggan abridged his constitutional rights under the First Amendment of the United States Constitution, harassed him and improperly suspended him from his job as a fire fighter. The Fire Chief is an additional defendant. Mr. George filed an Article at Town Meeting that would have required the Town to pay Town employees while travelling on Army Reserve activities without setoff from any active duty pay. Mr. George alleges that the Fire Chief and Mr. Duggan took offense to his filing the Article (which was defeated at Town Meeting) and harassed him, improperly suspended him, and ruined his reputation.

While the outcome of these matters is inherently uncertain, the Town plans to exercise all options available to it in order to mitigate any liability that might arise in these matters. It is possible that an award against the Town could exceed its currently available resources. In this event, the Town has the authority under the General Laws to borrow the amount of any judgment against it and to amortize the repayment of any such amount over a number of years, based upon the availability of the Town to provide other essential public services and pay, when due, the principal and interest on its debts as determined by the Members of the Commonwealth Municipal Finance Oversight Board.

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TOWN OF DRACUT, MASSACHUSETTS  
/s/ Victor Garofalo, Finance Director

March 22, 2022

# **TOWN OF DRACUT, MASSACHUSETTS**

## **Annual Comprehensive Financial Report**



**For the Fiscal Year Ended June 30, 2021**

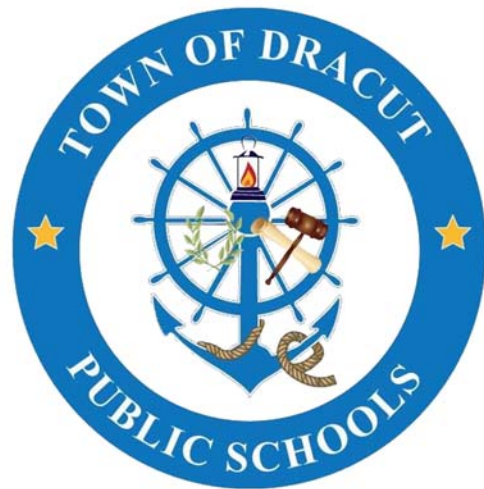
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# **Town of Dracut, Massachusetts**

## **Annual Comprehensive Financial Report**

**For the Fiscal Year Ended June 30, 2021**

**Ann M. Vandal, Town Manager**



**Prepared by the Finance Director's Office**

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**TOWN OF DRACUT, MASSACHUSETTS**  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2021

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION:</b>	
Transmittal Letter	A-3
Organizational Chart	A-12
Principal Town Officials	A-13
Certificate of Achievement	A-14
Geographic Location	A-15
<b>FINANCIAL SECTION:</b>	
<b>Independent Auditors' Report</b>	A-18
<b>Management's Discussion and Analysis</b>	A-21
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	A-36
Statement of Activities	A-38
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	A-40
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	A-41
Statement of Revenues, Expenditures, and Changes in Fund Balances	A-42

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-43
--	------

**Proprietary Funds:**

Statement of Net Position	A-44
---------------------------	------

Statement of Revenues, Expenses, and Changes in Fund Net Position	A-45
--	------

Statement of Cash Flows	A-46
-------------------------	------

**Fiduciary Funds:**

Statement of Fiduciary Net Position	A-47
-------------------------------------	------

Statement of Changes in Fiduciary Net Position	A-48
--	------

<b>Notes to the Financial Statements</b>	A-49
--	------

**REQUIRED SUPPLEMENTARY INFORMATION**

**Budget and Actual:**

Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – General Fund	A-98
---	------

Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Community Preservation Fund	A-99
--	------

Notes to the Required Supplementary Information for General Fund and Community Preservation Fund Budgets	A-100
---	-------

**Pension:**

Schedule of Proportionate Share of the Net Pension Liability	A-101
--	-------

Schedule of Pension Contributions	A-102
-----------------------------------	-------

**OPEB:**

Schedule of Changes in the Net OPEB Liability	A-103
---	-------

Schedules of Net OPEB Liability, Contributions, and Investment Returns	A-104
--	-------

## **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

### **Nonmajor Governmental Funds:**

Combining Balance Sheet – Nonmajor Governmental Funds	A-108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-110

### **Nonmajor Enterprise Funds:**

Combining Statement of Net Position – Nonmajor Enterprise Funds	A-114
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds	A-115
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	A-116

## **STATISTICAL SECTION:**

### **Financial Trends:**

Net Position by Component – Last Ten Fiscal Years	A-120
Changes in Net Position – Last Ten Fiscal Years	A121 – 122
Fund Balances, Governmental Funds – Last Ten Fiscal Years	A-123
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	A-124

### **Revenue Capacity:**

Assessed Value of Taxable Property by Classification – Last Ten Fiscal Years	A-125
Principal Taxpayers – Current Year and Nine Years Ago	A-126
Property Tax Levies and Collections – Last Ten Fiscal Years	A-127

### **Debt Capacity:**

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	A-128
Direct and Overlapping Governmental Activities Debt – As of June 30, 20212021	A-129
Legal Debt Margin Information – Last Ten Fiscal Years	A-130

**Demographic and Economic Information:**

Demographic and Economic Statistics – Last Ten Fiscal Years A-131

Principal Employers – Current Year and Nine Years Ago A-132

**Operating Information:**

Government Employees by Function – Full Time  
Equivalents – Last Ten Fiscal Years A-133

Operating Indicators by Function – Last Ten Fiscal Years A-134

Capital Asset Statistics by Function – Last Ten Fiscal Years A-135

## INTRODUCTORY SECTION



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January 28, 2022

To Members of the Board of Selectmen and Citizens of the Town of Dracut:

At the close of each fiscal year, State Law requires the Town of Dracut (the Town) to publish a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (GAAP), and in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to the requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Town of Dracut, Massachusetts, for the fiscal year ending June 30, 2021 for your review.

This report consists of management's representations concerning the finances of the Town of Dracut. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in the report. To provide a reasonable basis for making these representations, management of the Town of Dracut has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient information for the preparation of the Town of Dracut's financial statements in conformity with GAAP.

Because the cost of internal controls should not outweigh their benefits, the Town of Dracut's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ending June 30, 2021, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The Town of Dracut's financial statements have been audited by Melanson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Dracut for fiscal year ending June 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, the Town's financial statements for fiscal year ending June 30, 2021, are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the Town of Dracut was part of a broader, federally mandated “Single Audit” designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements of federal awards. These reports are available on the Town of Dracut’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The Town of Dracut’s MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Town of Dracut**

Dracut, incorporated in 1701, is governed by an open town meeting and a five-member Board of Selectmen. The Town is located in northeastern Middlesex County, about 28 miles north of Boston. It is bordered on the north by Pelham, New Hampshire, on the east by Methuen, Massachusetts, on the south by Lowell and Tewksbury, Massachusetts and on the west by Tyngsborough, Massachusetts. The Town occupies a land area of 20.84 square miles.

Local legislative decisions are made by an open town meeting. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of five selectmen who are elected on an at-large basis for staggered three-year terms. The operations of the Town are under the direction of a Town Manager appointed by the Board of Selectmen. Local school affairs are administered by an elected school committee of five persons while local taxes are assessed by a board of three assessors all appointed on an at-large basis for staggered three-year terms.

The Town provides general governmental services for the territory within its boundaries including police and fire protection, disposal of rubbish, public education in grades K to 12, sewer services, streets, parks and recreation. Water services are provided by the Town and the Dracut Water Supply District.

The Dracut Housing Authority provides housing for eligible low-income families and handicapped persons. The Greater Lowell Regional Vocational School District provides vocational training for students in grades 9-12.

Many of the Town’s open space areas, ponds, and wetlands have been protected and preserved for present and future residents. Among the protected in no particular order are: Ogonowski Farm Tranquility Trail, Long Pond, Lake Mascuppic, Dracut/Tyngsboro State Forest, Dunlap Sanctuary, The Yapp Farm, Beaver Brook (Richardson) Farm, Leczynski Farm, Proprietor’s Way, Dillon-McAnespie Park, Veteran’s Park and Monahan Park.



The School Committee comprises a five-member elected board. Each member serves a staggered three-year term. The School Committee has the authority to appoint the Superintendent and establish educational goals. The Town is also a member of the Greater Lowell Regional School District which provides vocational education to residents. Dracut has been fortunate to have been able to complete the construction of a new Junior High School and Dracut Senior High School over the past 15 years.

An annual operating budget is approved by Town Meeting at the annual spring Town Meeting each year and if needed at the annual fall Town Meeting. The annual budget serves as the foundation for the Towns and School Departments financial planning and control. The Town's general fund budget is prepared by fund and function and managed by each respective department manager. Capital projects and special articles are also approved at Town Meeting. The Town Manager is the Chief Administrative Officer of the Town and is responsible for preparation, submission and implementation of the annual budget.

### **Factors Affecting Economic Conditions**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Dracut operates.

### **Local Economy**

The Town is situated to provide ready access to the Lowell and Boston metropolitan areas to the south, the Atlantic seacoast to the east and the mountains and lakes of New England to the north. There is an abundance of recreational, healthcare and educational institutions within an hour or less drive. The Town is located near interstates 93 and 495, which cater to a number of regional employment centers. The community itself is primarily residential with a recent increase in the commercial and industrial districts.

The Town's household incomes are strong compared with national medians. The 2017 median household effective buying income was 118% of the U. S. level, which the per-capita effective buying income is 115% of the national level. Unemployment in the community was 3.9% in 2019, down from 6.6% in 2013. Due to the coronavirus, the Town has experienced an increase in our unemployment rate; it is approximately 6.5%.

As a result of the hard work of the administration, the Town will recognize \$365K in new growth for Fiscal Year 2022. During FY2021 we saw construction and occupancy of many commercial spaces throughout the community; zoning changes to combine lots to provide achievable business opportunities and extensive construction of single-family homes and the permitting of four retail cannabis establishments, one of which has opened to the public. We will soon see several major projects underway, all of which could result in new growth revenue, the most important piece of our economic stability. The Town has and continues to budget revenues cautiously and departments have responded well to our call for even more conservancy with

respect to budget expenditures. It is imperative that the Town continue to cautiously budget revenues, as a significant amount of cannabis revenue does have a sunset clause. The implementation of a strategic use of free cash is a necessary step the Town must take in order to responsibly introduce some one-time revenues into the budget process.

Going forward the Town will closely monitor the economy and make necessary adjustments to its budget lines and estimated revenues. Calendar year 2021 has been a challenging one in many areas, our finances are no exception. Fortunately, the Federal Government recognizes these struggles that all municipalities are having, and they provided us a resource to help cover increased expenditures related to the coronavirus pandemic.

We are shifting our priorities to meet the requirements of the American Rescue Plan. These funds will provide us the opportunity to attack some long-awaited capital projects. All grants come with strict timelines; it is important that we keep abreast of these requirements.

### **Long-Term Financial Planning**

The Town continues to manage its financial affairs in a prudent manner as is demonstrated by its Standard and Poor's improved rating of AA. Town management made a concerted effort to focus on the improvement of the Town's bond rating and did so by improving our reserve position, developing and implementing various policies and procedures and meeting our goals with respect to reserves, investments and debt management. The Town's financial actions are generally guided by long-range planning for long-term liabilities. The Town strives to prioritize spending, refrain from use of free cash or one-time revenues to balance annual budgets, and follow municipal best practices.

The Town currently manages \$75M in long-term and short-term debt. As a benchmark, the Town strives to limit the total annual debt payments to an amount that is no more than ten percent of the General Fund Budget. The ratio in Fiscal Year 2022 is approximately 6.5%. Both enterprise funds and the Community Preservation Fund appropriate annual debt service in their respective budgets.

The Town's main source of revenue is property taxes which is capped by Proposition 2 ½ and can be overridden only by a majority vote at a Town election. The tax rate has averaged \$13.38/\$1,000 of assessed value over the past five years. The tax rate for Fiscal Year 2022 has been certified at \$12.29/\$1,000. State Aid is an important part of Town revenues, it represents approximately 27% of the Town's revenue budget. State Aid has continuously had a slight decline for the past several fiscal years, primarily due to the impact the Charter School assessments have had. The Town has and continues to be conservative with estimating local revenues. Local revenues are economically driven, if the overall economy is good, the Town will recognize higher collections in excise tax, permitting fees, meals taxes and other areas of the revenue budget.

Tax bills are generated quarterly by the Assessing and Tax Departments. The Town Treasurer is the custodian and depository of all Town funds; reconciliation of cash is the most important task.

The Treasurer also manages the payroll, employee benefits, retirement administration, the Town's debt obligations/needs and other duties and responsibilities as dictated in various Chapters of Massachusetts General Laws including but not limited to Chapters 44, 41, 32, 149, etc.

### **Annual Budget Process**

In accordance with the Town Charter, at least four months before the start of the fiscal year, the Town Manager shall submit to the Finance Committee a proposed budget for the ensuing fiscal year with an accompanying budget message and supporting documents. They shall simultaneously provide for the publication of the proposed budget on the Town's official website and for the publication in a local newspaper of a general summary of the proposed budget and a notice stating the times and places where complete copies of his proposed budget shall be available for examination by the public. After deliberations and review the committee will report its recommendations at Town Meeting.

Town Meeting vote provides for lump sum appropriations for education components as well as Town operations, specifically Town Manager and Superintendent of Schools authority to pay all salaries, wages, expenses and transfers.

### **Relevant Financial Policies**

Town management is responsible for establishing and maintaining an internal control structure designed to protect the assets of the Town from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The Finance Director and Treasurer are responsible for evaluating the adequacy and effectiveness of internal control structures and implementing improvement.

The Town has adopted comprehensive policies and procedures. The Fund Balance Policy was created in consideration of unanticipated events that could adversely affect the financial condition of the Town and jeopardize the continuation of necessary public services. This policy will ensure that the Town maintains adequate fund balances and reserves in order to: provide sufficient cash flow for daily financial needs; secure and maintain investment grade bond ratings; offset significant economic downturns or revenue shortfalls and provide funds for unforeseen expenditures related to emergencies.

Other topics that are represented in our Financial Policies include: Reserve Fund Policy; Capitalization Policy; Procurement Policy; Investment Policy; Debt Policy; Fraud Policy; Receipt Policy; Red Flag Policy; Post-Issuance Tax Compliance Procedures and OPEB Policy. All of these policies are available for review and are updated as changes in the world of municipal finance evolves.

The Treasurer is responsible for transferring funds into various depository accounts at bank institutions. Short-term funds are transferred to various banks and financial institutions to obtain

the highest competitive return. The Treasurer maintains adequate cash on hand to pay invoices and fund payroll on a weekly basis.

Cash flow requirements are continuously evaluated to determine the amount of money that can be invested for a longer term and thus, yield a higher return on investments. Maturities on various investments vary based on cash flow projections. With the increase in free cash the Town is able to begin to be slightly more aggressive and flexible with the terms of its investments.

### **Major Initiatives and Accomplishments**

The Town has partnered with Commonground, a subsidiary of CTI, to construct an elderly housing 60-unit housing complex at the Richardson property, 144 Greenmont Ave. This project is a group effort bringing CTI, Department of Housing and Urban Development, the Community Preservation Committee, and the taxpayers of the Town of Dracut together. Commonground is getting closer to final approvals; we expect to see significant activity over the next year. We successfully secured a \$650K Mass Works grant to assist us with infrastructure improvements for that area.

We have also partnered with Coalition for a Better Acre with the rehabilitation of a school house and turning it into Veterans' housing. There will be 9 units and Dracut residents will be given preference.

The Town has been very successful with the application and receipt of many grants. The application and implementation timeline for most of these grants can be daunting but our Department Heads and Boards and Commissions persist on applying to improve our economy and address some projects that need attention and would not be possible without outside funding. Some examples are:

<b>Grant Name</b>	<b>Purpose</b>	<b>Expended</b>
Cares Act Fund	COVID-19 Expenses	\$2,152,747
American Rescue Plan (Federal)	Infrastructure	\$1,655,542
Shared Streets/Spaces	Hypine/Lakeview	\$400,000
LED Green Communities	LED Street Lights	\$168,685
Housing Choice	Dracut Centre School	\$107,153
911 Grant	Regional Dispatch	\$67,894
Council on Aging	COA Roof/HVAC Earmark	\$59,410
Elder Affairs Grant	Council on Aging	\$58,209
Municipal Vulnerability	Stormwater Management	\$41,375
MAPC Covid-19	Board of Health	\$19,078
American Disabilities Grand (ADA)	Study Buildings	\$18,500
Firefighter Safety Equipment	Fire Dept.	\$14,980
Emergency Operations	Fire Dept.	\$8,500
Fire SAFE	Fire Personnel	\$6,065

Dracut Arts Council	Art Council	\$5,832
Extra Polling Hours	Elections	\$5,312
Trail Blazing Signs	Economic Development	\$4,750
COA Cultural Council	Council on Aging	\$2,996
Greater Lowell Sr. Trust	Council on Aging	\$2,048
Firefighter's COVID-19 Assistance	Fire Personnel	\$2,043
Economic Dev. Initiatives	Economic Development	\$1,975

With grants comes responsibility, we must monitor and ensure all guidelines, reporting and expenditures are handled properly. We will continue to search for and apply for grants if it is a good decision for the Town. In some cases we simply do not qualify and in others we do not possess the required structure to manage. The Town does not have a grant writer, the process for all grants is completed by various department heads. This being the case we are limited to which grants can be managed by the departments on top of all their other responsibilities. In order for the Town to improve its economy, infrastructure, quality of life and investment in town services, we must invest in our ability to produce and perform.

In an effort to digitize and improve our service delivery within the Department of Public Works, we have introduced an application that provides immediate access to job orders. As we implement the program, the goal is to allow the public a resource to report issues such as potholes, tree limbs, etc. We will expand on the system as time and resources allow.

In an effort to improve the Town's Commercial/Industrial tax base as well as provide job opportunities for residents, the administration continues its mission to create opportunities that will attract quality businesses to the community. Many of the cannabis facilities that have been permitted are under construction. One in particular is investing upwards of \$10M in the community. The Board of Selectmen have pledged to limit the amount of retail establishments to four as is required.

The Town's last master plan was completed in 1999. The Plan, prepared by John Brown Associates, Inc. was not adopted by the Dracut Planning Board. Several members of the Dracut Planning Board cited inconsistencies and errors that resulted in their lack of endorsement of the plan.

The newly formed 2017 Master Plan Committee completed its work and has updated the plan. It acknowledges that the town is in a new cycle of development- primarily residential development. Additionally, in many commercially zoned locations, redevelopment - rebuilding in place- is occurring. Redevelopment is anticipated to change the commercial nodes within the community, as well as Dracut's neighborhoods and open spaces. Between new residential development and redevelopment of commercial areas, the look and feel of the community is bound to change.

This Master Plan effort took a comprehensive look at how Dracut is changing and aims to gather updated factual information for all master plan chapters in order to ultimately be able to make

recommendations on where the town should be going. The plan is not intended to provide a detailed blueprint for the future, rather it is intended to provide strategic direction for those who will make decisions about the new development, both new construction and redevelopment of existing structures within Dracut.

This Master Plan will consider all master plan chapters as designated in MGL, Chapter 41, Section 81. These chapters include: goals and objectives; housing and their neighborhoods, land use, economic development, transportation and circulation; open space and recreation; historic and cultural resources; natural resources; municipal facilities- including services and infrastructure; and an action plan for the governance of development and municipal policies.

For FY2022 the Town appropriated funding from Free Cash to re-write both the Zoning Bylaw and the General Bylaw. Both documents take considerable time to draft, this project could take up to two years. The goal is to update both documents in line with the Master Plan.

The Town of Dracut, like every other community in the nation and worldwide, have been faced with the COVID-19 Pandemic. With the pandemic came significant disruption to every part of local government. It has taken its toll on our healthcare system, local economy, service delivery, education, parenting, it goes on and on. Dracut has been fortunate to have the cooperation of its residents and businesses with respect to adhering to the mandates and overall handling of this unprecedented time we are all experiencing. We are not done with it yet; we have been forced to alter the way we do business and provide a safe working environment at the same time. Thanks to the investments the Town has made with technology we were successful in conducting business remotely. Town government does not lend itself to working remotely, we re-opened Town buildings as soon as we could safely, but we recently had to close them to the public again. I am extremely happy with the tenacity in which our employees handled this crisis, we truly did not miss a beat, some things may have taken more time to complete but all and all they performed exceptionally well.

### **Financial Reporting Awards**

The Town of Dracut has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for its ACFR for the last three fiscal years. In order to receive this prestigious award the report must be easily readable and efficiently organized, the contents must conform to program standards, and it must satisfy both generally accepted accounting principles and applicable legal requirements. The award is presented to government units and public employee retirement systems whose ACFRs achieve the highest standards in government accounting and financial reporting.

The Certificate of Achievement is valid for a period of one year only. We believe that this ACFR conforms to the standards required for the certificate and will be submitting it to the GFOA for review.

## **Acknowledgements**

This report represents the collective efforts of Town Management, the Board of Selectmen and the accounting firm of Melanson. The publication of the Annual Comprehensive Financial Report represents an important achievement for the Town of Dracut. The report contains enhanced financial information for citizens, elected and appointed officials, and investors.

