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ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

DEVENS ENTERPRISE COMMISSION

Report on Examination of

Financial Statements

June 30, 2022



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DEVENS ENTERPRISE COMMISSION

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INDEPENDENT AUDITORS' REPORT

To the Devens Enterprise Commission
Board of Directors
Devens, Massachusetts

Opinions

We have audited the accompanying financial statements of the Devens Enterprise Commission, (the Commission) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and schedules of the Commonwealth's proportionate share of net pension and net OPEB liabilities as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
Date pending

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Commission, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the financial statements, and required supplementary information as listed in the table of contents.

Financial Highlights

- The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by over \$4.8 million (*total net position*). Nearly the entire amount represents total unrestricted net position. This may be used to meet the Commission's ongoing operations and financial commitments. Negligible amounts are either restricted for specific purposes or invested in capital assets.
- The Commission does not carry any long-term debt.

Overview of the Financial Statements

This report consists of two parts: management's discussion and analysis and the basic financial statements. The financial statements also include notes that explain information in the financial statements in more detail. The Commission is a self-supporting entity that follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Commission. These statements are presented in a manner similar to a private business.

The *statement of net position* presents information on all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between those categories reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the Commission'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 user charges.)

The *statement of cash flows* presents information on the Commission's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities.

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 financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's pension and OPEB liabilities.

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Government-wide Financial Analysis

The following is a condensed Statement of Net Position:

	June 30	
	2022	2021
<u>Assets</u>		
Current and other assets	\$ 4,995,279	\$ 4,615,091
Capital assets net of accumulated depreciation	5,392	6,697
Total assets	5,000,671	4,621,788
<u>Liabilities</u>		
Current and other liabilities	141,750	58,950
Non-current liabilities	18,057	14,619
Total liabilities	159,807	73,569
<u>Deferred Inflows of Resources:</u>		
Other Liability	3,465	-
Total Deferred Inflows of Resources	3,465	-
<u>Net Position</u>		
Invested in capital assets	5,392	6,697
Restricted	10,000	10,000
Unrestricted	4,822,007	4,531,522
Net Position	\$ 4,837,399	\$ 4,548,219

The following is a condensed Statement of Revenues, Expenses and Changes in Net Position:

	Year Ended June 30	
	2022	2021
<u>Revenues</u>		
Program revenues:		
Permits and other fees	\$ 956,909	\$ 2,138,165
Taxes	199,115	185,166
Operating grants	53,768	183,104
General revenues:		
Intergovernmental grants	4,200	19,705
Miscellaneous	3,235	175
Investment income	3,057	3,540
Total revenues	1,220,284	2,529,855
<u>Expenses</u>		
Operating expenses:		
Personnel	343,916	343,621
Non personnel	585,883	671,590
Depreciation	1,305	1,305
Total expenses	931,104	1,016,516
Change in net position	289,180	1,513,339
Net position - beginning of year	4,548,219	3,034,880
Net position - end of year	\$ 4,837,399	\$ 4,548,219

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As noted, earlier, net position may serve over time as a useful indicator of a Commission's financial position. In the case of the Commission, assets exceeded liabilities by over \$4.8 million at the close of the most recent fiscal year. The majority of this balance is categorized as unrestricted net position and may be used to meet the Commission's ongoing obligations to rate payers and creditors.

The Commission's net position increased over \$0.3 million from the prior year which also resulted in an increase to cash of almost \$0.4 million.

Total revenues were over \$1.2 million in the current year as compared to almost \$2.5 million in the prior year. Permits and related fees represented 78.41% of total revenues. In the prior year, net position increased over \$1.5 million as permit activity decreased in the current year. However, permit activity remained robust in fiscal 2022 despite the reduction from 2021, as can be observed in the ten-year trend position in the table below.

Fiscal Year	Total Net	Invested in	Restricted	Unrestricted
	Assets	Capital Assets		
2022	\$ 4,837,399	\$ 5,392	\$ 10,000	\$ 4,822,007
2021	4,548,219	6,697	10,000	4,531,522
2020	3,034,880	8,002	10,000	3,016,878
2019	1,730,593	9,307	10,000	1,711,286
2018	1,809,620	11,034	10,000	1,788,586
2017	1,483,208	12,902	10,000	1,460,306
2016	1,532,832	3,104	10,000	1,519,728
2015	1,496,885	-	10,000	1,486,885
2014	1,757,952	658	10,000	1,747,294
2013	1,380,690	4,607	10,000	1,366,083
2012	1,199,058	8,555	-	1,190,503

No other revenues exceeded 10% of total revenues or fluctuated significantly from the prior year.

Expenses which were a little less than \$1 million in the current year were consistent with the prior year. These were made up of salaries, operating and administrative expenses.