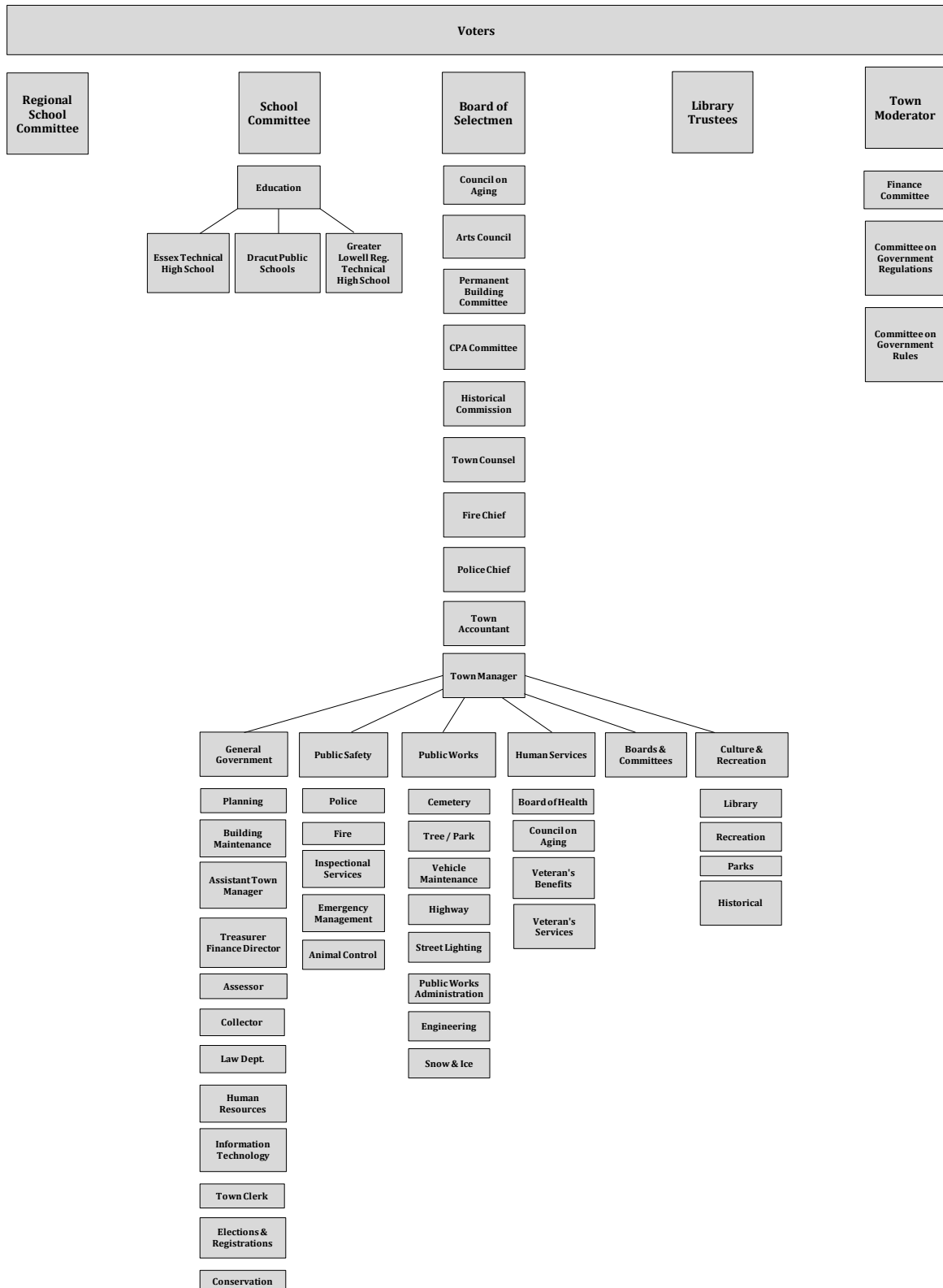
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ann Vandal". The signature is fluid and cursive, with the first name "Ann" and last name "Vandal" clearly distinguishable.

Ann M. Vandal  
Town Manager

# Town of Dracut, Massachusetts

## Organizational Chart





## Town of Dracut, Massachusetts

### Principal Town Officials

Board/Title	Name	Term
<b>Elected Officials</b>		
Board of Selectmen	Tony Archinski	2022
Board of Selectmen	Joseph DiRocco, Jr.	2021
Board of Selectmen	Alison Genest	2023
Board of Selectmen	Jesse Forcier	2022
Board of Selectmen	Heather Santiago-Hutchings	2023
School Committee	Joseph Wilkie	2024
School Committee	Rebecca Duda	2024
School Committee	Linda Trouville	2022
School Committee	Allison Volpe	2022
School Committee	Renee Young	2023
<b>Principal Executive Officers</b>		
Town Manager	Ann Vandal	Indefinite
Superintendent of Schools	Steven Stone	Indefinite
Town Counsel	James A. Hall	Indefinite
Assistant Town Manager	Victor Garofalo	Indefinite
Police Chief	Peter Bartlett	Indefinite
Fire Chief	Rich Patterson	Indefinite
Public Works Director	Edward Patenaude	Indefinite
Town Clerk	Jayne Boissonneault	Indefinite
Finance Director/Town Accountant	Victor Garofalo	Indefinite
Chief Assessor	Karen Golden	2022
Tax Collector	Colleen Merrill	Indefinite
Human Resource Director	Vacant	Indefinite
Conservation/Recreation Director	Lori Cahill	Indefinite
Planning/Community Development	Alisson Manugian	Indefinite
Building Inspector	Daniel McLaughlin	Indefinite
Town Engineer	Mark Hamel	Indefinite
Sewer/Water Superintendent	Jay Reynolds	Indefinite
Health Agent	David Oullette	Indefinite
Council on Aging Director	Bethany Loveless	Indefinite
Veteran's Agent	Jeffrey Hollett	Indefinite
Library Director	Christine Muir	Indefinite



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Dracut  
Massachusetts**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

**Town of Dracut, Massachusetts**

**Geographic Location**



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## FINANCIAL SECTION





## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Dracut, 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 Dracut, Massachusetts (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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



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 Dracut, Massachusetts, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 26 to the financial statements, in 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

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



### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules appearing on pages 108 through 116 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Andover, Massachusetts  
January 28, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### A. Overview of the Financial Statements

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

#### ***Government-Wide Financial Statements***

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

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

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

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

#### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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 eleven 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 and the community preservation fund. Information from all other governmental funds is combined into a single, aggregated, presentation as nonmajor governmental funds. Individual fund information for nonmajor governmental funds is provided in the form of combining statements that can be located on page 108 – 111 of this report.

An annual appropriated budget is adopted for the General Fund and the Community Preservation Fund. Budgetary comparison statements have been provided for the General Fund and Community Preservation Fund to demonstrate compliance with these budgets, that can be found in the Required Supplementary Information section of this report on pages.

### ***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial

statements, only in more detail. Specifically, enterprise funds are used to account for sewer, water, and stormwater management operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer, water, and stormwater management operations. Sewer operations are considered to be a major fund while water operations and stormwater management operations are reported as nonmajor funds.

### ***Fiduciary Funds***

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

### ***Notes to the Financial Statements***

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

### ***Required/Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America. Furthermore, other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

## **B. Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$(79,049,302), a change of \$(1,332,371), and net position in business-type activities was \$47,310,661, a change of \$2,883,381, as further discussed in Section C.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$32,668,664, a change of \$12,184,859 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,414,635, a change of \$(1,089,256) in comparison to the prior year.

### C. Government-Wide Financial Analysis

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

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 45,010,960	\$ 38,909,512	\$ 7,886,506	\$ 6,007,649	\$ 52,897,466	\$ 44,917,161
Capital assets	<u>160,716,981</u>	<u>155,359,175</u>	<u>74,384,962</u>	<u>76,736,974</u>	<u>235,101,943</u>	<u>232,096,149</u>
Total assets	205,727,941	194,268,687	82,271,468	82,744,623	287,999,409	277,013,310
Deferred outflows of resources:						
Related to pensions	5,002,680	8,242,286	72,061	118,727	5,074,741	8,361,013
Related to OPEB	<u>9,988,501</u>	<u>13,379,784</u>	<u>61,992</u>	<u>83,040</u>	<u>10,050,493</u>	<u>13,462,824</u>
Total deferred outflows of resources	14,991,181	21,622,070	134,053	201,767	15,125,234	21,823,837
<b>Liabilities</b>						
Current liabilities	14,835,487	20,871,530	3,913,661	4,050,360	18,749,148	24,921,890
Noncurrent liabilities	<u>269,760,569</u>	<u>262,751,557</u>	<u>30,971,450</u>	<u>34,293,064</u>	<u>300,732,019</u>	<u>297,044,621</u>
Total liabilities	284,596,056	283,623,087	34,885,111	38,343,424	319,481,167	321,966,511
Deferred inflows of resources:						
Related to pensions	4,035,713	2,614,158	58,133	37,656	4,093,846	2,651,814
Related to OPEB	<u>11,136,655</u>	<u>7,470,533</u>	<u>69,117</u>	<u>46,364</u>	<u>11,205,772</u>	<u>7,516,897</u>
Other	-	-	82,499	91,666	82,499	91,666
Total deferred inflows of resources	15,172,368	10,084,691	209,749	175,686	15,382,117	10,260,377
<b>Net Position</b>						
Net investment in capital assets	118,824,926	119,728,978	41,968,162	41,070,831	160,793,088	160,799,809
Restricted	15,204,954	17,861,610	-	-	15,204,954	17,861,610
Unrestricted	<u>(213,079,182)</u>	<u>(215,407,609)</u>	<u>5,342,499</u>	<u>3,356,449</u>	<u>(207,736,683)</u>	<u>(212,051,160)</u>
Total net position	\$ <u>(79,049,302)</u>	\$ <u>(77,817,021)</u>	\$ <u>47,310,661</u>	\$ <u>44,427,280</u>	\$ <u>(31,738,641)</u>	\$ <u>(33,389,741)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(31,738,641), a change of \$1,551,010 in comparison to the prior year.

The largest portion of net position, \$160,793,088, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$15,204,954, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(207,736,683) primarily resulting from unfunded pension and OPEB liabilities.

The following is a summary of condensed government-wide statement of changes in net position financial data for the current and prior fiscal years:

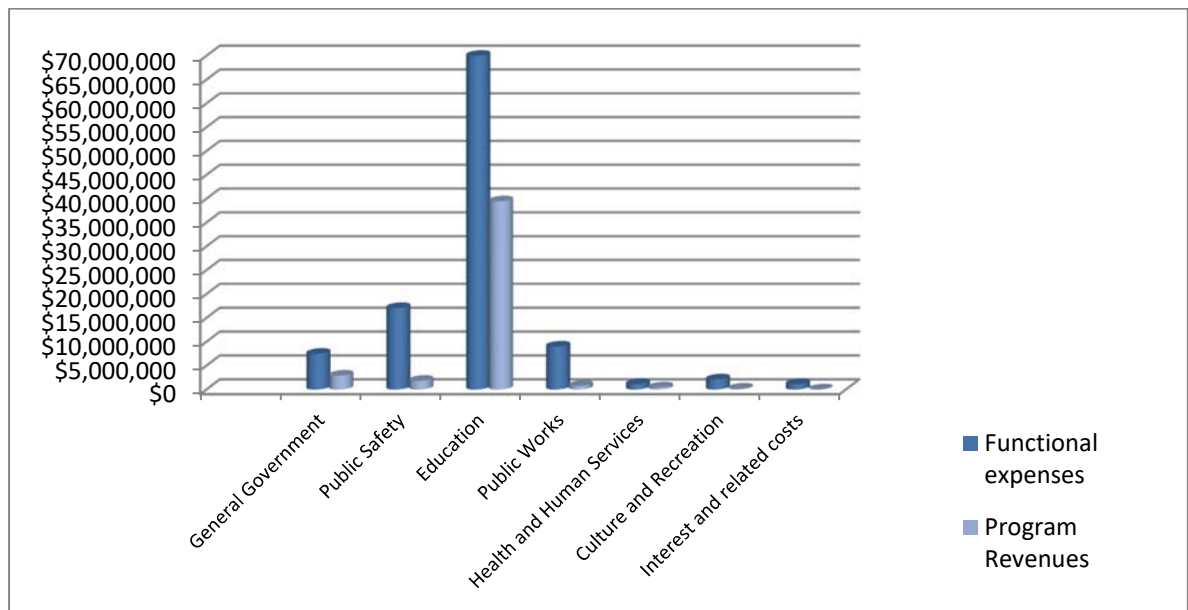
	CHANGES IN NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,599,498	\$ 3,015,866	\$ 9,193,501	\$ 8,895,520	\$ 11,792,999	\$ 11,911,386
Operating grants and contributions	42,991,257	32,670,699	-	-	42,991,257	32,670,699
Capital grants and contributions	-	895,983	75,481	108,636	75,481	1,004,619
General revenues:						
Property taxes	54,510,606	53,000,404	-	-	54,510,606	53,000,404
Excises	5,055,269	4,467,649	-	-	5,055,269	4,467,649
Penalties, interest, and other taxes	1,267,225	709,114	-	-	1,267,225	709,114
Grants and contributions not restricted to specific programs	3,805,725	3,868,208	-	-	3,805,725	3,868,208
Investment income	54,738	799,858	35,344	32,294	90,082	832,152
Miscellaneous	483,564	403,651	-	-	483,564	403,651
Total revenues	110,767,882	99,831,432	9,304,326	9,036,450	120,072,208	108,867,882
<b>Expenses</b>						
General government	7,462,669	5,948,019	-	-	7,462,669	5,948,019
Public safety	17,045,845	16,565,706	-	-	17,045,845	16,565,706
Education	73,758,408	67,843,640	-	-	73,758,408	67,843,640
Public works	8,996,083	8,909,488	-	-	8,996,083	8,909,488
Health and human services	1,112,298	1,169,219	-	-	1,112,298	1,169,219
Culture and recreation	2,106,395	1,987,329	-	-	2,106,395	1,987,329
Debt service interest	1,118,277	1,822,506	-	-	1,118,277	1,822,506
Sewer services	-	-	4,891,386	5,627,388	4,891,386	5,627,388
Water services	-	-	1,570,966	1,331,166	1,570,966	1,331,166
Stormwater services	-	-	458,871	238,325	458,871	238,325
Total expenses	111,599,975	104,245,907	6,921,223	7,196,879	118,521,198	111,442,786
Change in net position before transfers	(832,093)	(4,414,475)	2,383,103	1,839,571	1,551,010	(2,574,904)
Transfers in (out)	(500,278)	(1,000,000)	500,278	1,000,000	-	-
Change in net position	(1,332,371)	(5,414,475)	2,883,381	2,839,571	1,551,010	(2,574,904)
Net position - beginning of year, as restated	(77,716,931)	(72,402,546)	44,427,280	41,587,709	(33,289,651)	(30,814,837)
Net position - end of year	\$ (79,049,302)	\$ (77,817,021)	\$ 47,310,661	\$ 44,427,280	\$ (31,738,641)	\$ (33,389,741)

### Governmental Activities

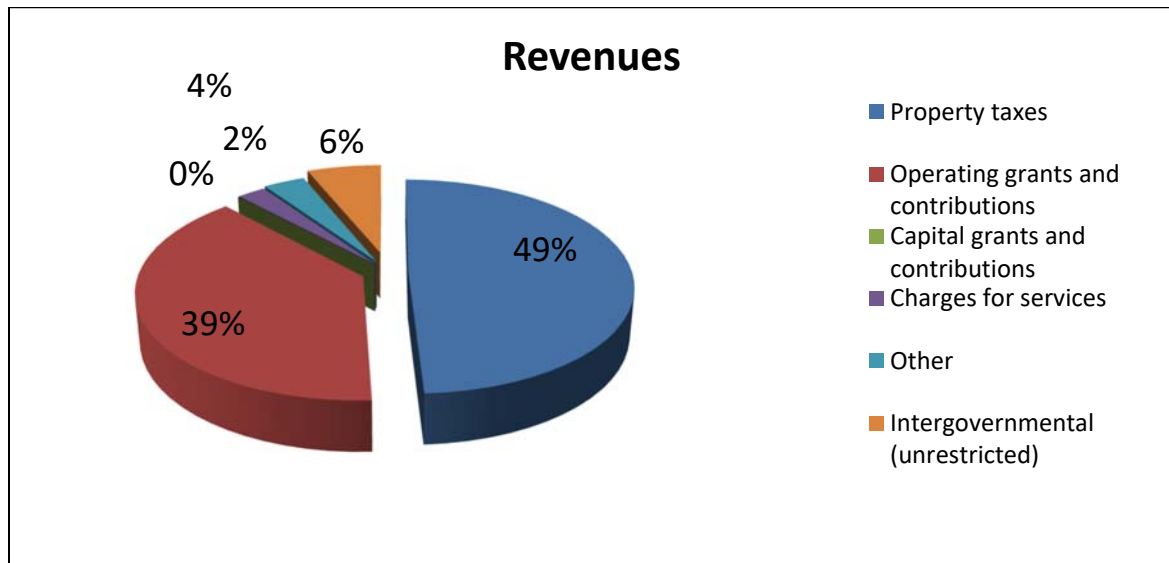
Governmental activities for the year resulted in a change in net position of \$(1,332,371). Key elements of this change are as follows:

General Fund revenues in excess of expenditures	\$ 4,402,354
Community Preservation Fund revenues in excess of expenditures	1,127,309
Increase in net pension liability, net of related deferrals	(2,386,431)
Increase in net OPEB liability, net of related deferrals	(4,692,672)
Other	<u>217,069</u>
Total	<u><u>\$ (1,332,371)</u></u>

The following graph displays governmental activities functional expenses and program revenues:

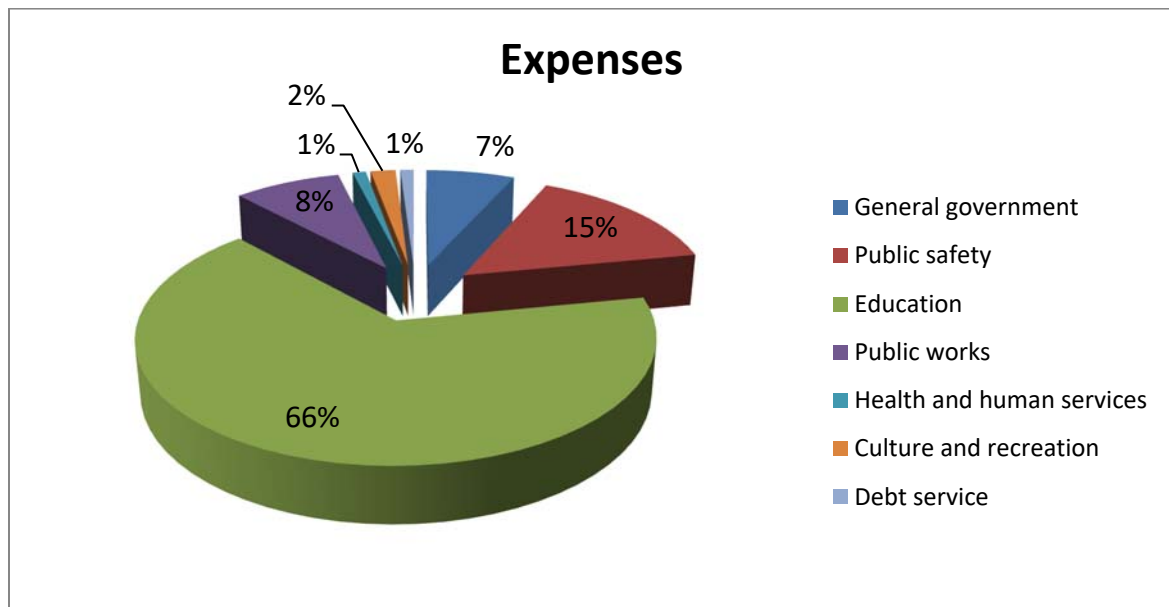


Significant sources of governmental activities revenues consist of:



- (1) *Property taxes* – represented approximately 49.21% of total fiscal year 2021 governmental activity revenues, an increase of \$1,510,202 over the prior year as a result of new growth in the tax base and Proposition 2½ limitations.
- (2) *Operating grants and contributions* – represented approximately 38.81% of the total fiscal year 2021 governmental activity revenues, an increase of \$10,320,558 compared to the prior year. This increase is mainly attributable to COVID-19 funding.

Significant expenses in governmental activities expenses consist of:

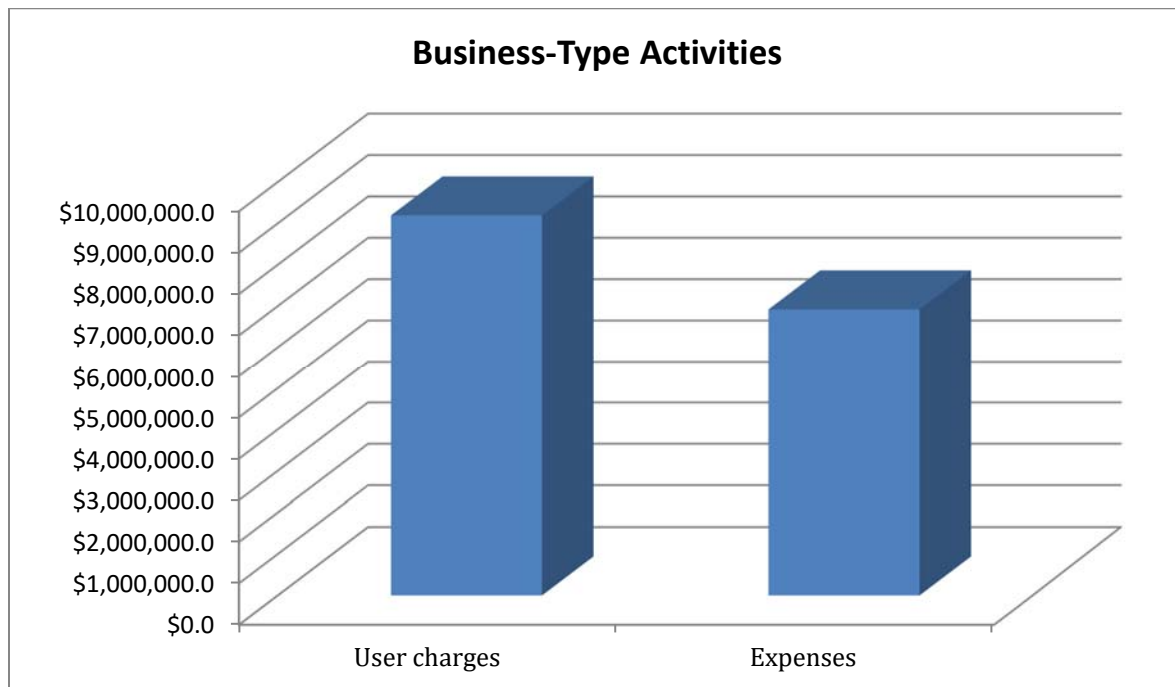


- (1) *Education* – the continued education and development of the Town’s youth continues to be an area in which the Town devotes substantial resources. Costs in this critical area represent the area of largest distribution for the Town, as approximately 66.09% of total fiscal year expenses related to education. Education expenses increased from the prior year due to costs incurred in reopening schools during the pandemic.
- (2) *Public safety* – the safety and well-being of the Town’s residents continues to be a critical funding area; public safety expenses increased by \$480,139 and represents 15.27% of the Town’s governmental expenses in fiscal year 2021.

### ***Business-Type Activities***

Business-type activities for the year resulted in a change in net position of \$2,883,381. Key elements of the change are as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers In (Out)</u>	<u>Change in Net Position</u>
Sewer fund	\$ 7,558,711	\$ 4,891,386	\$ -	\$ 2,667,325
Water fund	1,743,074	1,570,966	-	172,108
Stormwater fund	<u>2,541</u>	<u>458,871</u>	<u>500,278</u>	<u>43,948</u>
Total	<u>\$ 9,304,326</u>	<u>\$ 6,921,223</u>	<u>\$ 500,278</u>	<u>\$ 2,883,381</u>



Net position of the sewer fund and nonmajor enterprise funds changed by approximately 6% and 10%, respectively. This is primarily driven by planned budgetary increases to user fees in the sewer fund and water revenues coming in higher than originally anticipated.



## D. Financial Analysis of the Town's Funds

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

### ***Governmental Funds***

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$32,668,664, a change of \$12,184,859 in comparison to the prior year. The change primarily results from permanently financing our capital projects.