Capital Asset and Debt Administration

Capital Assets – Capital assets are not material to the Commission's financial statements.

Long-Term Debt – The Commission carries no long-term debt.

Economic Factors and Next Year's Budgets and Rates

- The Commission continues to be an active agency in Devens and expects support from permits, tax revenue and intergovernmental grants to continue at a moderate pace contingent on macro-economic events.
- Expenses are expected to be consistent with prior years.
- Net position is expected to increase year over year.

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Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances.

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Devens Enterprise Commission, 33 Andrews Parkway, Devens, MA 01434.

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DEVENS ENTERPRISE COMMISSION

STATEMENT OF NET POSITION

JUNE 30, 2022

Assets

Current assets:

Cash and cash equivalents \$ 4,911,452

Receivables:

Pass through items 83,827

Total current assets 4,995,279

Noncurrent assets:

Capital assets net of accumulated depreciation 5,392

Total noncurrent assets 5,392

Total Assets 5,000,671

Liabilities

Current liabilities:

Accounts payable and other 58,183

Payroll and withholdings 52,430

Guaranteed deposits 31,137

Noncurrent liabilities:

Compensated absences 18,057

Total Liabilities 159,807

Deferred Inflows of Resources:

Other Liability 3,465

Total Deferred Inflows of Resources 3,465

Net Position

Invested in capital 5,392

Restricted 10,000

Unrestricted 4,822,007

Total Net Position \$ 4,837,399

See accompanying notes to basic financial statements.

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DEVENS ENTERPRISE COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2022

Operating Revenues

Permits and other fees	\$ 956,909
Tax surcharge	199,115
Intergovernmental	53,768
Total Operating Revenues	<u>1,209,792</u>

Operating Expenses

Salaries and wages	343,916
Outside contractors	188,901
Insurance	20,663
Benefits	66,445
Other operations	184,874
Depreciation	1,305
Total Operating Expenses	<u>806,104</u>

Operating Income (Loss)403,688**Nonoperating Revenues (Expenses)**

Intergovernmental grants	4,200
Funding to Devens Eco-Efficiency Center	(125,000)
Investment income	3,057
Miscellaneous	3,235
Total Nonoperating Revenues (Expenses), net	<u>(114,508)</u>

Change in Net Position

289,180

Total Net Position - Beginning of year4,548,219**Total Net Position - End of year**\$ 4,837,399

See accompanying notes to basic financial statements.

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DEVENS ENTERPRISE COMMISSION

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2022

Cash Flows from Operating Activities

Program revenue	\$ 1,260,954
Payments to vendors	(350,420)
Payments for wages and benefits	(307,062)
Net cash provided by operating activities	<u>603,472</u>

Cash Flows from Noncapital Financing Activities

Devens Eco-Efficiency Center funding	(125,000)
Other	3,235
Net cash used in noncapital financing activities	<u>(121,765)</u>

Cash Flows from Capital and Related Financing Activities

Intergovernmental grants	4,200
Net cash provided by capital and related financing activities	<u>4,200</u>

Cash Flows from Investing Activities

Investment income	3,057
Net cash provided by investing activities	<u>3,057</u>

Net Change in Cash and Cash Equivalents 488,964

Cash and Cash Equivalents

Beginning of year	<u>4,422,488</u>
End of year	<u><u>\$ 4,911,452</u></u>

**Reconciliation of Operating Income to Net Cash Provided By
(Used In) Operating Activities**

Operating income (loss)	\$ 403,688
Add: Depreciation expense	1,305

Adjustments to reconcile operating income (loss) to net cash
provided by (used in) operating activities:

Changes in assets and liabilities:

Accounts receivable	104,930
Prepaid expenses	3,846
Accounts payable and other liabilities	86,187
Compensated absences	51
Guaranteed deposits	<u>3,465</u>

Net cash provided by operating activities \$ 603,472

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

The basic financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Commission:

A. Reporting Entity

The Commission is the regulatory and permitting authority for Devens a regional enterprise zone located in the Towns of Ayer, Shirley, and Harvard Massachusetts. Its role is to administer and enforce the reuse plan, bylaws, regulations, and sustainability vision of Devens. The Commission functions as a board of health, conservation commission, zoning board of appeals, historic district commission, and planning board.

Created under Chapter 498 of the Commonwealth of Massachusetts Acts of 1993, the affairs of the Commission are administered by an appointed Board of twelve directors. The main office facilities are located at 33 Andrews Parkway, Devens, Massachusetts.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Commission meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following are the accounting and reporting policies of the Commission:

Basis of Presentation – The Commission’s financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as specified by the Governmental Accounting Standards Board’s (“GASB”) requirements for an enterprise fund.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. User fees are recognized as revenues in the year in which they are used, as either assessed or unbilled.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with a proprietary fund’s principal ongoing operations.