### ***General Fund***

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 was \$11,414,635, while total fund balance was \$15,792,640. The unassigned fund balance decreased approximately \$1.1 million primarily from the increased use of encumbrances in fiscal year 2021. 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, as illustrated in the table below:

<u>General Fund</u>		<u>6/30/21</u>		<u>6/30/20</u>	<u>Change</u>	<u>% of Total General Fund Expenditures*</u>
Unassigned fund balance <sup>1</sup>	\$	11,414,635	\$	12,503,891	\$ (1,089,256)	13.80%
Total fund balance <sup>2</sup>	\$	15,792,640	\$	14,544,325	\$ 1,248,315	19.09%

<sup>1</sup> Includes general stabilization account

<sup>2</sup> Includes all stabilization accounts

\*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$3,977,681.

The total fund balance of the General Fund changed by \$1,248,315 during the current fiscal year. Key factors in this change are as follows:

Use of prior bond premiums restricted for debt service	\$ (398,447)
Use of fund balance as a funding source	(2,625,400)
Revenues greater than budget	1,883,236
Expenditures less than budget	1,628,342
Current year encumbrances in excess of expenditures of prior year encumbrances	1,319,485
Other	<u>(558,901)</u>
Total	\$ <u><u>1,248,315</u></u>

The budgetary revenue surplus is mainly due to excess intergovernmental revenues. Stringent budget controls resulted in expenditures being less than budget, most noticeably in employee benefits.

Included in the total General Fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>	<u>Fund Balance Classification</u>
General stabilization	\$ 1,011,604	\$ 1,182,313	\$ (170,709)	Unassigned
Town Hall stabilization	1,110,984	1,190,107	(79,123)	Committed
Tip Fee stabilization	131,808	131,292	516	Committed
Technology stabilization	106,753	106,011	742	Committed
Equipment stabilization	250,000	-	250,000	Committed
Special Education stabilization	<u>201,238</u>	<u>-</u>	<u>201,238</u>	Committed
Total	\$ <u><u>2,812,387</u></u>	\$ <u><u>2,609,723</u></u>	\$ <u><u>202,664</u></u>	

The change in stabilization accounts fund balances is largely attributable to budgeted transfers for various projects offset by the budgeted use of "Free Cash" being transferred into these funds.

#### *Community Preservation Fund*

The Community Preservation Fund was established for the purpose of acquiring land for conservation purposes, developing more affordable housing units in Town, and preserving and acquiring historical property. Revenues were planned to exceed expenditures and financing uses in order for funds to be reserved for the planned purposes noted above.

#### *Nonmajor Governmental Funds*

The nonmajor funds balance changed by \$10,117,735 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

**Proprietary Funds**

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$5,342,499, a change of \$1,986,050 in comparison to the prior year as illustrated in the below table:

<u>Fund</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
Sewer	\$ 3,873,999	\$ 2,211,226	\$ 1,662,773
Water	869,228	627,824	241,404
Stormwater	<u>599,272</u>	<u>517,399</u>	<u>81,873</u>
Total	\$ <u>5,342,499</u>	\$ <u>3,356,449</u>	\$ <u>1,986,050</u>

The increase in Sewer Unrestricted net position results from a rate increase to provide funding for increased debt service.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

**E. General Fund Budgetary Highlights**

The original budget increased by \$2,429,300 during fiscal year 2021. This increase was mainly attributable to the use of "Free Cash" for capital projects.

The budget versus actual had an overall favorable variance of \$850,272. This was attributable to excess intergovernmental revenues driving a favorable revenue variance of \$1.8 million as well as strict budgetary controls and reserve funds that were not needed creating a positive expenditure variance of \$1.6 million. These were softened by the use of "Free Cash" or fund balance for capital and stabilization purposes. See detailed budget versus actual schedule in the Required Supplementary Information section of this report.

**F. Capital Asset and Debt Administration****Capital Assets**

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$235,101,943 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, construction in progress, and infrastructure.

Major capital asset activity included:

**Governmental**

\$	3,800,882	School roof repairs
\$	3,779,256	Fire station construction
\$	994,862	Public safety vehicles and equipment
\$	816,215	Daoulos education complex construction
\$	767,018	IT equipment
\$	377,568	Various road improvements

***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$74,577,960, all of which was backed by the full faith and credit of the government.

The Town maintained their AA/Stable rating from S&P Global for their general obligation debt.

Additional information on capital assets and long-term debt can be found in Notes 10 and 18, respectively, of the notes to the financial statements.

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

The Town continues to move forward with its commitment to improve our commercial/industrial tax base. We are pleased to report that we once again have closed the year with an increase in our reserve. Our Free Cash was certified at just under \$10.4M, the highest level we have ever reached. Now that we have reached and exceeded our goal it's time to consider reviewing our "Free Cash" policy and consider being more aggressive with its use. If we are to introduce free cash use into the budget, we must do so responsibly and strategically develop a plan that coincides with the revenue estimates. To date we have not included any revenues associated with cannabis sales in the budget, we will include about \$800K in FY22.

In an effort to attract businesses we have consciously targeted areas of town that would be viable locations for commercial/industrial businesses. In doing so Town Meeting has approved numerous zoning changes to close the gap on split zones, combining those types of lots to provide opportunity for consistency and attraction of larger competitive markets.

We hired an Economic Development Director who has made great strides with attracting businesses into Town. We have very few storefronts available. We are attempting to re-brand the community to change things up a bit in hopes of attracting viable businesses. Town businesses have been fortunate to have weathered their way through this pandemic, we lost very few businesses as a result of it.

The Board of Health has been instrumental in providing safe and healthy advice and guidance for restaurants, convenience stores and many other types of businesses. They worked hand in hand to keep many businesses afloat.

From a budgeting perspective the Town had a very positive year during FY21. We continue to be conservative on both sides of the general ledger. We have made a practice of not relying on one-time revenues to support the budget while at the same time economically driven revenues are estimated to the best of our knowledge and is not overestimated.

At the close of FY21 the Town closed out approximately \$1M to unreserved (Free Cash). It is important to understand that the administration makes every effort to curb its spending throughout the year while at the same time meet the needs of the community and provide the services our taxpayers/residents expect. The increased revenues were the result of better-than-expected excise tax collections, meal tax collections and other economically driven revenues.

For FY21 the Town's Free Cash was certified at \$10.4M, new growth came in at just under \$400K, and we continue to monitor our economically driven revenues which continue to exceed our expectations.

Investing in Education, Public Safety and Public Works continues to be a priority. As the community grows so does the need to provide the necessary funding to support the impact each is experiencing. For FY22 the budget is increasing approximately 2% overall; it funds the Storm Water Management program for the third year; it meets all known contractual obligations, provides funding to automate many areas within town government, increases the number of sworn officers in both Police and Fire divisions, increases training funding; substantially increases the Town's commitment to education (\$1.2M), recognizes savings in fuel/utility costs and absorbs all personnel costs (i.e., Insurance, Retirement, etc.).

It is expected that new growth will continue to play an important role for our community. As we have in the past, we will continue to budget conservatively and carefully analyze the impact of changes and adjust accordingly.

With the infusion of funding from the Federal Government we will be working on several capital projects that have been lingering. The Town is on track to invest just under \$10M in infrastructure improvements. Some of these projects include milling and paving, culvert replacement and equipment purchases, to name a few.

Although the pandemic turned many of our life's upside down, we have seen some positives that will change us forever. We were forced to make decisions that we never thought of, resulting in the creation of working teams. As an example, the Board of Health partnered up with many communities to get vaccine clinics and other services up and running. Town Manager's met weekly to discuss how our communities were managing town services and

Lowell General Hospital worked with us to keep everyone safe and assure the vaccines and testing were available to all. We will feel the impacts of this virus for many years to come.

### **Requests for Information**

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

Office of Finance Director  
Town of Dracut, Massachusetts  
62 Arlington Street  
Dracut, Massachusetts 01826

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF DRACUT, MASSACHUSETTS**

Statement of Net Position

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 34,633,420	\$ 7,200,963	\$ 41,834,383
Investments	7,209,569	-	7,209,569
Receivables, net of allowance for uncollectibles:			
Property taxes	463,305	-	463,305
Excises	467,043	-	467,043
User fees	-	623,720	623,720
Intergovernmental	1,455,509	-	1,455,509
Betterments	29,061	4,981	34,042
Other	82,345	-	82,345
Total Current Assets	44,340,252	7,829,664	52,169,916
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	562,925	-	562,925
Betterments	107,783	56,842	164,625
Capital assets, depreciable, net of accumulated depreciation	141,557,514	74,326,712	215,884,226
Capital assets, non-depreciable	19,159,467	58,250	19,217,717
Total Noncurrent Assets	161,387,689	74,441,804	235,829,493
Total Assets	205,727,941	82,271,468	287,999,409
<b>Deferred Outflows of Resources</b>			
Related to pensions	5,002,680	72,061	5,074,741
Related to OPEB	9,988,501	61,992	10,050,493
Total Deferred Outflows of Resources	14,991,181	134,053	15,125,234

(continued)



**TOWN OF DRACUT, MASSACHUSETTS**

Statement of Net Position  
June 30, 2021

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants and accounts payable	2,777,952	308,283	3,086,235
Accrued payroll	3,482,224	-	3,482,224
Accrued liabilities	333,021	305,458	638,479
Unearned revenues	1,655,542	-	1,655,542
Escrow deposits	1,410,044	-	1,410,044
Notes payable	900,000	-	900,000
Other current liabilities	475,216	2,025	477,241
Current portion of long-term liabilities:			
Bonds and loans payable	3,619,595	3,297,895	6,917,490
Estimated landfill closure and postclosure care costs	45,000	-	45,000
Accrued employee benefits	136,893	-	136,893
Total Current Liabilities	<u>14,835,487</u>	<u>3,913,661</u>	<u>18,749,148</u>
Noncurrent:			
Bonds and loans payable, net of current portion	38,624,064	29,036,406	67,660,470
Net pension liability	65,634,673	945,437	66,580,110
Net OPEB liability	159,451,641	989,607	160,441,248
Estimated landfill closure and postclosure care costs, net of current portion	1,624,000	-	1,624,000
Accrued employee benefits, net of current portion	4,426,191	-	4,426,191
Total Noncurrent Liabilities	<u>269,760,569</u>	<u>30,971,450</u>	<u>300,732,019</u>
Total Liabilities	284,596,056	34,885,111	319,481,167
<b>Deferred Inflows of Resources</b>			
Related to pensions	4,035,713	58,133	4,093,846
Related to OPEB	11,136,655	69,117	11,205,772
Other	-	82,499	82,499
Total Deferred Inflows of Resources	15,172,368	209,749	15,382,117
<b>Net Position</b>			
Net investment in capital assets	118,824,926	41,968,162	160,793,088
Restricted for:			
Grants and other statutory contributions	14,850,677	-	14,850,677
Permanent funds:			
Nonexpendable	259,720	-	259,720
Expendable	94,557	-	94,557
Unrestricted	<u>(213,079,182)</u>	<u>5,342,499</u>	<u>(207,736,683)</u>
Total Net Position	<u>\$ (79,049,302)</u>	<u>\$ 47,310,661</u>	<u>\$ (31,738,641)</u>

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

# TOWN OF DRACUT, MASSACHUSETTS

## Statement of Activities For the Year Ended June 30, 2021

		Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues</u>
<b>Governmental Activities</b>					
General government	\$ 7,462,669	\$ 268,426	\$ 2,637,477	\$ -	\$ (4,556,766)
Public safety	17,045,845	1,608,790	207,630	-	(15,229,425)
Education	73,758,408	511,017	38,946,583	-	(34,300,808)
Public works	8,996,083	33,532	743,921	-	(8,218,630)
Health and human services	1,112,298	47,246	400,654	-	(664,398)
Culture and recreation	2,106,395	130,487	54,992	-	(1,920,916)
Debt service interest	1,118,277	-	-	-	(1,118,277)
Total Governmental Activities	111,599,975	2,599,498	42,991,257	-	(66,009,220)
<b>Business-Type Activities</b>					
Sewer services	4,891,386	7,462,294	-	75,481	2,646,389
Water services	1,570,966	1,731,107	-	-	160,141
Stormwater services	458,871	100	-	-	(458,771)
Total Business-Type Activities	6,921,223	9,193,501	-	75,481	2,347,759
Total	\$ <u>118,521,198</u>	\$ <u>11,792,999</u>	\$ <u>42,991,257</u>	\$ <u>75,481</u>	

(continued)

# **TOWN OF DRACUT, MASSACHUSETTS**

## Statement of Activities For the Year Ended June 30, 2021

(continued)

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (66,009,220)	\$ 2,347,759	\$ (63,661,461)
<b>General Revenues:</b>			
Property taxes	54,510,606	-	54,510,606
Excises	5,055,269	-	5,055,269
Penalties, interest, and other taxes	1,267,225	-	1,267,225
Grants and contributions not restricted to specific programs	3,805,725	-	3,805,725
Investment income	54,738	35,344	90,082
Other	483,564	-	483,564
<b>Transfers, net</b>	<u>(500,278)</u>	<u>500,278</u>	<u>-</u>
Total General Revenues and Transfers	<u>64,676,849</u>	<u>535,622</u>	<u>65,212,471</u>
Change in Net Position	(1,332,371)	2,883,381	1,551,010
<b>Net Position</b>			
Beginning of year, as restated	<u>(77,716,931)</u>	<u>44,427,280</u>	<u>(33,289,651)</u>
End of year	<u>\$ (79,049,302)</u>	<u>\$ 47,310,661</u>	<u>\$ (31,738,641)</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Governmental Funds

Balance Sheet

June 30, 2021

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and short-term investments	\$ 16,036,799	\$ 5,673,816	\$ 12,922,805	\$ 34,633,420
Investments	6,492,501	717,068	-	7,209,569
Receivables:				
Property taxes	1,146,285	7,130	-	1,153,415
Excises	702,804	-	-	702,804
Intergovernmental	95,388	-	1,360,121	1,455,509
Betterments	136,844	-	-	136,844
Due from other funds	287,559	-	-	287,559
Departmental and other	-	-	82,345	82,345
Total Assets	<u>\$ 24,898,180</u>	<u>\$ 6,398,014</u>	<u>\$ 14,365,271</u>	<u>\$ 45,661,465</u>
<b>Liabilities</b>				
Warrants and accounts payable	\$ 1,823,266	\$ 1,305	\$ 953,381	\$ 2,777,952
Accrued payroll	3,482,224	-	-	3,482,224
Unearned revenue	-	-	1,655,542	1,655,542
Due to other funds	-	-	287,559	287,559
Escrow deposits	1,410,044	-	-	1,410,044
Notes payable	-	-	900,000	900,000
Other liabilities	<u>475,216</u>	<u>-</u>	<u>-</u>	<u>475,216</u>
Total Liabilities	7,190,750	1,305	3,796,482	10,988,537
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	1,914,790	7,129	82,345	2,004,264
<b>Fund Balances</b>				
Nonspendable	-	-	259,720	259,720
Restricted	-	6,389,580	8,555,654	14,945,234
Committed	3,054,620	-	2,921,535	5,976,155
Assigned	1,323,385	-	-	1,323,385
Unassigned	<u>11,414,635</u>	<u>-</u>	<u>(1,250,465)</u>	<u>10,164,170</u>
Total Fund Balances	<u>15,792,640</u>	<u>6,389,580</u>	<u>10,486,444</u>	<u>32,668,664</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 24,898,180</u>	<u>\$ 6,398,014</u>	<u>\$ 14,365,271</u>	<u>\$ 45,661,465</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

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

<b>Total governmental fund balances</b>	\$ 32,668,664
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	160,716,981
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pensions	5,002,680
Related to OPEB	9,988,501
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,641,318
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable, including unamortized premium	(42,243,659)
Net pension liability	(65,634,673)
Net OPEB liability	(159,451,641)
Landfill closure and postclosure care costs	(1,669,000)
Accrued employee benefits	(4,563,084)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pensions	(4,035,713)
Related to OPEB	(11,136,655)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	<u>(333,021)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>(79,049,302)</u></b>

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

**TOWN OF DRACUT, MASSACHUSETTS**

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

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 53,554,190	\$ 1,029,510	\$ -	\$ 54,583,700
Excises	4,926,551	-	-	4,926,551
Penalties, interest, and other taxes	1,263,783	3,442	-	1,267,225
Charges for services	480,883	-	1,534,737	2,015,620
Intergovernmental	30,137,316	290,606	11,318,931	41,746,853
Licenses and permits	583,878	-	-	583,878
Investment income	5,201	45,340	4,197	54,738
Miscellaneous	<u>162,839</u>	<u>500</u>	<u>320,225</u>	<u>483,564</u>
Total Revenues	91,114,641	1,369,398	13,178,090	105,662,129
<b>Expenditures</b>				
Current:				
General government	2,971,036	61,518	2,941,829	5,974,383
Public safety	9,514,751	-	5,564,268	15,079,019
Education	43,003,348	-	10,638,452	53,641,800
Public works	5,427,615	-	1,189,334	6,616,949
Health and human services	679,796	-	157,665	837,461
Culture and recreation	865,194	-	247,714	1,112,908
Employee benefits	16,584,675	-	-	16,584,675
Debt service:				
Principal	2,451,500	34,000	-	2,485,500
Interest	1,348,056	146,571	-	1,494,627
Intergovernmental	<u>3,866,316</u>	<u>-</u>	<u>-</u>	<u>3,866,316</u>
Total Expenditures	<u>86,712,287</u>	<u>242,089</u>	<u>20,739,262</u>	<u>107,693,638</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,402,354	1,127,309	(7,561,172)	(2,031,509)
<b>Other Financing Sources (Uses)</b>				
Issuance of bonds	-	-	12,985,000	12,985,000
Premium on bonds	-	-	1,950,702	1,950,702
Proceeds of refunding bonds	15,370,500	-	-	15,370,500
Premium on refunding bonds	3,975,905	-	123,637	4,099,542
Payment to refunded escrow agent	(19,689,098)	-	-	(19,689,098)
Transfers in	36,686	-	2,656,254	2,692,940
Transfers out	<u>(2,848,032)</u>	<u>(308,500)</u>	<u>(36,686)</u>	<u>(3,193,218)</u>
Total Other Financing Sources (Uses)	<u>(3,154,039)</u>	<u>(308,500)</u>	<u>17,678,907</u>	<u>14,216,368</u>
Net Change in Fund Balances	1,248,315	818,809	10,117,735	12,184,859
Fund Balances at Beginning of Year, as reclassified/restated	<u>14,544,325</u>	<u>5,570,771</u>	<u>368,709</u>	<u>20,483,805</u>
Fund Balances at End of Year	\$ <u>15,792,640</u>	\$ <u>6,389,580</u>	\$ <u>10,486,444</u>	\$ <u>32,668,664</u>

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

# **TOWN OF DRACUT, MASSACHUSETTS**

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

<b>Net change in fund balances - total governmental funds</b>	\$ 12,184,859
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	11,762,393
Loss on disposal of assets	(9,530)
Depreciation	(6,395,057)

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

55,624

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 effect on net position:

Repayments of general obligation and refunding bonds	21,768,500
Issuance of general obligation bonds	(12,985,000)
Premium on issuance of general obligation bonds	(1,950,702)
Issuance of refunding bonds	(15,370,500)
Premium on issuance of refunding bonds	(4,099,542)
Repayments of capital leases	154,140

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This amount reflects the change in accrued interest.

708,387

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

Amortization of bond premiums	74,061
Change in net pension liability and related deferred outflows and inflows	(2,386,431)
Change in net OPEB liability and related deferred outflows and inflows	(4,692,672)
Change in landfill liability	45,000
Change in accrued employee benefits	(195,901)

<b>Change in net position of governmental activities</b>	<b>\$ <u>(1,332,371)</u></b>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF DRACUT, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2021

	<u>Business-Type Activities</u>		
	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 5,332,672	\$ 1,868,291	\$ 7,200,963
User fees, net of allowance for uncollectibles	493,229	130,491	623,720
Betterments	<u>4,981</u>	<u>-</u>	<u>4,981</u>
Total Current Assets	5,830,882	1,998,782	7,829,664
Noncurrent:			
Betterments	56,842	-	56,842
Capital assets, depreciable, net of accumulated depreciation	73,435,301	891,411	74,326,712
Capital assets, not being depreciated	<u>58,250</u>	<u>-</u>	<u>58,250</u>
Total Noncurrent Assets	<u>73,550,393</u>	<u>891,411</u>	<u>74,441,804</u>
Total Assets	79,381,275	2,890,193	82,271,468
<b>Deferred Outflows of Resources</b>			
Related to pensions	64,449	7,612	72,061
Related to OPEB	<u>50,123</u>	<u>11,869</u>	<u>61,992</u>
Total Deferred Outflows of Resources	114,572	19,481	134,053
<b>Liabilities</b>			
Current:			
Warrants and accounts payable	67,237	241,046	308,283
Accrued liabilities	305,458	-	305,458
Other current liabilities	2,025	-	2,025
Current portion of long-term liabilities:			
Bonds payable	<u>3,297,895</u>	<u>-</u>	<u>3,297,895</u>
Total Current Liabilities	3,672,615	241,046	3,913,661
Noncurrent:			
Bonds payable, net of current portion	29,036,406	-	29,036,406
Net pension liability	845,567	99,870	945,437
Net OPEB liability	<u>800,134</u>	<u>189,473</u>	<u>989,607</u>
Total Noncurrent Liabilities	<u>30,682,107</u>	<u>289,343</u>	<u>30,971,450</u>
Total Liabilities	34,354,722	530,389	34,885,111
<b>Deferred Inflows of Resources</b>			
Related to pensions	51,992	6,141	58,133
Related to OPEB	55,884	13,233	69,117
Other	<u>82,499</u>	<u>-</u>	<u>82,499</u>
Total Deferred Inflows of Resources	190,375	19,374	209,749
<b>Net Position</b>			
Net investment in capital assets	41,076,751	891,411	41,968,162
Unrestricted	<u>3,873,999</u>	<u>1,468,500</u>	<u>5,342,499</u>
Total Net Position	<u>\$ 44,950,750</u>	<u>\$ 2,359,911</u>	<u>\$ 47,310,661</u>

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



**TOWN OF DRACUT, MASSACHUSETTS**

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2021

	Business-Type Activities		
	Sewer Fund	Nonmajor Funds	Total Enterprise Funds
<b>Operating Revenues</b>			
Charges for services	\$ 7,462,294	\$ 1,731,207	\$ 9,193,501
Total Operating Revenues	7,462,294	1,731,207	9,193,501
<b>Operating Expenses</b>			
Salaries and benefits	398,844	305,870	704,714
Other operating expenses	1,813,561	1,616,746	3,430,307
Depreciation	2,303,041	107,221	2,410,262
Total Operating Expenses	4,515,446	2,029,837	6,545,283
Operating Income (Loss)	2,946,848	(298,630)	2,648,218
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	20,936	14,408	35,344
Interest expense	(375,940)	-	(375,940)
Total Nonoperating Revenues (Expenses), Net	(355,004)	14,408	(340,596)
Income (Loss) Before Transfers and Capital Contributions	2,591,844	(284,222)	2,307,622
<b>Capital Contributions and Transfers</b>			
Capital contributions	75,481	-	75,481
Transfers in	-	500,278	500,278
Change in Net Position	2,667,325	216,056	2,883,381
Net Position, Beginning of Year	42,283,425	2,143,855	44,427,280
Net Position, End of Year	\$ 44,950,750	\$ 2,359,911	\$ 47,310,661