The principal operating revenues are user charges and fees associated with the regulatory and permitting process. In addition, the Commission receives 2% of all Devens related tax revenue received by the Massachusetts Development Finance Agency (MassDevelopment) as well as grants from the Commonwealth of Massachusetts.

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Operating expenses consist of salaries, development costs, ordinary maintenance, administration expenses, and depreciation.

Taxes – The Commission is exempt from all federal and state income taxes and real estate taxes.

C. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position

Deposits and Investments – The Commission's cash and cash equivalents are generally considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Other short-term investments may also be classified as cash and cash equivalents due to their highly liquid nature.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Services rendered on behalf of local businesses are reimbursable from those local businesses and are reflected as pass through receivables. Amounts owed from the Commonwealth, if any, are reflected as intergovernmental receivables.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenses at the time of purchase. Inventory is stated at cost (first-in, first-out). Inventory consists primarily of materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Capital Assets – Capital assets, which include property, plant, and equipment, are recorded at historical cost, or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets, if material, is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25 years
Machinery and equipment	3 years
Infrastructure	25 years

Compensated Absences – Full time employees earn paid vacation time in accordance with policies established by the Commission.

Employees are granted fifteen (15) days of sick leave every July 1st. Sick leave can accumulate up to sixty (60) days. Upon termination, unused sick leave is not "bought back" by the Commission. As a result, an accumulated sick leave liability is not reported.

Net Position – Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

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

Net position that does not meet the definition of *invested in capital assets* or *restricted* are reported as *unrestricted net position*.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Budgetary Data

GAAP requires a budgetary comparison schedule to be presented for funds with a legally adopted budget. The Commission is not required to and does not have a legally adopted budget. The Commission does have an operating budget approved by the Board of Directors; however, the budget serves primarily as a guideline for operations and is not legally restricting.

E. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type’s portion of this pool is displayed on the balance sheet as “cash and cash equivalents.”

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Commission’s deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the bank balance of the Commission's deposits was \$4,922,557 and the carrying value was \$4,911,452. All of the bank balance amount was insured.

The Commission also carries \$246,799 in a pooled fund.

Fair Value of Investments – The Commission maintains no financial holdings that are considered to be investments at June 30, 2022; therefore, no fair value measurements within the fair value hierarchy established by GAAP is reportable.

Interest Rate Risk – The Commission does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates. However, such risk is reduced by the fact that the Commission maintains such

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funds in highly liquid bank accounts; thereby, allowing for timely re-allocation of such holdings should the need arise.

Concentration of Credit Risk – The Commission maintains no financial holdings that are considered to be investments at June 30, 2022; therefore, no credit risk existed at that time.

Credit Risk – The Commission has not adopted a formal policy related to credit risk. However, Massachusetts General Law and regulations require the Commission to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool.

In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation.

B. Receivables

Receivables of the Commission as of June 30, 2022, consists almost entirely of pass-through amounts.

C. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Furniture and Fixtures	25,875	-	-	25,875
Office resource material	22,707	-	-	22,707
Total Capital Assets Being Depreciated	48,582	-	-	48,582
 Total Capital Assets	 48,582	 -	 -	 48,582
Less Accumulated Depreciation for:				
Furniture and Fixtures	19,178	1,305	-	20,483
Office resource material	22,707	-	-	22,707
Total Accumulated Depreciation	41,885	1,305	-	43,190
Total Fixed Assets, Net	\$ 6,697	\$ (1,305)	\$ -	\$ 5,392

III. Other Information

A. Retirement System

Retirement System Description – The Commission is a member of the Massachusetts State Employees' Retirement System (SERS), an agency multiple-employer defined benefit pension plan that covers substantially all employees of the Commonwealth of Massachusetts and certain independent Commissions, authorities and agencies. SERS was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts and is not part of the reporting entity.

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Standalone financial statements for SERS have not been issued, however an annual report is available at the Office of the Comptroller, Commonwealth of Massachusetts, One Ashburton Place Room 901, Boston, Massachusetts 02108.