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

**TOWN OF DRACUT, MASSACHUSETTS**

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2021

	<u>Business-Type Activities</u>		
	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Total Enterprise Funds</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 7,587,138	\$ 1,733,430	\$ 9,320,568
Payments to employees for salaries and benefits	(353,718)	(296,662)	(650,380)
Payments to suppliers and service providers	<u>(1,765,277)</u>	<u>(1,411,488)</u>	<u>(3,176,765)</u>
Net Cash Provided By Operating Activities	5,468,143	25,280	5,493,423
Cash Flows From Noncapital Financing Activities			
Transfers in	<u>-</u>	<u>500,278</u>	<u>500,278</u>
Net Cash Provided By Noncapital Financing Activities	-	500,278	500,278
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(58,250)	-	(58,250)
Payments on bonds	(3,258,059)	-	(3,258,059)
Payments on refunding bonds	(852,000)	-	(852,000)
Proceeds from refunding bonds	694,500	-	694,500
Premium from refunding bonds	181,224	-	181,224
Capital contributions	80,462	-	80,462
Interest expense	<u>(806,017)</u>	<u>-</u>	<u>(806,017)</u>
Net Cash (Used For) Capital and Related Financing Activities	(4,018,140)	-	(4,018,140)
Cash Flows From Investing Activities			
Investment income	<u>20,936</u>	<u>14,408</u>	<u>35,344</u>
Net Cash Provided By Investing Activities	<u>20,936</u>	<u>14,408</u>	<u>35,344</u>
Net Change in Cash and Short-Term Investments	1,470,939	539,966	2,010,905
Cash and Short-Term Investments, Beginning of Year	<u>3,861,733</u>	<u>1,328,325</u>	<u>5,190,058</u>
Cash and Short-Term Investments, End of Year	\$ <u>5,332,672</u>	\$ <u>1,868,291</u>	\$ <u>7,200,963</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities			
Operating income (loss)	\$ 2,946,848	\$ (298,630)	\$ 2,648,218
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,303,041	107,221	2,410,262
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	124,844	2,223	127,067
Deferred outflows - related to pensions	41,736	4,930	46,666
Deferred outflows - related to OPEB	17,018	4,030	21,048
Warrants and accounts payable	48,284	205,258	253,542
Net pension liability	(29,306)	(3,461)	(32,767)
Net OPEB liability	(11,866)	(2,810)	(14,676)
Deferred inflows - related to pensions	18,314	2,163	20,477
Deferred inflows - related to OPEB	18,397	4,356	22,753
Deferred inflows - other	<u>(9,167)</u>	<u>-</u>	<u>(9,167)</u>
Net Cash Provided By Operating Activities	\$ <u>5,468,143</u>	\$ <u>25,280</u>	\$ <u>5,493,423</u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2021

		Other Post Employment Benefits <u>Trust Fund</u>
<b>Assets</b>		
Cash and short-term investments	\$	5,894
Investments:		
External investment pool (PRIT)		<u>808,896</u>
Total Assets		814,790
<b>Net Position</b>		
Restricted for OPEB		<u>814,790</u>
Total Net Position	\$	<u><u>814,790</u></u>

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

**TOWN OF DRACUT, MASSACHUSETTS**

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

	Other Post Employment Benefits Trust Fund
<b>Additions</b>	
Employer contributions	\$ 3,867,206
Investment income	<u>183,802</u>
Total Additions	4,051,008
<b>Deductions</b>	
Benefit payments	<u>3,867,206</u>
Total Deductions	<u>3,867,206</u>
Net Change	183,802
<b>Net position restricted for OPEB</b>	
Beginning of year	<u>630,988</u>
End of year	<u><u>\$ 814,790</u></u>

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

## TOWN OF DRACUT, MASSACHUSETTS

### Notes to the Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Dracut (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

##### A. Reporting Entity

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

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified service recipients. The following is a list of the Town's joint ventures, their purpose, the address where the joint venture financial statements are available, and the annual assessment paid by the Town in 2021:

<u>Joint venture and address</u>	<u>Purpose</u>	<u>Annual Assessment</u>
Greater Lowell Technical High School 250 Pawtucket Boulevard Tyngsboro, Massachusetts 01879	To provide education services	\$ 5,070,929
Essex Technical High School 565 Maple Street Hathorne, Massachusetts 01937	To provide education services	\$ 20,030

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

###### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

#### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter 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. All remaining governmental funds are aggregated and reported in a separate column.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

#### *Fund Financial Statements*

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from grants, entitlements, and donations are recognized when all eligibility requirements have been satisfied and they are measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures

generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* is used to account for projects financed with revenues from our Community Preservation Act (CPA) fund.

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

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

- The *Sewer Fund* is a major proprietary fund, which accounts for user charges and costs associated with sewer operations within the Town.
- The *Nonmajor Funds* is a proprietary fund accounting for (1) water operations attributable to the Kenwood Water Department which supplies much of the eastern portion of the Town of Dracut and (2) stormwater management operations within the Town.

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

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.

**D. Cash and Investments**

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

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

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

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

The Town's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. The cash portfolio meets the requirements of GASB Statement N. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost, which approximates the net asset value of \$1 per share.

Investments are carried at fair value, except certificates of deposits which are reported at cost and investments in external investment pools which are measured at the net asset value (NAV).

**E. Property Tax Limitations**

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth); unless an override is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of \$34,442. Certain provisions of Proposition 2½ can be overridden by a referendum.

**F. Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased



rather than when consumed. No significant inventory balances were on hand in governmental funds.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Machinery, equipment, and furnishings	5 - 10
Infrastructure	30 - 75

**H. Compensated Absences**

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

**I. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The general fund and applicable enterprise funds typically repay these obligations.

**J. Fund Equity**

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

### ***Fund Balance***

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

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

### ***Net Position***

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

### ***K. Use of Estimates***

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

## **2. Stewardship, Compliance, and Accountability**

### ***A. Budgetary Information***

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

“Unforeseen” includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

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

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

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

***B. Deficit Fund Equity***

Certain individual funds reflected deficit balances as of June 30, 2021.

It is anticipated that the deficits in these funds will be eliminated through future departmental or intergovernmental revenues, bond proceeds, and transfers from other funds.

***C. Excess of Expenditures Over Appropriations***

Expenditures exceeding appropriations during the current fiscal year were as follows:

<u>Function</u>	<u>Amount</u>
General Fund:	
Greater Lowell Regional Technical High School Education Assessment	\$ (32,155)
Community Preservation Major Fund:	
General Government	(11,318)
Debt Service	(4,393)

While the General Fund general government and snow and ice expenditures appear to be overspent, the Town Manager has full autonomy over Town (exclusive of School) appropriations as voted. The Town presented the budget, located on the budget and actual page in the required supplementary information, in greater detail in order to promote a better comparison between the budget and actual schedule and the statement of revenues, expenditures, and changes in fund balances.

### 3. Deposits and Investments

#### ***Town (Excluding OPEB Trust Fund)***

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

#### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2021, \$1,045,830, of the Town's bank balances of \$42,223,767, was subject to custodial credit risk as uninsured and/or uncollateralized. Additionally, \$42,188 was invested in a state pool, which is not subject to this disclosure.

#### ***Investment Summary***

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

<u>Investment Type</u>	<u>Amount</u>
Fixed income mutual funds	\$ <u>7,209,569</u>
Total investments	\$ <u><u>7,209,569</u></u>

#### ***Custodial Credit Risk - Investments***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk. Investments in open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

### *Credit Risk – Investments of Debt Securities*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's policy related to credit risk is to limit investments to the safest types of securities, prequalify financial institutions, brokers/dealers, intermediaries, and advisors with which the Town will do business, and diversify the investment portfolio so that potential losses on individual securities will be minimized.

As of June 30, 2021, the credit quality ratings, as rated by Moody's Investors Service, Inc., of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>	
		<u>AAA</u>	<u>Unrated</u>
Fixed income mutual funds	\$ <u>7,209,569</u>	\$ <u>7,209,569</u>	\$ <u>-</u>
Total	\$ <u>7,209,569</u>	\$ <u>7,209,569</u>	\$ <u>-</u>

### *Concentration of Credit Risk - Investments*

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

### *Interest Rate Risk – Investments of Debt Securities*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy on interest rate risk is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The Town's fixed income mutual funds have an effective average duration of 4.45 years.

### *Foreign Currency Risk - Investments*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

### *Fair Value*

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

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

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

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

The Town has the following fair value measurements as of June 30, 2021:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Fixed income mutual funds	\$ 7,209,569	\$ -	\$ 7,209,569	\$ -
Total	\$ 7,209,569	\$ -	\$ 7,209,569	\$ -

Fixed income mutual funds classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary

information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

#### 4. Investments – OPEB Trust Fund

Generally the Town's OPEB investment policies mirror that of the Town as discussed in the previous note.

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

<u>Investment Type</u>	<u>Amount</u>
External investment pool (PRIT)	\$ 808,896

##### Custodial Credit Risk

As of June 30, 2021, the OPEB Trust Fund did not have any investments exposed to custodial credit risk disclosure as investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

##### Credit Risk – Investments of Debt Securities

Presented below is the actual rating as of year-end for debt-related investments of the OPEB Trust Fund:

<u>Investment Type</u>	<u>Amount</u>	<u>Unrated</u>
External investment pool (PRIT)	\$ 808,896	\$ 808,896

##### Concentration of Credit Risk

Investments in external investment pools are excluded from concentration of credit disclosure.

##### Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the net asset value (NAV):				
External investment pool (PRIT)	\$ 808,896	\$ -	Monthly	30 Days

Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts general law, Chapter 32, Section 22, in December 1983. The PRIT is operated under contract with a private investment advisor,

approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, Chapter 30B.

## **5. Property Taxes and Excises Receivable**

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

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

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

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

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

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.



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

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 496,302	\$ (49,630)	\$ 446,672	\$ -
Personal property taxes	24,511	(14,295)	10,216	-
Community preservation act	7,130	(713)	6,417	-
Tax liens	<u>625,472</u>	<u>(62,547)</u>	<u>-</u>	<u>562,925</u>
Total property taxes	<u>\$ 1,153,415</u>	<u>\$ (127,185)</u>	<u>\$ 463,305</u>	<u>\$ 562,925</u>
Motor vehicle excise	\$ 700,666	\$ (235,761)	\$ 464,905	
Boat excise	<u>2,138</u>	<u>-</u>	<u>2,138</u>	
Total excises	<u>\$ 702,804</u>	<u>\$ (235,761)</u>	<u>\$ 467,043</u>	

## 6. User Fees Receivable

The Town provides sewer and water services for its residents. Bills are issued based on flat fees as well as usage and are sent out either quarterly (sewer) or semi-annually (water).

All outstanding balances of accumulated sewer and water charges plus demands and interest with no payments for more than three billing periods constitute a lien on the property and may be turned over to the tax collector for collection.

Receivables for sewer and water user charges at June 30, 2021 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer user charges	\$ 552,195	\$ (58,966)	\$ 493,229
Water user charges	<u>146,629</u>	<u>(16,138)</u>	<u>130,491</u>
Total	<u>\$ 698,824</u>	<u>\$ (75,104)</u>	<u>\$ 623,720</u>

## 7. Intergovernmental Receivables

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

## 8. Betterments

Betterments are assessed to properties for the cost of “bettering” the property. The property owner may pay the betterment in full within 30 days after the assessments are committed to the collector without interest. Alternatively, the property owner can pay some or none of the assessment and request an apportionment of the unpaid amount into a maximum of 20 equal portions.

This balance of represents amounts due to the Town at year-end related to Robbins Road in the General Fund and the Autumn Road pump station in the Sewer Fund.

## 9. Interfund Accounts

### *Receivables/Payables*

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The following is an analysis of the June 30, 2021 balances of interfund receivable and payable accounts:

<u>Fund</u>	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General fund	\$ 287,559	\$ -
Nonmajor Governmental funds:		
Special revenue funds:		
Chapter 90	<u>-</u>	<u>287,559</u>
Total	<u>\$ 287,559</u>	<u>\$ 287,559</u>

### *Transfers*

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General fund	\$ 36,686	\$ 2,848,032
Community Preservation fund	-	308,500
Nonmajor Governmental Funds:		
Revolving	292	1,650
Receipts reserved	10,188	5,000
Capital project funds	2,645,774	-
Other special revenue	-	30,036
Total Governmental Funds	<u>2,692,940</u>	<u>3,193,218</u>
<b>Proprietary Funds</b>		
Nonmajor Enterprise Funds:		
Stormwater management	<u>500,278</u>	<u>-</u>
Total Proprietary Funds	<u>500,278</u>	<u>-</u>
Total	\$ <u>3,193,218</u>	\$ <u>3,193,218</u>

The transfers into the general fund represents annual recurring amounts appropriated at Town Meeting. Transfers out of the general fund include \$500,278 to provide working capital to the stormwater management enterprise funds and our practice of funding capital projects with available revenues. Funds transferred out of the Community Preservation Fund are for related capital projects.

## 10. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, depreciable:				
Buildings and improvements	\$ 142,629,579	\$ 16,752,744	\$ (12,000)	\$ 159,370,323
Machinery, equipment, and furnishings	17,215,159	2,004,316	(148,535)	19,070,940
Infrastructure	<u>54,134,729</u>	<u>377,568</u>	<u>(8,000)</u>	<u>54,504,297</u>
Total capital assets, depreciable	213,979,467	19,134,628	(168,535)	232,945,560
Less accumulated depreciation for:				
Buildings and improvements	(48,154,217)	(3,579,501)	32,300	(51,701,418)
Machinery, equipment, and furnishings	(13,817,504)	(1,282,188)	125,397	(14,974,295)
Infrastructure	<u>(23,186,965)</u>	<u>(1,533,368)</u>	<u>8,000</u>	<u>(24,712,333)</u>
Total accumulated depreciation	<u>(85,158,686)</u>	<u>(6,395,057)</u>	<u>165,697</u>	<u>(91,388,046)</u>
Total capital assets, depreciable, net	128,820,781	12,739,571	(2,838)	141,557,514
Capital assets, not being depreciated:				
Land	18,524,721	-	(6,692)	18,518,029
Construction in progress	<u>8,013,673</u>	<u>424,438</u>	<u>(7,796,673)</u>	<u>641,438</u>
Total capital assets, non-depreciable	<u>26,538,394</u>	<u>424,438</u>	<u>(7,803,365)</u>	<u>19,159,467</u>
Governmental activities capital assets, net	<u>\$ 155,359,175</u>	<u>\$ 13,164,009</u>	<u>\$ (7,806,203)</u>	<u>\$ 160,716,981</u>
<b>Business-Type Activities</b>				
Capital assets, depreciable:				
Buildings and improvements	\$ 745,000	\$ -	\$ -	\$ 745,000
Machinery, equipment, and furnishings	1,151,722	-	(9,248)	1,142,474
Infrastructure	<u>101,090,269</u>	<u>-</u>	<u>-</u>	<u>101,090,269</u>
Total capital assets, depreciable	102,986,991	-	(9,248)	102,977,743
Less accumulated depreciation for:				
Buildings and improvements	(577,740)	(11,427)	-	(589,167)
Machinery, equipment, and furnishings	(703,865)	(60,800)	9,248	(755,417)
Infrastructure	<u>(24,968,412)</u>	<u>(2,338,035)</u>	<u>-</u>	<u>(27,306,447)</u>
Total accumulated depreciation	<u>(26,250,017)</u>	<u>(2,410,262)</u>	<u>9,248</u>	<u>(28,651,031)</u>
Total capital assets, depreciable, net	76,736,974	(2,410,262)	-	74,326,712
Capital assets, not being depreciated:				
Construction in progress	<u>-</u>	<u>58,250</u>	<u>-</u>	<u>58,250</u>
Total capital assets, not being depreciated	<u>-</u>	<u>58,250</u>	<u>-</u>	<u>58,250</u>
Business-type activities capital assets, net	<u>\$ 76,736,974</u>	<u>\$ (2,352,012)</u>	<u>\$ -</u>	<u>\$ 74,384,962</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 578,123
Public safety	665,710
Education	2,910,793
Public works	1,683,792
Health and human services	22,120
Culture and recreation	<u>534,519</u>
Total governmental activities	<u>\$ 6,395,057</u>
Business-type Activities	
Sewer	\$ 2,303,041
Water	69,296
Stormwater	<u>37,925</u>
Total business-type activities	<u>\$ 2,410,262</u>

**11. Deferred Outflows of Resources**

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

**12. Warrants and Accounts Payable**

Warrants and accounts payable represent fiscal year 2021 expenses/expenditures paid after June 30, 2021.

**13. Accrued Payroll**

This balance represents fiscal year 2021 payroll related expenses/expenditures due to employees at year-end.

**14. Accrued Liabilities**

The balance of accrued liabilities represents interest accrued on bonds outstanding as of June 30, 2021.

## 15. Unearned Revenues

This balance represents grant revenues received in fiscal year 2021 for services that had not been performed as of June 30, 2021.

## 16. Escrow Deposits

This balance represents deposits held by the Town until various projects are completed.

## 17. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
<b>Governmental Activities</b>							
Fire Construction	1.57%	10/16/19	10/16/20	\$ 300,000	\$ -	\$ (300,000)	\$ -
Fields	1.57%	10/16/19	10/16/20	736,048	-	(736,048)	-
Fields (CPA)	1.57%	10/16/19	10/16/20	832,952	-	(832,952)	-
Fire Station	1.65%	03/30/20	10/16/20	1,069,000	-	(1,069,000)	-
Fields (CPA)	1.65%	03/30/20	10/16/20	3,631,000	-	(3,631,000)	-
School Design	1.65%	03/30/20	10/16/20	300,000	-	(300,000)	-
School Security	2.00%	06/19/20	10/16/20	800,000	-	(800,000)	-
Fire Station	2.00%	06/19/20	10/16/20	500,000	-	(500,000)	-
School Equipment	2.00%	06/19/20	10/16/20	400,000	-	(400,000)	-
LED Streetlights	2.00%	06/19/20	10/16/20	100,000	-	(100,000)	-
Fire Station	0.55%	06/25/21	06/24/22	-	900,000	-	900,000
Total governmental activities				\$ 8,669,000	\$ 900,000	\$ (8,669,000)	\$ 900,000

## 18. Long-Term Debt

### ***General Obligation Bonds and Loans***

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. Direct borrowings have been issued for business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities</u>	<u>Through</u>		<u>as of</u>
<u>General Obligation Bonds</u>			<u>6/30/21</u>
Public offerings:			
Canney Farm land acquisition	07/15/21	2.00 - 5.00	\$ 4,000
Salt shed	07/15/21	2.00 - 5.00	10,000
Town hall construction	07/15/21	2.00 - 5.00	368,000
High school construction	07/15/21	2.00 - 5.00	1,150,000
LED lights	09/15/22	5.00	240,000
School security equipment	10/15/23	5.00	313,000
Police station refunding	01/15/24	3.00	74,000
Library refunding	01/15/24	3.00	489,000
Library refunding	06/15/25	2.00 - 5.00	252,000
Salt shed refunding	06/15/25	2.00 - 5.00	8,000
Harmony hall refunding	06/15/26	2.00 - 5.00	173,000
Police station refunding	06/15/26	2.00 - 5.00	1,629,000
Canney Farm land refunding	07/15/26	5.00	16,250
Fields	10/15/30	3.00 - 5.00	3,697,000
High school refunding	07/15/33	5.00	10,955,500
Salt shed refunding	07/15/33	5.00	97,750
Town hall refunding	07/15/33	5.00	4,301,000
Fields	10/15/34	2.00 - 5.00	315,000
Town hall construction	08/15/35	2.00 - 3.50	975,000
Public safety communications	08/15/35	2.00 - 3.50	180,000
Fields	10/15/35	2.00 - 5.00	100,000
High school construction	09/15/38	3.00 - 5.00	1,882,000
Fire Station Construction	10/15/40	2.00 - 5.00	5,600,000
School design	10/15/40	2.00 - 5.00	300,000
Englesby school roof	10/15/40	2.00 - 5.00	1,180,000
Brookside school roof	10/15/40	2.00 - 5.00	1,480,000
Total governmental activities			<u>\$ 35,789,500</u>

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Business-Type Activities</u>	<u>Through</u>		<u>as of</u>
<u>General Obligation Bonds</u>			<u>6/30/21</u>
Public offerings:			
Sewer	07/15/21	2.00 - 5.00	\$ 73,000
Sewer	08/15/22	2.00 - 4.00	117,000
Sewer	08/15/22	2.00 - 4.00	86,000
Sewer	08/15/22	2.00 - 4.00	17,000
Sewer	08/15/22	2.00 - 4.00	459,000
Sewer	08/15/22	2.00 - 4.00	146,000
Sewer refunding	01/15/25	3.00	653,000
Sewer refunding	01/15/25	3.00	1,184,000
Sewer refunding	06/15/27	2.00 - 5.00	522,000
Sewer refunding	06/15/27	2.00 - 5.00	186,000
Sewer refunding	09/15/30	3.00 - 5.00	1,320,000
Sewer refunding	07/15/33	5.00	694,500
Sewer	08/15/35	2.00 - 3.50	550,000
Sewer	09/15/38	3.00 - 5.00	<u>43,000</u>
Total public offerings			6,050,500
<u>Loans - Direct Borrowings</u>			
MWPAT	07/25/26	2.00	561,196
MWPAT	07/15/27	2.00	95,603
MWPAT	07/15/28	2.00	1,212,239
MWPAT	01/15/30	2.00	12,937
MWPAT	07/15/30	2.00	4,704,760
MWPAT	07/15/30	2.00	2,366,187
MWPAT	07/15/30	2.00	1,129,569
MWPAT	07/15/32	2.00	2,288,616
MWPAT	01/15/33	2.00	184,014
MWPAT	01/15/33	2.00	2,794,867
MWPAT	01/15/35	2.00	6,846,441
MWPAT	01/15/36	2.00	3,702,111
MWPAT	01/15/37	2.00	<u>151,473</u>
Total loans - direct borrowings			<u>26,050,013</u>
Total business-type activities			<u>\$ 32,100,513</u>



**A. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2021 are as follows:

Bonds - Public Offerings			
<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,448,000	\$ 1,289,290	\$ 4,737,290
2023	3,125,500	1,337,523	4,463,023
2024	2,998,000	1,190,144	4,188,144
2025	2,718,000	1,053,263	3,771,263
2026	2,538,000	928,115	3,466,115
2027	2,292,000	808,022	3,100,022
2028	2,292,000	696,192	2,988,192
2029	2,298,000	585,242	2,883,242
2030	2,313,000	473,727	2,786,727
2031	2,303,000	370,006	2,673,006
2032 - 2036	7,070,000	735,817	7,805,817
2037 - 2041	2,394,000	118,915	2,512,915
Total	\$ <u>35,789,500</u>	\$ <u>9,586,256</u>	\$ <u>45,375,756</u>

Bonds - Public Offerings			
<u>Business-type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,267,000	\$ 197,505	\$ 1,464,505
2023	1,219,500	162,979	1,382,479
2024	817,000	126,381	943,381
2025	782,000	97,131	879,131
2026	352,000	69,936	421,936
2027	343,000	55,591	398,591
2028	233,000	42,721	275,721
2029	232,000	34,546	266,546
2030	227,000	26,461	253,461
2031	222,000	18,532	240,532
2032 - 2036	350,000	29,025	379,025
2037 - 2039	6,000	294	6,294
Total	\$ <u>6,050,500</u>	\$ <u>861,102</u>	\$ <u>6,911,602</u>

The Town has issued direct borrowings from the Massachusetts Pollution Abatement Trust (MWPAT), a state revolving loan fund (SRF) of the Massachusetts Clean Water Trust (MCWT), a component unit of the Commonwealth of Massachusetts. MCWT issues special obligation bonds under its SRF programs to provide low-cost financing

to Cities, Towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. There were no unused lines of credit or assets pledged as collateral for debt. The Town certified that rates and charges in the Sewer Enterprise Fund have been set at a sufficient level to cover estimated operating expenses and debt service related to the Sewer Enterprise Fund, including the debt service related to direct borrowings. In addition, the Town as an “obligated person” with respect Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, agrees with MCWT to provide an annual report, not later than 270 days after the close of each fiscal year, that incorporates the most recently available audited financial statements to meet continuing disclosure requirements.

The annual payments to retire the state revolving loans direct borrowings as of June 30, 2021 are as follows:

<u>Business-type</u>	<u>Loans - Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,025,054	\$ 509,392	\$ 2,534,446
2023	2,067,423	468,656	2,536,079
2024	2,110,673	427,070	2,537,743
2025	2,154,831	384,610	2,539,441
2026	2,199,814	341,262	2,541,076
2027	2,245,943	296,954	2,542,897
2028	2,192,677	252,836	2,445,513
2029	2,223,877	208,782	2,432,659
2030	2,104,837	165,815	2,270,652
2031	2,147,557	123,493	2,271,050
2032 - 2036	4,566,258	222,388	4,788,646
2037	<u>11,069</u>	<u>220</u>	<u>11,289</u>
Total	\$ <u>26,050,013</u>	\$ <u>3,401,478</u>	\$ <u>29,451,491</u>

**B. Changes in General Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Less: Current Portion	Equals Long-term Portion
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 29,202,500	\$ 28,355,500	\$ (21,768,500)	\$ 35,789,500	\$ (3,448,000)	\$ 32,341,500
Unamortized bond premium	477,976	6,050,244	(74,061)	6,454,159	(171,595)	6,282,564
Total bonds payable	29,680,476	34,405,744	(21,842,561)	42,243,659	(3,619,595)	38,624,064
Net pension liability	67,909,403	-	(2,274,730)	65,634,673	-	65,634,673
Net OPEB liability	161,816,374	-	(2,364,733)	159,451,641	-	159,451,641
Landfill liabilities	1,714,000	-	(45,000)	1,669,000	(45,000)	1,624,000
Accrued employee benefits	4,367,183	327,219	(131,318)	4,563,084	(136,893)	4,426,191
Capital leases	154,140	-	(154,140)	-	-	-
Subtotal	235,961,100	327,219	(4,969,921)	231,318,398	(181,893)	231,136,505
Total governmental activities	\$ 265,641,576	\$ 34,732,963	\$ (26,812,482)	\$ 273,562,057	\$ (3,801,488)	\$ 269,760,569
<b>Business-type Activities</b>						
<b>Sewer</b>						
Bonds payable:						
Public offerings	\$ 7,482,500	\$ 694,500	\$ (2,126,500)	\$ 6,050,500	\$ (1,267,000)	\$ 4,783,500
State revolving loans (direct borrowings)	28,033,572	-	(1,983,559)	26,050,013	(2,025,054)	24,024,959
Unamortized bond premium	58,405	181,224	(5,841)	233,788	(5,841)	227,947
Total bonds payable	35,574,477	875,724	(4,115,900)	32,334,301	(3,297,895)	29,036,406
Net pension liability	874,873	-	(29,306)	845,567	-	845,567
Net OPEB liability	812,000	-	(11,866)	800,134	-	800,134
Total sewer	37,261,350	875,724	(4,157,072)	33,980,002	(3,297,895)	30,682,107
<b>Water</b>						
Net pension liability	103,331	-	(3,461)	99,870	-	99,870
Net OPEB liability	192,283	-	(2,810)	189,473	-	189,473
Total water	295,614	-	(6,271)	289,343	-	289,343
Total business-type activities	\$ 37,556,964	\$ 875,724	\$ (4,163,343)	\$ 34,269,345	\$ (3,297,895)	\$ 30,971,450

**C. Long-Term Liabilities Supporting Governmental and Business-Type Activities**

General obligation bonds and state revolving loans, issued by the Town for various municipal projects, are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term liabilities are repaid from the funds that the costs relate to, primarily the general fund and enterprise funds.

**D. Advance and Current Refundings***Current Year*

On April 22, 2021, the Town issued general obligation bonds in the amount of \$16,065,000 with a 5% interest rate to advance refund \$20,135,000 of term bonds with an interest rate ranging from 4 – 5%. The term bonds mature on 7/15/2033 and are callable on July 15, 2021. The general obligation bonds were issued at 1.03% and, after paying issuance costs of \$121,418, the net proceeds were \$20,374,086. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called.

on July 15, 2021. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$4,318,730, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,978,256.

Defeased debt still outstanding at June 30, 2021 is \$20,135,000.

**E. Bond Authorizations**

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2021 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
June 1998	Landfill	\$ 1,500,000
June 2008	Land acquisition	1,420,000
June 2015	Senior housing complex	3,000,000
November 2016	School equipment	192,976
June 2018	School equipment	150,000
June 2019	Fields	195,202
November 2019	Fire station construction	900,000
June 2020	Englesby Elementary School	1,626,808
June 2020	Brookside Elementary School	2,046,207
June 2021	School complex improvements	<u>1,100,000</u>
	Total	<u>\$ 12,131,193</u>

**19. Landfill Closure and Post-Closure Care Costs**

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

The \$1,669,000 reported as landfill post-closure care liability at June 30, 2021 represents the remaining estimated post-closure maintenance costs. These amounts are based on what it would cost to perform all post-closure care in fiscal year 2021. Actual cost may differ due to inflation, changes in technology, or changes in regulations.

## 20. Deferred Inflows of Resources

Deferred inflows of resources refer to the acquisition of net position/fund balance by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position/fund balance, similar to liabilities.

The Town reports four items as deferred inflows of resources: (1) which is attributable to the changes in the Town's net pension liability, (2) one which is attributable to the changes in the Town's net OPEB liability, (3) one which is attributable to the gain on debt refunding, and (4) another which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds (unavailable revenues).

Deferred inflows of resources related to pension and OPEB will be recognized as decreases to expenses in future years as more fully described in the corresponding pension and OPEB notes.

Deferred inflows of resources related to the gain on the debt refunding will be recognized in expenses over the remaining life of the bonds.

*Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

## 21. Governmental Funds – Balances

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

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

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

### ***Nonspendable***

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

***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes community preservation fund amounts restricted for specific use, nonmajor fund capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

***Committed***

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes specific purpose stabilization accounts set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and various capital projects for non-lapsing appropriations approved at Town Meeting. A similar action is needed to modify or rescind a commitment.

***Assigned***

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose.

***Unassigned***

Represents amounts that are available to be spent in future periods, the Town's general stabilization account, and deficit balances in nonmajor governmental funds.

***Stabilization Arrangements***

The Town's stabilization accounts are authorized in accordance with Massachusetts General Law Chapter 40, section 5B. The creation of, appropriation into, and appropriation out of the stabilization account requires two-thirds approval at Town Meeting. Stabilization accounts are a component of committed and unassigned fund balance.

Following is a breakdown of the Town's fund balances at June 30, 2021:

	General <u>Fund</u>	Community Preservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 259,720	\$ 259,720
Total nonspendable	-	-	259,720	259,720
Restricted				
Community preservation	-	6,389,580	-	6,389,580
School general purpose (School Choice)	-	-	1,004,491	1,004,491
Circuit breaker (special education)	-	-	866,419	866,419
Other school grants	-	-	290,023	290,023
Town grants	-	-	351,231	351,231
School lunch fund	-	-	123,537	123,537
Revolving funds	-	-	1,310,974	1,310,974
Receipts reserved for appropriation	-	-	598,231	598,231
Other special revenue funds	-	-	768,945	768,945
Capital project funds	-	-	3,147,246	3,147,246
Permanent funds	-	-	94,557	94,557
Total restricted	-	6,389,580	8,555,654	14,945,234
Committed				
Town Hall stabilization	1,110,984	-	-	1,110,984
Equipment stabilization	250,000	-	-	250,000
Special education stabilization	201,238	-	-	201,238
Other stabilization	238,561	-	-	238,561
Special education	138,837	-	-	138,837
For snow and ice	230,000	-	-	230,000
Capital projects	885,000	-	2,921,535	3,806,535
Total committed	3,054,620	-	2,921,535	5,976,155
Assigned				
For encumbrances:				
Education	483,785	-	-	483,785
Public works	343,882	-	-	343,882
Information technology	143,592	-	-	143,592
Police department	111,451	-	-	111,451
Fire department	37,103	-	-	37,103
Building maintenance	59,185	-	-	59,185
Legal	20,000	-	-	20,000
Assessor appraisals	60,186	-	-	60,186
Council on aging	17,050	-	-	17,050
Recreation	22,259	-	-	22,259
Other	24,892	-	-	24,892
Total assigned	1,323,385	-	-	1,323,385
Unassigned				
General fund	10,403,031	-	-	10,403,031
General stabilization fund	1,011,604	-	-	1,011,604
Deficit balances	-	-	(1,250,465)	(1,250,465)
Total unassigned	11,414,635	-	(1,250,465)	10,164,170
Total Fund Balances	\$ 15,792,640	\$ 6,389,580	\$ 10,486,444	\$ 32,668,664

## 22. Retirement System

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

### A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Middlesex County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 25 Linnell Circle, Billerica, Massachusetts 01865. Reports are also available on the System's website at [www.middlesexretirement.org](http://www.middlesexretirement.org).

#### *Participants Contributions*

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage are as follows:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

#### *Participant Retirement Benefits*

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.



The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the Middlesex County Retirement System:

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

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

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

#### *Methods of Payment*

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### *Participant Refunds*

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3.00%.

#### *Employer Contributions*

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town’s contribution to the System for the year ended June 30, 2021 was \$5,727,860, which was equal to its annual required contribution.

### **B. Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from 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 benefit terms. Investments are reported at fair value.

**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions**

At June 30, 2021, the Town reported a liability of \$66,580,110 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020, the Town's proportion was 4.348534%, which was an increase of 0.043209% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$8,148,669. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 1,217,726	\$ (78,790)
Changes of assumptions	2,541,610	-
Net difference between projected and actual investment earnings on pension plan investments	-	(3,774,329)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,315,405</u>	<u>(240,727)</u>
Total	<u>\$ 5,074,741</u>	<u>\$ (4,093,846)</u>

There were no contributions subsequent to the measurement date as the Town's entire contribution for the year was paid prior to the measurement date. The Town's contributions are actuarially determined and not based on a measure of pay.

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

<u>Year ended June 30:</u>	
2022	\$ 1,015,509
2023	779,136
2024	(270,627)
2025	<u>(543,123)</u>
Total	<u>\$ 980,895</u>

**D. 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:

Inflation	Not explicitly stated
Projected salary increases	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2, and 4.50% for Group 4
Discount rate/investment rate of return	7.30%, net of pension plan investment expense, including inflation
Cost of living adjustments	3.00% of first \$16,000 of retirement income

Mortality rates were based on the following:

- Pre-retirement – The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
- Healthy participants – The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
- Disabled retirees – The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

Significant assumptions are reevaluated as follows:

- Investment rate of return and inflation – annually
- Projected salary increases – biennially

- Mortality rates – to the extent the new mortality tables are available, but the numbers of expected death, terminations, disabilities, and retirements are compared to the actual numbers biennially.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2018 – December 31, 2019.

#### ***E. Target Allocations***

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses 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 class are summarized in the following table:

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

#### ***F. Discount Rate***

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
\$ 82,965,987	\$ 66,580,110	\$ 52,794,356

**H. Pension Plan Fiduciary Net Position**

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

**23. Massachusetts Teachers' Retirement System (MTRS)**

**A. Plan Description**

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* (GASB 67). MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

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

**B. Benefits Provided**

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees

hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

### **C. Contributions**

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

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

### **D. Actuarial Assumptions**

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

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.

- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

#### ***E. Target Allocations***

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 are summarized in the following table:

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

#### ***F. Discount Rate***

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected



future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **G. Sensitivity Analysis**

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

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

#### **H. Special Funding Situation**

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68) and the Commonwealth is a non-employer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

#### **I. Town Proportions**

In fiscal year 2020 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$73,091,195 based on a proportionate share of 0.256057%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$3,977,681 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$9,027,810 as both a revenue and expense in the governmental activities.

### **24. Other Post-Employment Benefits (GASB 74 and GASB 75)**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB plan does not issue a stand-alone financial report.

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

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

**A. General Information about the OPEB Plan**

*Plan Description*

The Town provides post-employment healthcare benefits for retired employees through the Town's single-employer defined benefit OPEB plan. The Town provides health insurance coverage through the Massachusetts Interlocal Insurance Association (MIIA). The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

*Benefits Provided*

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

*Funding Policy*

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

*Plan Membership*

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

Inactive employees or beneficiaries	
currently receiving benefit payments	687
Active employees	<u>443</u>
Total	<u><u>1,130</u></u>

**B. Investments**

The OPEB trust fund assets consist primarily of investments in the Pension Reserves Investment Trust (PRIT) fund. The investments are irrevocable and invested for the sole purpose to provide funding for the Town's post-employment benefits for the exclusive benefit of the Town's retired employees and their eligible dependents; and

for defraying the reasonable expenses of the Trust in accordance with the Trust agreement.

The fair values of the investments in this type have been determined using the net asset value (NAV) per share (or its equivalent) of the Town's ownership of the fund.

*Rate of return.* For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### **C. Actuarial Assumptions**

The net OPEB liability was determined by an actuarial valuation as of December 31, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	December 31, 2020
Actuarial cost method	Entry age normal - level percentage of payroll
Inflation	3.00%
Salary increases:	
Group 1	6.00% decreasing to 4.00%
Group 2	6.00% decreasing to 4.25%
Group 4	7.00% decreasing to 4.50%
Teachers	7.50% decreasing to 4.00%
Investment rate of return	7.00%, net of OPEB plan investment expense
Discount rate	2.16% as of June 30, 2021 (2.21% as of June 30, 2020)
Healthcare cost trend rates	Medical and Prescription Drug: 7.0% decreasing by 0.25% for 10 years to an ultimate level of 4.50%. Dental: 4.0%
Retirees' share of benefit-related costs	20% of medical and life insurance premiums and 50% of dental premiums
Participation rate	For future retirees hired before 1986 and current retirees under age 65, 95% are assumed to enroll in a Medicare plan upon reaching age 65, and 5% are assumed to be ineligible for Medicare; 80% of future retirees with medical coverage are assumed to have life insurance coverage; all others are assumed to be 100%

Mortality rates were based on the following:

**Mortality Rates:**

**Pre-retirement:**

Non-teachers	RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2017
Teachers	Pub-2010 Teachers Employees Mortality Table (headcount weighted) projected generationally with Scale MP-2018

**Post-retirement:**

Healthy (non-teachers)	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2017
Disabled (non-teachers)	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2017
Healthy (teachers)	Pub-2010 Teacher Retiree Mortality Table (headcount weighted) projected generationally with Scale MP-2018
Disabled (teachers)	Pub-2010 Teacher Retiree Mortality Table (headcount weighted) projected generationally with Scale MP-2018

***D. Target Allocations***

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

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

**E. Contributions**

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

**F. Discount Rate**

The discount rate used to measure the net OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate of 2.16% was used based on a combination of the investment rate of return and municipal bond rate (based on index provided by the Bond Buyer 20-Bond General Obligation Index on 20-year municipal bond rate as of June 30, 2021).

**G. Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 161,256,038
Plan fiduciary net position	<u>814,790</u>
Net OPEB liability	<u>\$ 160,441,248</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.51%

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

#### **H. Changes in the Net OPEB Liability**

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 163,451,645	\$ 630,988	\$ 162,820,657
Changes for the year:			
Service cost	6,131,844	-	6,131,844
Interest	3,705,296	-	3,705,296
Contributions - employer	-	3,867,206	(3,867,206)
Net investment income	-	183,802	(183,802)
Differences between expected and actual experience	(3,202,642)	-	(3,202,642)
Changes of assumptions	(4,962,899)	-	(4,962,899)
Benefit payments	<u>(3,867,206)</u>	<u>(3,867,206)</u>	<u>-</u>
Net Changes	<u>(2,195,607)</u>	<u>183,802</u>	<u>(2,379,409)</u>
Balances, end of year	\$ <u>161,256,038</u>	\$ <u>814,790</u>	\$ <u>160,441,248</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% in fiscal year 2020 to 2.16% in fiscal year 2021, and a change in the investment rate of return on assets from 7.25% in fiscal year 2020 to 7.00% in fiscal year 2021. In addition, the per capita health costs were updated to reflect current experience and the trend rates were updated to better reflect anticipated future experience. Finally, the mortality and salary increase assumptions were updated to match the most current actuarial valuations available.

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

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

1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
\$ 191,153,851	\$ 160,441,248	\$ 136,397,489

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

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 134,077,512	\$ 160,441,248	\$ 194,912,927

**K. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB**

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$8,589,002. At June 30, 2021, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 144,310	\$ (2,579,560)
Changes of assumptions	9,906,183	(8,541,489)
Net difference between projected and actual investment earnings on OPEB plan investments	<u>-</u>	<u>(84,723)</u>
Total	\$ <u>10,050,493</u>	\$ <u>(11,205,772)</u>

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

<u>Year Ended June 30:</u>	
2022	\$ (1,202,394)
2023	193,378
2024	1,692,381
2025	(1,616,238)
2026	<u>(222,406)</u>
Total	\$ <u>(1,155,279)</u>

## **25. Deferred Compensation**

The Town also offers its employees one deferred compensation plan in accordance with Internal Revenue Code Section 457(b) through the International City/County Management Association's (ICMA) Retirement Corporation. The plans permit full-time employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, or death. The Town has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor for safeguarding purposes only. The investments are self-directed by employees. There were no employer contributions to the 457 Plans for the fiscal year ending June 30, 2021.

## **26. Change in Accounting Principle**

During 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. This required moving certain items previously recorded in the Agency Fund to the General Fund and Special Revenue Funds. Beginning net position/fund balance was required to be restated in Governmental Activities and Nonmajor Governmental Funds.

## **27. Commitments and Contingencies**

### ***COVID-19***

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

### ***Outstanding Legal Issues***

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

### ***Grants***

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



***Abatements***

There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

***Encumbrances***

At year-end the Town's general fund has \$1,323,385 in encumbrances that will be honored in the next fiscal year.

**28. Tax Abatements**

The Town provides property tax abatements authorized under Massachusetts General Law (MGL) Chapter 12A, Section 3E, *Economic Opportunity Areas*, and MGL Chapter 59, Section 5, Clause 51, *Property; exemptions*. The purpose of the program is to provide property tax assessment relief to stimulate job creation in distressed areas, attract new businesses, encourage business expansion, and increase overall economic development in Massachusetts. Tax Increment Financing (TIF) agreements are utilized as tools by which the difference between the beginning assessed value of the property and the value added by new construction or rehabilitation is exempted from taxation. Applicants may be granted property tax exemptions of up to 100% of the tax increment for a maximum term of 20 years and must initiate a TIF agreement by a vote of its governing body approving the TIF plan. A TIF Zone must be in an area approved by the Economic Assistance Coordinating Council (EACC) as an *Economic Opportunity Area* (EOA) or found to be an area "presenting exceptional opportunities for economic development" by the Director of Economic Development. Certification of the TIF Plan is issued by the EACC after the plan is accepted by municipal vote.

Property tax revenues were reduced by \$145,180 under agreements entered into the Town during fiscal year 2021.

## 29. Beginning Fund Balance Reclassification/Restatement

The beginning (July 1, 2020) fund balance/net position of the Town of Dracut has been reclassified/restated as follows:

### Government-Wide Financial Statements:

	Governmental Activities
As previously reported	\$ (77,817,021)
Implementation of GASB 84	<u>100,090</u>
As restated	<u><u>\$ (77,716,931)</u></u>

### Fund Basis Financial Statements:

	Capital Improvement Fund	Community Preservation Capital Fund	Community Preservation Fund	Nonmajor Governmental Funds
As previously reported	\$ (2,592,763)	\$ (2,196,325)	\$ -	\$ 10,628,478
Reclassification of major governmental funds	2,592,763	2,196,325	5,570,771	(10,359,859)
Implementation of GASB 84	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,090</u>
As reclassified/restated	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,570,771</u></u>	<u><u>\$ 368,709</u></u>

## 30. Subsequent Events

Management has evaluated subsequent events through January 28, 2022, which is the date the financial statements were available to be issued.

### ***Use of Free Cash***

The Town voted to use \$1,173,000 of free cash at the November 1, 2021 Town Meeting for the following purposes:

<u>Amount</u>	<u>Purpose</u>
\$ 33,000	Library sidewalk repair
160,000	DPW office renovations
340,000	School capital improvements
<u>640,000</u>	Playground installations
<u><u>\$ 1,173,000</u></u>	Total

### **31. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management is in the process of evaluating the effect this standard will have on the financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
General Fund

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Property taxes	\$ 53,677,951	\$ 53,677,951	\$ 53,554,190	\$ (123,761)
Excise	4,825,000	4,825,000	4,926,551	101,551
Penalties, interest, and other taxes	761,333	761,333	1,263,783	502,450
Charges for services	444,000	444,000	480,883	36,883
Intergovernmental	25,142,339	25,142,339	26,159,635	1,017,296
Licenses and permits	746,000	746,000	583,878	(162,122)
Investment income	259,500	259,500	668,790	409,290
Miscellaneous	61,190	61,190	162,839	101,649
Total Revenues	85,917,313	85,917,313	87,800,549	1,883,236
<b>Expenditures</b>				
Town Manager:				
General government	3,424,699	3,424,699	3,573,891	(149,192)
Public safety	10,198,994	10,198,994	9,663,305	535,689
Public works	5,056,793	5,060,693	4,982,883	77,810
Snow and ice	563,000	563,000	788,614	(225,614)
Health and human services	765,769	765,769	696,846	68,923
Culture and recreation	1,021,795	1,021,795	887,453	134,342
Debt service	4,148,868	4,148,868	4,030,117	118,751
Employee benefits	17,352,491	17,352,491	16,584,675	767,816
Intergovernmental	4,118,494	4,118,494	3,866,316	252,178
School Department:				
Operations	31,685,000	31,650,000	31,650,000	-
Transportation	2,700,000	2,700,000	2,651,963	48,037
Greater Lowell Regional Technical High School Education Assessments	4,825,000	4,650,000	4,682,155	(32,155)
Greater Lowell Regional Technical High School Transportation Assessment	-	175,000	158,213	16,787
Essex North Shore Agricultural and Technical High School Assessment	-	20,000	17,530	2,470
Essex North Shore Agricultural and Technical High School Transportation	-	15,000	2,500	12,500
Total Expenditures	85,860,903	85,864,803	84,236,461	1,628,342
Excess (deficiency) of revenues over (under) expenditures	56,410	52,510	3,564,088	3,511,578
<b>Other Financing Sources (Uses)</b>				
Transfers in	388,114	388,114	418,442	30,328
Transfers out	(700,278)	(3,125,678)	(3,136,158)	(10,480)
Use of free cash:				
Capital budget	-	2,425,400	-	(2,425,400)
Stabilization	200,000	200,000	-	(200,000)
Other source(s)	-	3,900	3,900	-
Use of restricted fund balance	55,754	55,754	-	(55,754)
Total Other Financing Sources (Uses)	(56,410)	(52,510)	(2,713,816)	(2,661,306)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	\$ 850,272	\$ 850,272

See Independent Auditors' Report and notes to the Required Supplementary Information.

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
Community Preservation Fund

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Property taxes	\$ 1,019,211	\$ 1,019,211	\$ 1,029,510	\$ 10,299
Penalties, interest, and other taxes	-	-	3,442	3,442
Intergovernmental	290,000	290,000	290,606	606
Investment income	70,000	70,000	45,340	(24,660)
Miscellaneous	-	-	500	500
Total Revenues	<u>1,379,211</u>	<u>1,379,211</u>	<u>1,369,398</u>	<u>(9,813)</u>
<b>Expenditures</b>				
Town Manager:				
General government	50,200	50,200	61,518	(11,318)
Debt service	176,178	176,178	180,571	(4,393)
Capital Outlay	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total Expenditures	<u>1,226,378</u>	<u>1,226,378</u>	<u>242,089</u>	<u>984,289</u>
Excess (deficiency) of revenues over (under) expenditures	152,833	152,833	1,127,309	974,476
<b>Other Financing Sources (Uses)</b>				
Transfers out	(148,500)	(308,500)	(308,500)	-
Other use(s)	(152,833)	(152,833)	-	152,833
Use of reserved fund balance	<u>148,500</u>	<u>308,500</u>	<u>-</u>	<u>(308,500)</u>
Total Other Financing Sources (Uses)	<u>(152,833)</u>	<u>(152,833)</u>	<u>(308,500)</u>	<u>(155,667)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,809</u>	<u>\$ 818,809</u>

See Independent Auditors' Report and notes to the Required Supplementary Information.

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

***Budgetary Basis***

The General Fund and Community Preservation Fund final appropriation appearing on the previous pages represent the final amended budgets after all reserve fund transfers and supplemental appropriations.

***Budget/GAAP Reconciliation***

The budgetary data for the General Fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 91,114,641	\$ 86,712,287	\$ (3,154,039)
Reverse fair value adjustments	664,882	-	-
Add previous year carryforwards as a financing source	-	-	3,900
To book current year appropriation carryforwards	-	1,323,385	-
Reclass indirect cost reimbursements to respective enterprise funds	-	295,000	295,000
To reverse the effect of non-budgeted State contributions for teachers retirement	(3,977,681)	(3,977,681)	-
To eliminate non-budgeted stabilization fund activity	(1,293)	-	(201,370)
Other	<u>-</u>	<u>(116,530)</u>	<u>342,693</u>
Budgetary Basis	<u>\$ 87,800,549</u>	<u>\$ 84,236,461</u>	<u>\$ (2,713,816)</u>



**TOWN OF DRACUT, MASSACHUSETTS**

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

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	December 31, 2020	4.348534%	\$66,580,110	\$ 17,454,816	381.44%	53.42%
June 30, 2020	December 31, 2019	4.305325%	\$68,887,607	\$ 16,709,878	412.26%	49.45%
June 30, 2019	December 31, 2018	4.206681%	\$65,601,775	\$ 15,326,864	428.02%	46.40%
June 30, 2018	December 31, 2017	4.235256%	\$60,106,114	\$ 14,681,016	409.41%	49.27%
June 30, 2017	December 31, 2016	3.977461%	\$57,818,789	\$ 14,484,571	399.18%	45.49%
June 30, 2016	December 31, 2015	4.059516%	\$52,368,527	\$ 14,583,214	359.10%	46.13%
June 30, 2015	December 31, 2014	4.054044%	\$48,701,871	\$ 14,022,321	347.32%	47.65%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.256057%	\$ -	\$ 73,091,195	\$ 73,091,195	\$ 19,400,842	0.00%	50.67%
June 30, 2020	June 30, 2019	0.262408%	\$ -	\$ 66,163,672	\$ 66,163,672	\$ 19,095,819	0.00%	53.95%
June 30, 2019	June 30, 2018	0.266360%	\$ -	\$ 63,157,309	\$ 63,157,309	\$ 18,706,106	0.00%	54.84%
June 30, 2018	June 30, 2017	0.255865%	\$ -	\$ 58,555,783	\$ 58,555,783	\$ 17,374,431	0.00%	54.25%
June 30, 2017	June 30, 2016	0.278479%	\$ -	\$ 62,262,091	\$ 62,262,091	\$ 18,317,388	0.00%	52.73%
June 30, 2016	June 30, 2015	0.277686%	\$ -	\$ 56,896,967	\$ 56,896,967	\$ 17,602,205	0.00%	55.38%
June 30, 2015	June 30, 2014	0.278634%	\$ -	\$ 44,292,663	\$ 44,292,663	\$ 17,084,427	0.00%	61.64%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

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

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions  
(Unaudited)

Middlesex County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	December 31, 2020	\$ 5,727,860	\$ 5,727,860	\$ -	\$ 20,145,638	28.43%
June 30, 2020	December 31, 2019	\$ 5,348,633	\$ 5,348,633	\$ -	\$ 17,044,076	31.38%
June 30, 2019	December 31, 2018	\$ 4,804,354	\$ 4,804,354	\$ -	\$ 15,645,763	30.71%
June 30, 2018	December 31, 2017	\$ 4,506,526	\$ 4,506,526	\$ -	\$ 14,752,046	30.55%
June 30, 2017	December 31, 2016	\$ 4,233,672	\$ 4,233,672	\$ -	\$ 14,451,278	29.30%
June 30, 2016	December 31, 2015	\$ 3,970,321	\$ 3,970,321	\$ -	\$ 14,485,679	27.41%
June 30, 2015	December 31, 2014	\$ 3,864,705	\$ 3,864,705	\$ -	\$ 14,010,594	27.58%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	June 30, 2020	\$ 3,977,681	\$ 3,977,681	\$ -	\$ 19,788,859	20.10%
June 30, 2020	June 30, 2019	\$ 3,788,414	\$ 3,788,414	\$ -	\$ 19,477,735	19.45%
June 30, 2019	June 30, 2018	\$ 3,502,052	\$ 3,502,052	\$ -	\$ 19,080,228	18.35%
June 30, 2018	June 30, 2017	\$ 3,161,255	\$ 3,161,255	\$ -	\$ 17,721,920	17.84%
June 30, 2017	June 30, 2016	\$ 3,131,725	\$ 3,131,725	\$ -	\$ 18,683,736	16.76%
June 30, 2016	June 30, 2015	\$ 2,837,761	\$ 2,837,761	\$ -	\$ 17,954,249	15.81%
June 30, 2015	June 30, 2014	\$ 2,611,858	\$ 2,611,858	\$ -	\$ 17,426,116	14.99%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

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

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 6,131,844	\$ 4,949,869	\$ 4,605,049	\$ 4,766,437	\$ 5,811,944
Interest	3,705,296	5,241,294	5,839,575	5,454,222	4,294,781
Changes of benefit terms	-	(5,991,583)	-	-	-
Differences between expected and actual experience	(3,202,642)	-	360,781	-	14,291,493
Changes of assumptions	(4,962,899)	16,510,306	(7,856,855)	(7,006,957)	(17,546,337)
Benefit payments, including refunds of member contributions	<u>(3,867,206)</u>	<u>(4,119,273)</u>	<u>(4,707,074)</u>	<u>(4,322,562)</u>	<u>(4,078,342)</u>
Net change in total OPEB liability	(2,195,607)	16,590,613	(1,758,524)	(1,108,860)	2,773,539
Total OPEB liability - beginning	<u>163,451,645</u>	<u>146,861,032</u>	<u>148,619,556</u>	<u>149,728,416</u>	<u>146,954,877</u>
Total OPEB liability - ending (a)	161,256,038	163,451,645	146,861,032	148,619,556	149,728,416
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	3,867,206	4,119,273	4,832,074	4,447,562	4,078,342
Net investment income	183,802	12,079	37,812	1,340	885
Benefit payments, including refunds of member contributions	<u>(3,867,206)</u>	<u>(4,119,273)</u>	<u>(4,707,074)</u>	<u>(4,322,562)</u>	<u>(3,978,342)</u>
Net change in plan fiduciary net position	183,802	12,079	162,812	126,340	100,885
Plan fiduciary net position - beginning	<u>630,988</u>	<u>618,909</u>	<u>456,097</u>	<u>329,757</u>	<u>228,872</u>
Plan fiduciary net position - ending (b)	<u>814,790</u>	<u>630,988</u>	<u>618,909</u>	<u>456,097</u>	<u>329,757</u>
Net OPEB liability - ending (a-b)	<u>\$ 160,441,248</u>	<u>\$ 162,820,657</u>	<u>\$ 146,242,123</u>	<u>\$ 148,163,459</u>	<u>\$ 149,398,659</u>

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

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

See Independent Auditors' Report.

**TOWN OF DRACUT, MASSACHUSETTS**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Net OPEB Liability</b>				
Total OPEB liability	\$ 161,256,038	\$ 163,451,645	\$ 146,861,032	\$ 148,619,556
Plan fiduciary net position	<u>814,790</u>	<u>630,988</u>	<u>618,909</u>	<u>456,097</u>
Net OPEB liability	<u>\$ 160,441,248</u>	<u>\$ 162,820,657</u>	<u>\$ 146,242,123</u>	<u>\$ 148,163,459</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.51%	0.39%	0.42%	0.31%
Covered-employee payroll <sup>(1)</sup>	\$ 39,616,804	\$ 14,696,246	\$ 13,716,674	\$ 34,748,100
Participating employer net OPEB liability as a percentage of covered employee payroll	404.98%	1107.91%	1066.16%	426.39%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Contributions</b>				
Actuarially determined contribution	\$ 6,162,361	\$ 6,631,296	\$ 6,356,960	\$ 6,121,928
Contributions in relation to the actuarially determined contribution	<u>3,867,206</u>	<u>4,119,273</u>	<u>4,832,074</u>	<u>4,447,562</u>
Contribution deficiency	<u>\$ 2,295,155</u>	<u>\$ 2,512,023</u>	<u>\$ 1,524,886</u>	<u>\$ 1,674,366</u>
Covered-employee payroll <sup>(1)</sup>	\$ 39,616,804	\$ 14,696,246	\$ 13,716,674	\$ 34,748,100
Contributions as a percentage of covered employee payroll	9.76%	28.03%	35.23%	12.80%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Investment Returns</b>				
Annual money weighted rate of return, net of investment expense	Not provided	Not provided	Not provided	Not provided

<sup>(1)</sup> 2019 & 2020 information didn't include School's covered payroll

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

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

See Independent Auditors' Report.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

**Revolving Funds:** To account for receipts which may be spent without appropriation for expenditure related to the source of the receipt.

**Receipts Reserved:** To account for receipts, which according to Massachusetts General Laws, must be segregated in the treasury and appropriated to be spent for specific purposes.

**School Grants:** To account for various school grant programs other than school lunch.

**Town Grants:** To account for various Town grant programs other than Chapter 90.

**School Lunch:** To account for operating revenues and expenditures associated with the School Department student lunch program.

**Chapter 90:** To account for the revenues and expenditures related to the Town's Chapter 90 state grant program.

**Other:** To account for funds appropriated for purposes outside of the previous categories, such as gifts and donations.

### **CAPITAL PROJECT FUNDS**

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major capital facilities or equipment other than those employed in the delivery of services accounted for in Enterprise Funds.

### **PERMANENT FUNDS**

Permanent Funds are established to account for certain assets held by the Town in a fiduciary capacity as trustee. Funds are used to report resources that are legally restricted to the extent that only the earnings, and not principal, may be used for purposes that benefit the Town or its citizenry.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

	Special Revenue Funds					
	<u>Revolving Funds</u>	<u>Receipts Reserved</u>	<u>School Grants</u>	<u>Town Grants</u>	<u>School Lunch</u>	<u>Chapter 90</u>
<b>Assets</b>						
Cash and short-term investments	\$ 1,426,607	\$ 663,192	\$ 2,128,595	\$ 1,307,802	\$ 127,645	\$ -
Receivables:						
Intergovernmental	-	-	-	1,050,819	-	309,302
Departmental and other	-	-	-	-	-	-
Total Assets	<u>\$ 1,426,607</u>	<u>\$ 663,192</u>	<u>\$ 2,128,595</u>	<u>\$ 2,358,621</u>	<u>\$ 127,645</u>	<u>\$ 309,302</u>
<b>Liabilities</b>						
Warrants payable	\$ 115,633	\$ 64,961	\$ 37,176	\$ 366,828	\$ 4,108	\$ 218,720
Unearned revenue	-	-	-	1,655,542	-	-
Due to other funds	-	-	-	-	-	287,559
Notes payable	-	-	-	-	-	-
Total Liabilities	115,633	64,961	37,176	2,022,370	4,108	506,279
<b>Deferred Inflows of Resources</b>						
Unavailable revenues	-	-	-	-	-	-
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	-	-
Restricted	1,310,974	598,231	2,160,933	351,231	123,537	-
Committed	-	-	-	-	-	-
Unassigned	-	-	(69,514)	(14,980)	-	(196,977)
Total Fund Balances	<u>1,310,974</u>	<u>598,231</u>	<u>2,091,419</u>	<u>336,251</u>	<u>123,537</u>	<u>(196,977)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,426,607</u>	<u>\$ 663,192</u>	<u>\$ 2,128,595</u>	<u>\$ 2,358,621</u>	<u>\$ 127,645</u>	<u>\$ 309,302</u>



<u>Special Revenue Funds</u>				
<u>Other</u>	<u>Subtotal</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 725,056	\$ 6,378,897	\$ 6,189,631	\$ 354,277	\$ 12,922,805
-	1,360,121	-	-	1,360,121
82,345	82,345	-	-	82,345
<u>\$ 807,401</u>	<u>\$ 7,821,363</u>	<u>\$ 6,189,631</u>	<u>\$ 354,277</u>	<u>\$ 14,365,271</u>
\$ 41,416	\$ 848,842	\$ 104,539	\$ -	\$ 953,381
-	1,655,542	-	-	1,655,542
-	287,559	-	-	287,559
-	-	900,000	-	900,000
41,416	2,791,943	1,004,539	-	3,796,482
82,345	82,345	-	-	82,345
-	-	-	259,720	259,720
768,945	5,313,851	3,147,246	94,557	8,555,654
-	-	2,921,535	-	2,921,535
(85,305)	(366,776)	(883,689)	-	(1,250,465)
<u>683,640</u>	<u>4,947,075</u>	<u>5,185,092</u>	<u>354,277</u>	<u>10,486,444</u>
<u>\$ 807,401</u>	<u>\$ 7,821,363</u>	<u>\$ 6,189,631</u>	<u>\$ 354,277</u>	<u>\$ 14,365,271</u>

**TOWN OF DRACUT, MASSACHUSETTS**

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

	Special Revenue Funds					
	Revolving Funds	Receipts Reserved	School Grants	Town Grants	School Lunch	Chapter 90
<b>Revenues</b>						
Charges for services	\$ 599,896	\$ 14,938	\$ -	\$ -	\$ 55,678	\$ -
Intergovernmental	-	54,992	4,325,475	3,185,168	1,247,654	324,121
Investment income	-	-	-	92	-	-
Miscellaneous	5,359	65,751	-	-	-	-
Total Revenues	605,255	135,681	4,325,475	3,185,260	1,303,332	324,121
<b>Expenditures</b>						
Current:						
General government	1,920	223,549	-	2,283,262	-	-
Public safety	5,360	1,026	-	111,278	-	-
Education	346,001	-	3,852,543	158,089	1,383,287	-
Public works	-	6,778	-	441,375	-	521,098
Health and human services	3,344	-	-	75,442	-	-
Culture and recreation	106,419	6,686	-	5,832	-	-
Total Expenditures	463,044	238,039	3,852,543	3,075,278	1,383,287	521,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	142,211	(102,358)	472,932	109,982	(79,955)	(196,977)
<b>Other Financing Sources (Uses)</b>						
Issuance of bonds	-	-	-	-	-	-
Premium on bonds	-	110,702	-	50,000	-	-
Premium on refunding bonds	-	123,637	-	-	-	-
Transfers in	292	10,188	-	48,425	-	-
Transfers out	(1,650)	(220,000)	-	(6,210)	-	-
Total Other Financing Sources (Uses)	(1,358)	24,527	-	92,215	-	-
Net Change in Fund Balances	140,853	(77,831)	472,932	202,197	(79,955)	(196,977)
Fund Balances at Beginning of Year, as reclassified/restated	1,170,121	676,062	1,618,487	134,054	203,492	-
Fund Balances at End of Year	\$ 1,310,974	\$ 598,231	\$ 2,091,419	\$ 336,251	\$ 123,537	\$ (196,977)

<u>Special Revenue Funds</u>					
<u>Other</u>	<u>Subtotal</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Interfund Activity</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 849,645	\$ 1,520,157	\$ -	\$ 14,580	\$ -	\$ 1,534,737
100,000	9,237,410	2,081,521	-	-	11,318,931
1,790	1,882	-	2,315	-	4,197
<u>249,100</u>	<u>320,210</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>320,225</u>
1,200,535	11,079,659	2,081,521	16,910	-	13,178,090
30,760	2,539,491	402,338	-	-	2,941,829
873,742	991,406	4,571,922	940	-	5,564,268
70,263	5,810,183	4,828,269	-	-	10,638,452
-	969,251	220,083	-	-	1,189,334
66,072	144,858	12,807	-	-	157,665
<u>-</u>	<u>118,937</u>	<u>128,777</u>	<u>-</u>	<u>-</u>	<u>247,714</u>
<u>1,040,837</u>	<u>10,574,126</u>	<u>10,164,196</u>	<u>940</u>	<u>-</u>	<u>20,739,262</u>
159,698	505,533	(8,082,675)	15,970	-	(7,561,172)
-	-	12,985,000	-	-	12,985,000
-	160,702	1,790,000	-	-	1,950,702
-	123,637	-	-	-	123,637
6,210	65,115	2,860,774	-	(269,635)	2,656,254
<u>(53,436)</u>	<u>(281,296)</u>	<u>(25,025)</u>	<u>-</u>	<u>269,635</u>	<u>(36,686)</u>
<u>(47,226)</u>	<u>68,158</u>	<u>17,610,749</u>	<u>-</u>	<u>-</u>	<u>17,678,907</u>
112,472	573,691	9,528,074	15,970	-	10,117,735
<u>571,168</u>	<u>4,373,384</u>	<u>(4,342,982)</u>	<u>338,307</u>	<u>-</u>	<u>368,709</u>
<u>\$ 683,640</u>	<u>\$ 4,947,075</u>	<u>\$ 5,185,092</u>	<u>\$ 354,277</u>	<u>\$ -</u>	<u>\$ 10,486,444</u>

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## **PROPRIETARY FUNDS**

### **NONMAJOR ENTERPRISE FUNDS**

**Stormwater Fund:** To account for stormwater management operations in the Town.

**Water Fund:** To account for water operations attributable to the Kenwood Water Department which supplies much of the eastern portion of the Town of Dracut.

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2021

	<u>Business-Type Activities</u>		
	<u>Stormwater Fund</u>	<u>Water Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 622,922	\$ 1,245,369	\$ 1,868,291
User fees, net of allowance for uncollectibles	<u>-</u>	<u>130,491</u>	<u>130,491</u>
Total Current Assets	622,922	1,375,860	1,998,782
Noncurrent:			
Capital assets, depreciable, net	<u>281,480</u>	<u>609,931</u>	<u>891,411</u>
Total Noncurrent Assets	<u>281,480</u>	<u>609,931</u>	<u>891,411</u>
Total Assets	904,402	1,985,791	2,890,193
<b>Deferred Outflows of Resources</b>			
Related to pensions	-	7,612	7,612
Related to OPEB	<u>-</u>	<u>11,869</u>	<u>11,869</u>
Total Deferred Outflows of Resources	-	19,481	19,481
<b>Liabilities</b>			
Current:			
Warrants and accounts payable	<u>23,650</u>	<u>217,396</u>	<u>241,046</u>
Total Current Liabilities	23,650	217,396	241,046
Noncurrent:			
Net pension liability	-	99,870	99,870
Net OPEB liability	<u>-</u>	<u>189,473</u>	<u>189,473</u>
Total Noncurrent Liabilities	<u>-</u>	<u>289,343</u>	<u>289,343</u>
Total Liabilities	23,650	506,739	530,389
<b>Deferred Inflows of Resources</b>			
Related to pensions	-	6,141	6,141
Related to OPEB	<u>-</u>	<u>13,233</u>	<u>13,233</u>
Total Deferred Inflows of Resources	-	19,374	19,374
<b>Net Position</b>			
Net investment in capital assets	281,480	609,931	891,411
Unrestricted	<u>599,272</u>	<u>869,228</u>	<u>1,468,500</u>
Total Net Position	\$ <u>880,752</u>	\$ <u>1,479,159</u>	\$ <u>2,359,911</u>

# TOWN OF DRACUT, MASSACHUSETTS

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Nonmajor Enterprise Funds For the Year Ended June 30, 2021

	Business-Type Activities		
	Stormwater Fund	Water Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>			
Charges for services	\$ 100	\$ 1,731,107	\$ 1,731,207
Total Operating Revenues	100	1,731,107	1,731,207
<b>Operating Expenses</b>			
Salaries and benefits	153,374	152,496	305,870
Other operating expenses	267,572	1,349,174	1,616,746
Depreciation	37,925	69,296	107,221
Total Operating Expenses	458,871	1,570,966	2,029,837
Operating Income (Loss)	(458,771)	160,141	(298,630)
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	2,441	11,967	14,408
Total Nonoperating Revenues (Expenses), Net	2,441	11,967	14,408
Income (Loss) Before Transfers	(456,330)	172,108	(284,222)
<b>Transfers</b>			
Transfers in	500,278	-	500,278
Change in Net Position	43,948	172,108	216,056
Net Position at Beginning of Year	836,804	1,307,051	2,143,855
Net Position at End of Year	\$ 880,752	\$ 1,479,159	\$ 2,359,911

**TOWN OF DRACUT, MASSACHUSETTS**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2021

	Business-Type Activities		
	Stormwater Fund	Water Fund	Total Nonmajor Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 100	\$ 1,733,330	\$ 1,733,430
Payments to employees for salaries and benefits	(153,374)	(143,288)	(296,662)
Payments to suppliers and service providers	(261,629)	(1,149,859)	(1,411,488)
Net Cash Provided By (Used For) Operating Activities	(414,903)	440,183	25,280
Cash Flows From Noncapital Financing Activities			
Transfers in	500,278	-	500,278
Net Cash Provided By Noncapital Financing Activities	500,278	-	500,278
Cash Flows From Investing Activities			
Investment income	2,441	11,967	14,408
Net Cash Provided By Investing Activities	2,441	11,967	14,408
Net Change in Cash and Short-Term Investments	87,816	452,150	539,966
Cash and Short-Term Investments, Beginning of Year	535,106	793,219	1,328,325
Cash and Short-Term Investments, End of Year	\$ 622,922	\$ 1,245,369	\$ 1,868,291
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Operating income (loss)	\$ (458,771)	\$ 160,141	\$ (298,630)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	37,925	69,296	107,221
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	-	2,223	2,223
Deferred outflows - related to pensions	-	4,930	4,930
Deferred outflows - related to OPEB	-	4,030	4,030
Warrants payable	5,943	199,315	205,258
Net pension liability	-	(3,461)	(3,461)
Net OPEB liability	-	(2,810)	(2,810)
Deferred inflows - related to pensions	-	2,163	2,163
Deferred inflows - related to OPEB	-	4,356	4,356
Net Cash Provided By (Used For) Operating Activities	\$ (414,903)	\$ 440,183	\$ 25,280



## STATISTICAL SECTION



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# **TOWN OF DRACUT, MASSACHUSETTS**

## **STATISTICAL SECTION**

The Town's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

### **Financial Trends:**

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

### **Revenue Capacity:**

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

### **Debt Capacity:**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

### **Demographic and Economic Information:**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

### **Operating Information:**

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the service the Town provides and the activities it performs.

**TOWN OF DRACUT, MASSACHUSETTS**  
**Net Position By Component**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 67,751,281	\$ 81,448,291	\$ 96,239,149	\$ 106,969,364	\$ 112,722,291	\$ 114,411,779	\$ 117,564,229	\$ 119,200,653	\$ 119,728,978	\$ 118,824,926
Restricted	11,441,674	9,854,298	10,536,164	12,505,071	9,017,772	9,240,722	10,508,842	11,111,992	17,861,610	15,204,954
Unrestricted	<u>(21,722,740)</u>	<u>(26,368,171)</u>	<u>(24,365,052)</u>	<u>(79,322,424)</u>	<u>(82,654,052)</u>	<u>(84,823,856)</u>	<u>(198,634,704)</u>	<u>(202,755,925)</u>	<u>(215,407,609)</u>	<u>(213,079,182)</u>
Total governmental activities net position	<u>\$ 57,470,215</u>	<u>\$ 64,934,418</u>	<u>\$ 82,410,261</u>	<u>\$ 40,152,011</u>	<u>\$ 39,086,011</u>	<u>\$ 38,828,645</u>	<u>\$ (70,561,633)</u>	<u>\$ (72,443,280)</u>	<u>\$ (77,817,021)</u>	<u>\$ (79,049,302)</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 25,104,930	\$ 26,792,899	\$ 28,984,420	\$ 32,043,858	\$ 34,539,513	\$ 36,184,287	\$ 37,881,164	\$ 39,644,196	\$ 41,070,831	\$ 41,968,162
Unrestricted	<u>2,975,040</u>	<u>3,027,436</u>	<u>3,440,508</u>	<u>1,746,127</u>	<u>1,208,000</u>	<u>1,465,578</u>	<u>1,466,169</u>	<u>1,943,513</u>	<u>3,356,449</u>	<u>5,342,499</u>
Total business-type activities net position	<u>\$ 28,079,970</u>	<u>\$ 29,820,335</u>	<u>\$ 32,424,928</u>	<u>\$ 33,789,985</u>	<u>\$ 35,747,513</u>	<u>\$ 37,649,865</u>	<u>\$ 39,347,333</u>	<u>\$ 41,587,709</u>	<u>\$ 44,427,280</u>	<u>\$ 47,310,661</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 92,856,211	\$ 108,241,190	\$ 125,223,569	\$ 139,013,222	\$ 147,261,804	\$ 150,596,066	\$ 155,445,393	\$ 158,844,849	\$ 160,799,809	\$ 160,793,088
Restricted	11,441,674	9,854,298	10,536,164	12,505,071	9,017,772	9,240,722	10,508,842	11,111,992	17,861,610	15,204,954
Unrestricted	<u>(18,747,700)</u>	<u>(23,340,735)</u>	<u>(20,924,544)</u>	<u>(77,576,297)</u>	<u>(81,446,052)</u>	<u>(83,358,278)</u>	<u>(197,168,535)</u>	<u>(200,812,412)</u>	<u>(212,051,160)</u>	<u>(207,736,683)</u>
Total primary government net position	<u>\$ 85,550,185</u>	<u>\$ 94,754,753</u>	<u>\$ 114,835,189</u>	<u>\$ 73,941,996</u>	<u>\$ 74,833,524</u>	<u>\$ 76,478,510</u>	<u>\$ (31,214,300)</u>	<u>\$ (30,855,571)</u>	<u>\$ (33,389,741)</u>	<u>\$ (31,738,641)</u>

Data source: Audited financial statements

**TOWN OF DRACUT, MASSACHUSETTS**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,318,798	\$ 2,774,862	\$ 2,441,181	\$ 3,077,451	\$ 3,090,034	\$ 4,414,502	\$ 4,787,438	\$ 5,329,771	\$ 5,948,019	\$ 7,462,669
Public safety	7,008,841	7,327,794	7,942,564	7,899,057	8,264,665	13,750,592	14,329,564	14,849,687	16,565,706	17,045,845
Education	45,445,250	44,583,275	44,655,884	41,582,139	46,025,529	64,712,563	66,370,490	66,343,840	67,843,640	73,758,408
Public works	5,876,143	6,007,787	6,442,294	6,585,729	6,072,740	8,075,388	8,524,111	8,692,961	8,909,488	8,996,083
Health and human services	771,488	796,761	804,198	807,609	669,960	1,084,658	1,060,569	1,078,598	1,169,219	1,112,298
Culture and recreation	1,233,710	1,547,632	1,495,251	1,397,793	1,200,579	2,020,338	1,842,607	2,075,991	1,987,329	2,106,395
Debt service interest	1,216,255	1,248,822	1,663,592	2,188,729	2,104,586	1,586,643	1,431,038	1,486,361	1,822,506	1,118,277
Employee benefits <sup>(1)</sup>	19,137,332	19,468,820	17,430,797	18,581,433	19,879,501	-	-	-	-	-
Intergovernmental <sup>(1)</sup>	783,362	1,184,332	1,612,825	1,943,863	2,503,854	-	-	-	-	-
Total governmental activities expenses	83,791,179	84,940,085	84,488,586	84,063,803	89,811,448	95,644,684	98,345,817	99,857,209	104,245,907	111,599,975
Business-type activities:										
Sewer operations	3,915,720	4,165,078	4,009,714	4,369,098	4,908,601	5,920,102	5,547,041	5,524,716	5,627,388	4,891,386
Water operations	1,112,585	1,094,772	1,051,104	1,156,503	1,173,437	1,228,571	1,245,987	1,304,258	1,331,166	1,570,966
Stormwater operations	-	-	-	-	-	-	-	77,007	238,325	458,871
Total business-type activities expenses	5,028,305	5,259,850	5,060,818	5,525,601	6,082,038	7,148,673	6,793,028	6,905,981	7,196,879	6,921,223
Total primary government expenses	\$ 88,819,484	\$ 90,199,935	\$ 89,549,404	\$ 89,589,404	\$ 95,893,486	\$ 102,793,357	\$ 105,138,845	\$ 106,763,190	\$ 111,442,786	\$ 118,521,198
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 400,625	\$ 350,756	\$ 333,389	\$ 409,079	\$ 420,356	\$ 374,968	\$ 417,812	\$ 396,821	\$ 339,135	\$ 268,426
Public safety	505,599	478,787	532,212	715,061	1,000,247	971,705	958,298	1,090,282	858,013	1,608,790
Education	1,161,805	1,116,713	1,113,243	1,203,061	1,560,316	1,531,270	1,683,954	1,638,567	1,343,911	511,017
Public works	29,905	29,386	28,132	124,817	32,232	33,949	22,561	32,031	187,464	33,532
Health and human services	39,442	52,007	45,093	45,296	42,840	99,157	99,157	192,540	77,049	47,246
Culture and recreation	267,755	240,964	210,543	253,488	231,867	254,387	204,532	231,501	210,294	130,487
Operating grants and contributions	30,415,537	30,077,882	31,212,977	26,832,728	28,859,340	32,165,092	30,702,061	30,506,736	32,670,699	42,991,257
Capital grants and contributions	4,517,510	13,336,476	2,950,386	6,639,406	2,050,357	3,590,381	3,020,529	2,376,483	895,983	-
Total government activities program revenues	37,338,178	45,682,971	36,425,975	36,222,936	34,197,555	38,964,172	37,108,904	36,464,961	36,582,548	45,590,755
Business-type activities:										
Charges for services:										
Sewer operations	6,071,742	6,203,961	6,510,032	6,543,801	6,661,452	7,656,667	7,759,864	7,315,790	7,376,730	7,462,294
Water operations	924,776	953,779	1,006,534	951,825	1,129,299	1,156,412	1,301,300	1,468,386	1,518,790	1,731,107
Stormwater operations	-	-	-	-	-	-	-	-	-	100
Capital grants and contributions	-	-	-	-	242,901	229,650	211,402	196,311	108,636	75,481
Total business-type activities revenues	6,996,518	7,157,740	7,516,566	7,495,626	8,033,652	9,042,729	9,272,566	8,980,487	9,004,156	9,268,982
Total primary government revenues	\$ 44,334,696	\$ 52,840,711	\$ 43,942,541	\$ 43,718,562	\$ 42,231,207	\$ 48,006,901	\$ 46,381,470	\$ 45,445,448	\$ 45,586,704	\$ 54,859,737
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (46,453,001)	\$ (39,257,114)	\$ (48,062,611)	\$ (47,840,867)	\$ (55,613,893)	\$ (56,680,512)	\$ (61,236,913)	\$ (63,392,248)	\$ (67,663,359)	\$ (66,009,220)
Business-type activities	1,968,213	1,897,890	2,455,748	1,970,025	1,951,614	1,894,056	2,479,538	2,074,506	1,807,277	2,347,759
Total primary government net (expense)	\$ (44,484,788)	\$ (37,359,224)	\$ (45,606,863)	\$ (45,870,842)	\$ (53,662,279)	\$ (54,786,456)	\$ (58,757,375)	\$ (61,317,742)	\$ (65,856,082)	\$ (63,661,461)

(continued)

**TOWN OF DRACUT, MASSACHUSETTS**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

(continued)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 37,222,801	\$ 38,998,569	\$ 40,554,245	\$ 43,791,357	\$ 45,240,037	\$ 46,872,382	\$ 48,791,851	\$ 51,136,038	\$ 53,000,404	\$ 54,510,606
Excises	3,305,194	3,604,200	3,929,184	4,511,203	4,591,787	4,723,234	4,890,142	4,955,160	4,467,649	5,055,269
Penalties, interest, and other taxes	564,242	192,446	452,328	199,927	996,411	935,135	1,103,160	815,856	709,114	1,267,225
Grants and contributions not restricted to specific programs	3,353,359	3,328,882	18,914,258	3,359,579	3,393,080	3,497,078	3,920,627	3,959,829	3,868,208	3,805,725
Investment income	379,261	55,707	137,593	187,538	121,342	81,753	15,426	386,011	799,858	54,738
Miscellaneous	284,353	372,513	1,371,846	670,524	205,236	313,564	230,894	405,907	403,651	483,564
Transfers	150,000	169,000	179,000	179,000	-	-	200,000	(148,200)	(1,000,000)	(500,278)
Total governmental activities	45,259,210	46,721,317	65,538,454	52,899,128	54,547,893	56,423,146	59,152,100	61,510,601	62,248,884	64,676,849
Business-type activities:										
Investment income	48,477	11,475	10,508	7,605	6,301	7,909	16,366	17,247	32,294	35,344
Miscellaneous	-	-	317,337	248,000	-	-	-	423	-	-
Transfers	(150,000)	(169,000)	(179,000)	(179,000)	-	-	(200,000)	148,200	1,000,000	500,278
Total business-type activities	(101,523)	(157,525)	148,845	76,605	6,301	7,909	(183,634)	165,870	1,032,294	535,622
Total primary government	\$ 45,157,687	\$ 46,563,792	\$ 65,687,299	\$ 52,975,733	\$ 54,554,194	\$ 56,431,055	\$ 58,968,466	\$ 61,676,471	\$ 63,281,178	\$ 65,212,471
<b>Changes in Net Position</b>										
Governmental activities	\$ (1,193,791)	\$ 7,464,203	\$ 17,475,843	\$ 5,058,261	\$ (1,066,000)	\$ (257,366)	\$ (2,084,813)	\$ (1,881,647)	\$ (5,414,475)	\$ (1,332,371)
Business-type activities	1,866,690	1,740,365	2,604,593	2,046,630	1,957,915	1,901,965	2,295,904	2,240,376	2,839,571	2,883,381
Total primary government changes in net position	\$ 672,899	\$ 9,204,568	\$ 20,080,436	\$ 7,104,891	\$ 891,915	\$ 1,644,599	\$ 211,091	\$ 358,729	\$ (2,574,904)	\$ 1,551,010

Data source: Audited financial statements

(concluded)

NOTE: <sup>(1)</sup>Employee benefits and intergovernmental expenditures were allocated to the individual functions beginning in fiscal year 2017.

**TOWN OF DRACUT, MASSACHUSETTS**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ 1,016,859	\$ 837,418	\$ 757,008	\$ 523,893	\$ 469,684	\$ 409,124	\$ -
Committed	2,632,616	1,340,638	1,876,357	1,801,283	1,725,966	2,451,071	2,486,864	2,603,945	1,627,410	3,054,620
Assigned	158,375	176,780	51,168	70,602	89,324	108,842	112,848	50,634	3,900	1,323,385
Unassigned	<u>1,765,393</u>	<u>3,515,321</u>	<u>4,722,033</u>	<u>5,443,001</u>	<u>7,765,255</u>	<u>7,873,139</u>	<u>9,089,153</u>	<u>11,152,058</u>	<u>12,503,891</u>	<u>11,414,635</u>
Total general fund	4,556,384	5,032,739	6,649,558	8,331,745	10,417,963	11,190,060	12,212,758	14,276,321	14,544,325	15,792,640
All Other Governmental Funds										
Nonspendable	214,882	230,047	241,132	250,412	261,770	249,718	249,720	249,720	259,720	259,720
Restricted	11,226,792	9,865,639	14,269,719	11,237,800	7,918,584	8,991,003	10,259,124	10,878,433	12,174,688	14,945,234
Committed	-	-	-	-	643,223	403,526	692,653	456,625	1,514,690	2,921,535
Unassigned	<u>(2,201,090)</u>	<u>(13,902,850)</u>	<u>(148,757)</u>	<u>(4,238,331)</u>	<u>(3,760,488)</u>	<u>(4,074,474)</u>	<u>(2,647,572)</u>	<u>(768,045)</u>	<u>(8,109,708)</u>	<u>(1,250,465)</u>
Total all other governmental funds	<u>9,240,584</u>	<u>(3,807,164)</u>	<u>14,362,094</u>	<u>7,249,881</u>	<u>5,063,089</u>	<u>5,569,773</u>	<u>8,553,925</u>	<u>10,816,733</u>	<u>5,839,390</u>	<u>16,876,024</u>
Total fund Balances	<u>\$ 13,796,968</u>	<u>\$ 1,225,575</u>	<u>\$ 21,011,652</u>	<u>\$ 15,581,626</u>	<u>\$ 15,481,052</u>	<u>\$ 16,759,833</u>	<u>\$ 20,766,683</u>	<u>\$ 25,093,054</u>	<u>\$ 20,383,715</u>	<u>\$ 32,668,664</u>

Data Source: Audited Financial statements

**TOWN OF DRACUT, MASSACHUSETTS**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenues</b>										
Property taxes	\$ 37,341,245	\$ 38,742,756	\$ 40,576,039	\$ 43,845,679	\$ 45,413,604	\$ 46,831,492	\$ 48,869,713	\$ 50,787,280	\$ 52,953,777	\$ 54,583,700
Excises	3,290,950	3,460,227	4,012,303	4,465,906	4,568,760	4,704,280	4,895,598	4,949,207	4,832,128	4,926,551
Penalties, interest, and other taxes	348,840	413,176	422,589	482,321	761,033	782,056	1,138,018	876,132	709,114	1,267,225
Charges for services	2,059,363	1,928,263	1,879,546	2,285,369	2,558,818	2,564,334	2,545,843	2,723,183	2,255,545	2,015,620
Intergovernmental	38,240,550	46,211,712	52,722,881	32,969,458	29,648,991	37,461,799	36,304,975	33,894,861	33,199,810	41,746,853
Licenses and permits	345,768	340,350	383,066	445,851	735,224	635,689	862,545	858,559	760,321	583,878
Investment income	464,494	147,015	137,202	187,419	121,145	81,507	15,085	385,535	799,858	54,738
Contributions	64,432	44,375	34,288	48,011	60,752	90,500	75,205	81,315	-	-
Miscellaneous	284,353	372,513	237,039	512,175	205,239	247,836	230,769	380,115	403,651	483,564
<b>Total Revenue</b>	<b>82,439,995</b>	<b>91,660,387</b>	<b>100,404,953</b>	<b>85,242,189</b>	<b>84,073,566</b>	<b>93,399,493</b>	<b>94,937,751</b>	<b>94,936,187</b>	<b>95,914,204</b>	<b>105,662,129</b>
<b>Expenditures</b>										
General government	2,704,784	4,359,807	8,785,079	5,488,910	6,724,280	2,970,088	4,203,028	4,930,059	3,819,542	5,974,383
Public safety	6,922,495	7,132,510	7,368,182	8,078,666	8,689,124	8,453,704	8,611,693	9,621,745	11,600,309	15,079,019
Education	47,294,397	66,008,861	68,313,907	46,519,488	39,748,122	47,530,084	45,181,850	46,200,829	50,138,002	53,641,800
Public works	5,807,748	5,330,697	6,597,206	6,304,540	5,652,282	8,185,305	8,058,665	6,659,434	6,539,498	6,616,949
Health and human services	690,184	736,289	730,652	748,783	739,059	770,933	766,390	754,496	860,811	837,461
Culture and recreation	1,195,914	1,264,699	1,206,683	1,169,587	1,161,235	1,159,381	1,230,520	1,260,817	2,948,902	1,112,908
Employee benefits	12,677,991	14,193,534	14,271,011	13,989,965	14,667,957	14,964,780	15,168,063	15,255,284	15,798,246	16,584,675
Debt service:										
Principal	3,102,200	3,062,437	3,037,631	4,379,630	4,318,630	3,559,630	3,462,000	3,306,631	2,980,686	2,485,500
Interest	1,252,446	1,127,614	1,259,707	2,245,122	1,834,419	1,685,611	1,540,795	1,567,298	1,398,450	1,494,627
Intergovernmental	783,362	1,184,332	1,612,825	1,943,863	2,503,854	2,841,196	3,388,192	3,788,612	3,579,831	3,866,316
<b>Total Expenditures</b>	<b>82,431,521</b>	<b>104,400,780</b>	<b>113,182,883</b>	<b>90,868,554</b>	<b>86,038,962</b>	<b>92,120,712</b>	<b>91,611,196</b>	<b>93,345,205</b>	<b>99,664,277</b>	<b>107,693,638</b>
Excess (deficiency) of revenues over (under) expenditures	8,474	(12,740,393)	(12,777,930)	(5,626,365)	(1,965,396)	1,278,781	3,326,555	1,590,982	(3,750,073)	(2,031,509)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds	-	-	31,250,000	-	-	-	-	2,578,186	-	12,985,000
Premiums on bonds	-	-	1,134,807	-	-	-	-	111,062	-	1,950,702
Issuance of refunding bonds	-	12,965,000	-	1,793,000	6,594,000	-	-	-	-	15,370,500
Premium on refunding bonds	-	892,476	-	109,539	708,176	-	-	-	-	4,099,542
Payments to refunded bond escrow agent	-	(13,857,476)	-	(1,885,000)	(5,596,281)	-	-	-	-	(19,689,098)
Lease proceeds	-	-	-	-	158,927	-	480,295	-	-	-
Transfers in	396,731	802,936	1,883,284	3,183,916	4,647,114	1,766,956	1,823,533	1,306,368	2,679,075	2,692,940
Transfers out	(246,731)	(633,936)	(1,704,284)	(3,004,916)	(4,647,114)	(1,766,956)	(1,623,533)	(1,260,227)	(3,679,075)	(3,193,218)
<b>Total other financing sources (uses)</b>	<b>150,000</b>	<b>169,000</b>	<b>32,563,807</b>	<b>196,539</b>	<b>1,864,822</b>	<b>-</b>	<b>680,295</b>	<b>2,735,389</b>	<b>(1,000,000)</b>	<b>14,216,368</b>
<b>Net change in fund balances</b>	<b>\$ 158,474</b>	<b>\$ (12,571,393)</b>	<b>\$ 19,785,877</b>	<b>\$ (5,429,826)</b>	<b>\$ (100,574)</b>	<b>\$ 1,278,781</b>	<b>\$ 4,006,850</b>	<b>\$ 4,326,371</b>	<b>\$ (4,750,073)</b>	<b>\$ 12,184,859</b>
<sup>(1)</sup> Debt service as a percentage of noncapital expenditures	5.60%	5.31%	5.35%	8.59%	7.77%	5.99%	5.78%	5.51%	4.82%	4.15%

Data Source: Audited Financial statements

Notes: <sup>(1)</sup> Capital outlay expenditures are not included in this calculation



**TOWN OF DRACUT, MASSACHUSETTS**  
**Assessed Value<sup>(1)</sup> of Taxable Property by Classification**  
**Last Ten Fiscal Years**

Fiscal Year	Assessed Value						Total Town Value
	Residential Value	Residential Tax Rate <sup>(2)</sup>	Commercial Value	Industrial Value	Personal Property		
2012	\$ 2,599,243,865	\$ 12.93	\$ 143,470,035	\$ 49,723,500	\$ 81,498,686	\$	2,873,936,086
2013	\$ 2,517,610,845	\$ 13.79	\$ 142,641,165	\$ 49,471,890	\$ 82,816,425	\$	2,792,540,325
2014	\$ 2,504,925,425	\$ 14.49	\$ 142,870,485	\$ 50,039,590	\$ 80,555,623	\$	2,778,391,123
2015	\$ 2,618,892,738	\$ 14.93	\$ 149,859,082	\$ 51,572,280	\$ 84,420,993	\$	2,904,745,093
2016	\$ 2,734,559,948	\$ 14.84	\$ 149,405,272	\$ 51,287,880	\$ 88,978,256	\$	3,024,231,356
2017	\$ 2,903,842,448	\$ 14.50	\$ 156,368,552	\$ 54,767,500	\$ 91,218,146	\$	3,206,196,646
2018	\$ 3,108,442,458	\$ 14.14	\$ 168,362,562	\$ 54,644,030	\$ 87,935,860	\$	3,419,384,910
2019	\$ 3,310,539,041	\$ 13.75	\$ 190,306,311	\$ 57,480,505	\$ 99,973,547	\$	3,658,299,404
2020	\$ 3,552,308,629	\$ 13.35	\$ 189,939,661	\$ 57,436,705	\$ 93,790,010	\$	3,893,475,005
2021	\$ 3,774,910,916	\$ 13.01	\$ 194,374,287	\$ 55,885,960	\$ 103,586,249	\$	4,128,757,412

Source: Board of Assessors, Town of Dracut

<sup>(1)</sup> Assessed value is comparable to estimated actual value.

<sup>(2)</sup> There is no separate rate for overlapping governments.

**TOWN OF DRACUT, MASSACHUSETTS**  
**Principal Taxpayers**  
**Current Year and Nine Years Ago**

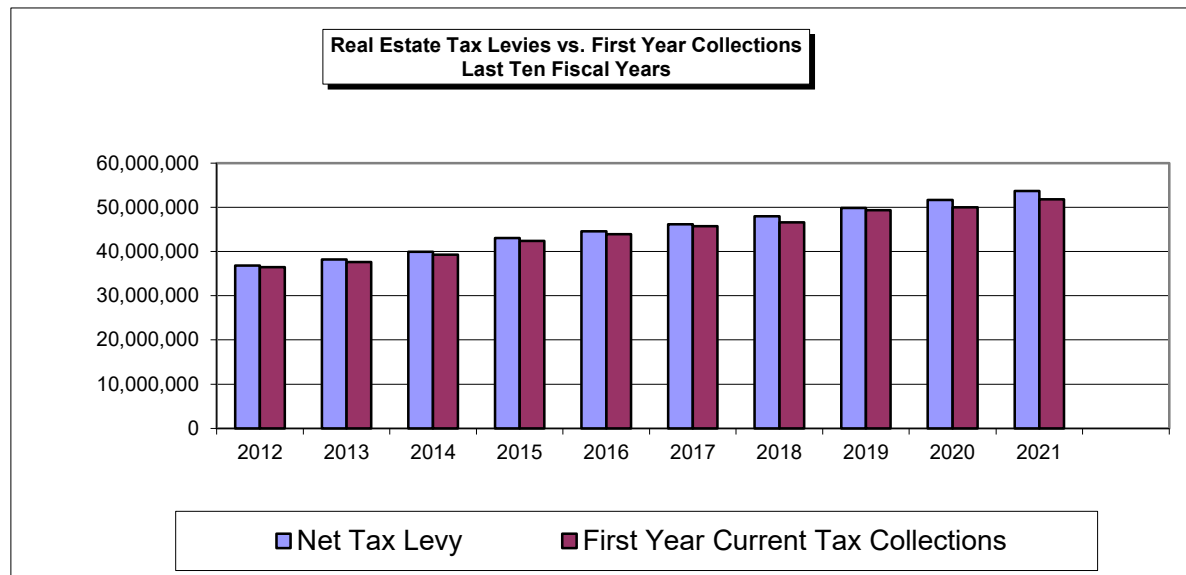
Name	Nature of Business	2021		Percentage of Total Taxable Assessed Value	2012		Percentage of Total Taxable Assessed Value
		Assessed Valuation	Rank		Assessed Valuation	Rank	
Massachusetts Electric, Co.	Utility	\$ 19,791,720	1	0.48%	\$ 16,433,405	1	0.57%
Corcoran Skyline LLC	Real Estate	18,784,000	2	0.45%	15,500,600	3	0.54%
Colonial Gas	Utility	18,460,102	3	0.45%	11,891,752	4	0.41%
New England Power, Co.	Utility	18,314,775	4	0.44%	7,384,979	8	0.26%
Princeton Dracut, LLC	Real Estate	13,689,600	5	0.33%	8,994,900	5	0.31%
Robbins Avenue LLC	Real Estate	11,526,400	6	0.28%	7,031,500	9	0.24%
Maritimes & Northeast Pipeline	Utility	11,318,800	7	0.27%	15,875,200	2	0.55%
Brox Industries	Real Estate	10,461,900	8	0.25%	8,629,400	6	0.30%
Dracut Real Estate	Real Estate	9,413,800	9	0.23%	8,074,600	7	0.28%
Grassfield Commons	Real Estate	8,920,000	10	0.22%	N/A	N/A	N/A
Antonio Katsikas	Real Estate	N/A	N/A	N/A	6,937,600	10	0.24%
		<u>\$ 140,681,097</u>		<u>3.40%</u>	<u>\$ 106,753,936</u>		<u>3.70%</u>

Source: Board of Assessors; Town of Dracut; Massachusetts Division of Local Services

2012 Total Assessed Value	\$ 2,873,936,086
2021 Total Assessed Value	\$ 4,128,757,412

**TOWN OF DRACUT, MASSACHUSETTS**  
**Property Tax Levies & Collections**  
**Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (Less Overlay)	First Year Current Tax Collections	Percent of Net Levy Collected at FY End	Percent of Net Collected at 6/30/21
2012	\$ 37,159,994	\$ 333,945	\$ 36,826,049	\$ 36,464,731	99.02%	100.00%
2013	\$ 38,509,131	\$ 313,458	\$ 38,195,673	\$ 37,601,720	98.44%	100.00%
2014	\$ 40,258,887	\$ 343,380	\$ 39,915,507	\$ 39,274,346	98.39%	100.00%
2015	\$ 43,367,844	\$ 348,741	\$ 43,019,103	\$ 42,386,044	98.53%	100.00%
2016	\$ 44,879,592	\$ 345,824	\$ 44,533,768	\$ 43,900,709	98.58%	100.00%
2017	\$ 46,489,851	\$ 388,970	\$ 46,100,881	\$ 45,689,498	99.11%	99.79%
2018	\$ 48,377,471	\$ 433,320	\$ 47,944,151	\$ 46,538,209	97.07%	99.50%
2019	\$ 50,121,349	\$ 309,759	\$ 49,811,590	\$ 49,345,250	99.06%	99.06%
2020	\$ 51,977,891	\$ 374,394	\$ 51,603,497	\$ 49,992,483	96.88%	97.55%
2021	\$ 53,715,134	\$ 37,183	\$ 53,677,951	\$ 51,795,216	96.49%	96.49%



Source: Town Accountant - Year-end Combined Activity Report

**TOWN OF DRACUT, MASSACHUSETTS**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Governmental Activities Debt											
Fiscal Year	Population	Personal Income	Assessed Valuation	General Obligation Bonds	Capital Leases	Total Debt	Per Capita	Percentage of Personal Income	Percentage of Assessed Value		
2012	29,415	\$ 843,125,000	\$ 2,873,936,086	\$ 21,142,412	\$ -	\$ 21,142,412	\$ 719	2.51%	0.74%		
2013	29,457	\$ 824,673,000	\$ 2,792,540,325	\$ 17,955,782	\$ -	\$ 17,955,782	\$ 610	2.18%	0.64%		
2014	29,894	\$ 852,608,000	\$ 2,778,391,123	\$ 46,548,151	\$ -	\$ 46,548,151	\$ 1,557	5.46%	1.68%		
2015	30,220	\$ 867,915,000	\$ 2,904,745,093	\$ 42,510,521	\$ -	\$ 42,510,521	\$ 1,407	4.90%	1.46%		
2016	30,687	\$ 896,546,000	\$ 3,024,231,356	\$ 40,578,687	\$ 158,927	\$ 40,737,614	\$ 1,328	4.54%	1.35%		
2017	30,900	\$ 927,556,000	\$ 3,206,196,646	\$ 36,954,677	\$ 88,602	\$ 37,043,279	\$ 1,199	3.99%	1.16%		
2018	31,400	\$ 976,073,000	\$ 3,419,384,910	\$ 33,426,667	\$ 505,403	\$ 33,932,070	\$ 1,081	3.48%	0.99%		
2019	31,700	\$ 1,032,315,000	\$ 3,658,299,404	\$ 32,735,223	\$ 303,980	\$ 33,039,203	\$ 1,042	3.20%	0.90%		
2020	32,500	\$ 1,061,254,000	\$ 3,893,475,005	\$ 29,680,476	\$ 154,140	\$ 29,834,616	\$ 918	2.81%	0.77%		
2021	32,617	\$ unavailable	\$ 4,128,757,412	\$ 42,243,659	\$ -	\$ 42,243,659	\$ 1,295	unavailable	1.02%		

Fiscal Year	Business - Type Activities Debt			Total Primary Government			
	Water Fund	Sewer Fund	CPC Fund	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2012	\$ 421,000	\$ 43,576,233	\$ 1,790,000	\$ 66,929,645	\$ 2,275	7.94%	2.33%
2013	\$ 407,973	\$ 40,887,885	\$ 1,360,000	\$ 60,611,640	\$ 2,058	7.35%	2.17%
2014	\$ 343,958	\$ 43,811,787	\$ 980,000	\$ 91,683,896	\$ 3,067	10.75%	3.30%
2015	\$ 282,023	\$ 49,658,594	\$ 546,000	\$ 92,997,138	\$ 3,077	10.72%	3.20%
2016	\$ 222,168	\$ 51,270,394	\$ 389,000	\$ 92,619,176	\$ 3,018	10.33%	3.06%
2017	\$ 105,000	\$ 47,006,806	\$ -	\$ 84,155,085	\$ 2,723	9.07%	2.62%
2018	\$ 55,000	\$ 43,016,296	\$ -	\$ 77,003,366	\$ 2,452	7.89%	2.25%
2019	\$ 5,000	\$ 39,007,549	\$ -	\$ 72,051,752	\$ 2,273	6.98%	1.97%
2020	\$ -	\$ 35,574,477	\$ -	\$ 65,409,093	\$ 2,013	6.16%	1.68%
2021	\$ -	\$ 32,334,301	\$ -	\$ 74,577,960	\$ 2,286	unavailable	1.81%

Data source: Massachusetts Division of Career Centers and Division of Unemployment Assistance

Data source: Audited financial statements

**TOWN OF DRACUT, MASSACHUSETTS**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2021**

	Debt Outstanding	Estimated Percentage Applicable <sup>(1)</sup>	Estimated Share of Overlapping Debt <sup>(2)</sup>
Debt repaid with property taxes Greater Lowell Technical High School	\$ 13,720,000	31.50%	\$ 4,321,800
Subtotal, overlapping debt			4,321,800
Town direct debt			42,243,659
Total direct and overlapping debt			\$ 46,565,459

Data source: Multiple entities including Town Treasurer

<sup>(1)</sup>Estimated share based on debt service only

<sup>(2)</sup>Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service

**TOWN OF DRACUT, MASSACHUSETTS**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Equalized Valuation <sup>(1)</sup>	\$ 3,175,898,800	\$ 3,175,898,800	\$ 3,018,060,600	\$ 3,018,060,600	\$ 2,920,269,000	\$ 3,215,541,900	\$ 3,647,155,100	\$ 3,647,155,100	\$ 4,153,988,500	\$ 4,153,988,500
Debt Limit - 5% of Equalized Valuation	158,794,940	158,794,940	150,903,030	150,903,030	146,013,450	160,777,095	182,357,755	182,357,755	207,699,425	207,699,425
Less:										
Total debt applicable to limitation <sup>(2)</sup>	(70,721,961)	(76,367,970)	(64,635,338)	(91,339,938)	(91,205,285)	(83,487,066)	(75,982,927)	(70,675,218)	(73,387,572)	(67,890,013)
Legal debt margin	\$ 88,072,979	\$ 82,426,970	\$ 86,267,692	\$ 59,563,092	\$ 54,808,165	\$ 77,290,029	\$ 106,374,828	\$ 111,682,537	\$ 134,311,853	\$ 139,809,412
Total debt applicable to the limit as a percentage of debt limit	44.54%	48.09%	42.83%	60.53%	62.46%	51.93%	41.67%	38.76%	35.33%	32.69%

Data source:

<sup>(1)</sup>MA Bureau of Local Services (DataBank)

<sup>(2)</sup>Town of Dracut

**TOWN OF DRACUT, MASSACHUSETTS**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Calendar Year	Population * Estimates	Per Capita Personal ** Income	School *** Enrollment	Unemployment Rate
2012	29,415	\$ 29,216	3,953	6.8%
2013	29,457	\$ 30,226	3,872	6.6%
2014	29,894	\$ 31,392	3,816	5.7%
2015	30,220	\$ 33,856	3,688	4.6%
2016	30,687	\$ 32,690	3,499	4.0%
2017	30,900	\$ 32,927	3,551	3.4%
2018	31,400	\$ 33,155	3,839	3.6%
2019	31,700	\$ 35,662	3,582	3.9%
2020	32,500	\$ 38,365	3,677	6.5%
2021	32,617	\$ unavailable	3,659	unavailable

\* Source: Town of Dracut Annual Census (not inclusive of MCI population)

\*\* Source: Official Statements

\*\*\*Source: Massachusetts Department of Education

Data source: Massachusetts Division of Career Services  
Town of Dracut Census Data

**TOWN OF DRACUT, MASSACHUSETTS**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	Type of Business	2021			2012		
		Number of Employees	Rank	Percentage of Total Town Employment	Number of Employees	Rank	Percentage of Total Town Employment
GeorgeBrox, Inc.	Contractor/Construction	184	1	1.07 %	181	2	1.19 %
Hannaford	Supermarket	150	2	0.87 %	225	1	1.48 %
Verizon New England, Inc.	Communications	131	3	0.76 %	125	4	0.82 %
Old Dominion	Trucking	119	4	0.69 %	64	5	0.42 %
Dakota	Manufacturer	116	5	0.67 %	60	8	0.39 %
Dunkin Donuts	Franchise	98	6	0.57 %	155	3	1.02 %
Severance	Trucking	75	7	0.44 %			
The Arbors	Assisted Living	74	8	0.43 %			
Poland Springs	Warehouse	64	9	0.37 %	64	6	0.42 %
Lenzi Catering	Restaurant/Functions	55	10	0.32 %	60	7	0.39 %
Majilite	Manufacturer	unknown	unknown	unknown %	52	9	0.34 %
Toupin Rigging	Construction	unknown	unknown	unknown %	unknown	unknown	unknown
Total Principal Employers		1,066		6.20 %	986		6.47 %
Total Town Employment <sup>(1)</sup>		<u>17,207</u>			<u>15,229</u>		

Data Source:  
Employers

Notes:

<sup>(1)</sup> MA Bureau of Local Services (DataBank)



**TOWN OF DRACUT, MASSACHUSETTS**  
**Government Employees by Function - Full Time Equivalents**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	22	22	22	22	23	23	23	24	25	34
Public Safety										
Police	43	44	44	43	46	46	47	47	47	41
Fire	33	36	37	42	38	45	47	47	47	43
Total	76	80	81	85	84	91	94	94	94	84
Education	429	395	403	411	406	410	434	434	434	463
Public Works										
Tax Supported	21	22	22	22	21	22	22	22	22	28
Water/Sewer Division	5	5	5	5	5	4	4	4	4	5
Total	26	27	27	27	26	26	26	26	26	33
Planning and Human Services										
Planning & Natural Resources*	4	4	4	4	4	4	4	4	4	5
Inspections	4	4	4	4	4	4	4	4	4	3
Health	2	2	2	2	2	2	2	2	2	3
Recreation	1	1	1	1	1	1	1	1	1	2
Senior & Social Services	8	9	9	8	8	6	6	6	6	10
Total	19	20	20	19	19	17	17	17	17	23
Library	10	10	10	10	10	6	8	8	8	14
Total	582	554	563	574	568	573	602	603	604	651

**TOWN OF DRACUT, MASSACHUSETTS**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years<sup>(1)</sup>**

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Vitals										
Births	279	298	287	298	292	298	212	243	230	239
Deaths	189	237	244	192	233	256	247	276	261	253
Marriages	101	99	118	118	123	112	106	128	131	133
Finance										
Registered voters	19,285	20,293	20,575	20,304	21,883	22,026	21,955	22,124	22,603	22,979
Taxable property parcels assessed	11,955	11,930	11,952	11,982	12,323	12,052	12,090	12,058	12,087	12,082
Motor vehicles registered	33,623	34,531	34,595	35,666	32,554	37,250	37,790	37,849	36,752	37,939
Enrollments										
Dracut Public Schools	3,953	3,872	3,816	3,688	3,600	3,499	35,551	3,582	3,666	3,659
Greater Lowell Regional High School**	438	441	447	467	453	439	473	462	441	443
Police <sup>(1)</sup>										
Physical arrests	72	249	333	187	209	198	143	221	116	138
Traffic violations	6,795	5,315	5,217	5,747	4,578	2,530	4,346	3,863	1,597	558
Fire and Rescue <sup>(1)</sup>										
Total Emergency Responses	3,215	3,605	3,445	3,460	3,626	3,895	4,121	3,771	3,745	3,916
Emergency Responses excluding EMS	1,208	1,281	1,134	1,198	1,195	1,249	1,604	1,476	1,449	1,407
Fires extinguished	99	82	83	78	66	72	45	56	55	56
Emergency medical responses (EMS)	2,007	2,324	2,228	2,184	2,365	2,574	2,472	2,300	2,296	2,509
Code Administration										
Building permits	853	877	981	1,279	1,109	1,110	1,106	1,082	1,122	1,317
Estimated construction value in millions (\$)	16,195,115	27,277,537	21,372,192	26,223,161	58,930,289	58,795,431	51,190,550	63,696,103	59,820,454	46,298,724
Public Works										
Refuse collected (tons)	10,871	10,787	9,433	9,377	9,341	9,780	9,787	9,092	10,300	10,623
Recycling (tons)	2,172	1,878	2,378	2,759	2,802	2,988	3,012	3,122	2,945	3,101
Public Library										
Circulation	261,185	239,350	221,999	205,959	211,522	183,694	177,340	182,774	73,612	105,025
Patrons	154,726	145,644	139,500	129,601	126,765	124,277	111,358	149,093	132,607	37,545
Council on Aging										
Meals on Wheels Delivered	20,279	21,000	20,279	29,970	22,168	23,080	22,306	21,668	27,395	34,758
Rides Provided	6,531	5,967	6,376	6,238	7,546	8,830	8,573	9,405	690	5,757
Tax Work Program Participants	40	39	45	48	45	48	49	50	54	46
Recreation										
# of Participants	2,750	2,629	2,762	2,476	2,384	3,070	2,600	2,885	1,847	1,614
# of Programs	15	13	16	12	11	17	20	20	14	13

Data source: Various Town departments

\*\*Dracut Students Only

Notes:

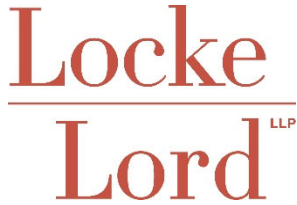
<sup>(1)</sup> Calendar year (CY) ending during the fiscal year

**TOWN OF DRACUT, MASSACHUSETTS**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire and Rescue										
Number of stations	3	3	3	3	3	3	3	3	3	3
Number of ladder trucks (cross-staffed with ambulance)	1	1	1	1	1	1	1	1	1	1
Number of pumpers (front-line structural)	3	3	3	3	3	3	3	3	3	3
Public Works										
Miles of streets	153	153	153	154	154	155	157	160	162	162
Miles of storm drains	74	75	75	76	76	76	78	81	82	82
Recreation										
Athletic field acreage	45	45	46	46	46	46	46	46	46	46
Number of parks	6	6	6	6	6	6	7	8	8	8
Park acreage	53	53	57	57	57	57	59	62	62	62
Ball Fields	15	15	16	16	16	16	16	17	17	17
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Water System										
Miles of water mains	27	30	35	35	35	35	40	44	46	46
Number of service connections	1,788	1,788	1,817	1,819	1,870	1,920	1,867	2,068	2,075	2,105
Number of fire hydrants	260	267	267	267	267	267	280	295	295	295
Sewage System										
Miles of sanitary sewers	112	117	117	123	126	126	140	160	168	168
Number of service connections	7,736	8,011	8,327	8,816	8,912	9,020	9,183	9,285	9,302	9,303

Data Source:  
Various Town departments

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Telephone: 617-239-0100  
Fax: 617-227-4420  
www.lockelord.com

(Date of Delivery)

Carol Briggs, Treasurer  
Town of Dracut  
Dracut, Massachusetts

\$1,865,000  
Town of Dracut, Massachusetts  
General Obligation Municipal Purpose Loan of 2022 Bonds  
Dated March 30, 2022

We have acted as bond counsel to the Town of Dracut, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such

B-1

requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Dracut, Massachusetts (the “Issuer”) in connection with the issuance of its \$1,865,000 General Obligation Municipal Purpose Loan of 2022 Bonds dated March 30, 2022 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated March 22, 2022 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.



7. Modifications to rights of the Owners of the Bonds, if material.
  8. Bond calls, if material, and tender offers.
  9. Defeasances.
  10. Release, substitution or sale of property securing repayment of the Bonds, if material.
  11. Rating changes.
  12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.\*
  13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
  15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†
  16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.†
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

† For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: March 30, 2022

TOWN OF DRACUT, MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Selectmen

[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]