Membership – Membership of all member employers of the SERS as of January 1, 2021 (actuarial date) was as follows:

Retirees and beneficiaries currently receiving benefits	68,280
Active plan members	85,999
Terminated employees entitled to benefits but not yet receiving them	4,119
Total	<u>158,398</u>

Benefit Terms – Membership in SERS is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of SERS do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. SERS provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by SERS include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Contributions Requirements – The provisions of Chapter 32, Section 22C mandate the establishment of a funding schedule for the pension obligation. Such a funding schedule is in place, with final amortization payment scheduled for the year ended June 30, 2036. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

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Special Funding Situation - The Commonwealth is a nonemployer contributor to the SERS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of SERS on behalf of the Commission. Therefore, the Commission is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The Commission's proportionate share of the collective SERS net pension liability assumed by the Commonwealth at this reporting date was 0.00511%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Commission as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Commission's net proportionate share of the following:

	Gross Commission Portion	Paid (or assumed) On Behalf of the Commission	Net Commission portion
Net pension liability	533,678	533,678	-
Pension expense	32,594	32,594	-
Commission annual required contribution	60,831	60,831	-

The Commission recognized \$32,594 in intergovernmental revenue and pension expense relative to this arrangement.

Fiduciary Net Position – The elements of SERS basic financial statements (that is, all information about SERS assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in SERS full financial statements. SERS full financial statements as of and for the year ended June 30, 2021, can be obtained by contacting the Office of the Comptroller of the Commonwealth of Massachusetts.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2021 actuarial valuation report was 7.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions,

SERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SERS fiduciary net position was determined using the accrual basis of accounting. SERS accounting records are maintained on a fiscal-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

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Actuarial Valuation – The measurement of SERS total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2021. The significant actuarial assumptions used in the January 1, 2021 actuarial valuation included:

Discount rate	7.00%, net of pension plan investment expense
Projected salary increases	4.0% to 9.0% depending on group and length of
Inflation rate	2.5%
Mortality rates:	
Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020 set forward one year for females
Disabled retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020 set forward one year.

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation. The target allocation and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.30%
Value added fixed income	8.00%	3.90%
Private equity	13.00%	7.80%
Real estate	10.00%	3.70%
Timber/natural resources	4.00%	4.30%
Portfolio completion	11.00%	2.90%
	<u>100.00%</u>	

Sensitivity Analysis – The following presents the Commonwealth assumed Commission proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as the Commonwealth assumed Commission proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net pension liability				
Current rate	Decrease 1%	Current	Increase 1%	
7.00%	\$ 817,061	\$ 533,678	\$ 300,994	

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B. Other Postemployment Benefits

OPEB Plan Description – The Commission is a member of the Massachusetts Other Postemployment Benefits Plan (the OPEB Plan). Benefits are managed by the Group Insurance Commission (GIC) and investments are managed by PRIM. The GIC has representation on the Board of Trustees of the State Retiree’s Benefits Trust (SRBT).

The OPEB Plan was established under Chapter 32A of the General Laws of the Commonwealth of Massachusetts and is not part of the reporting entity. Standalone financial statements for the OPEB Plan have not been issued.

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and non-pension related benefits have been paid or defeased. Management of the SRBT is vested with the Board of Trustees.

Membership – Membership of all member employers of the OPEB Plan as of January 1, 2021 (actuarial date) was as follows:

Retirees and beneficiaries currently receiving benefits	68,280
Active plan members	85,999
Terminated employees entitled to benefits but not yet receiving them	4,119
Total	<u>158,398</u>

Under Chapter 32A of the Massachusetts General Laws (MGL) the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental entities for which the Commission is one.

Substantially all employees may become eligible for these benefits if they reach retirement age while working for an eligible member. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs, which are comparable to contributions required from employees.

As of June 30, 2022, participants contributed 10% to 20% of premium costs depending on date of hire and whether the participant is active, retiree, or survivor status.

Special Funding Situation - The Commonwealth is a nonemployer contributor to the OPEB Plan and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the OPEB Plan on behalf of the Commission. Therefore, the Commission is considered to be in a special funding situation as defined by GASB Statement No. 75, *Accounting and Financial Reporting for OPEB*.

The Commission’s proportionate share of the collective OPEB Plan liability assumed by the Commonwealth at this reporting date was 0.005%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Commission as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

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The table below presents the Commission's net proportionate share of the following:

	Gross Commission Portion	Paid (or assumed) On Behalf of the Commission	Net Commission portion
Net OPEB liability	846,782	846,782	-
OPEB expense	21,174	21,174	-
Commission annual required contribution	28,867	28,867	-

The Commission recognized \$21,174 in intergovernmental revenue and OPEB expense relative to this arrangement.

Fiduciary Net Position – The elements of the OPEB Plan basic financial statements (that is, all information about the OPEB Plan assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Commonwealth's Annual Comprehensive Financial Report. This financial statement as of and for the year ended June 30, 2021, can be obtained by contacting the Office of the Comptroller of the Commonwealth of Massachusetts.

Discount Rate – The discount rate used to measure the total OPEB liability in the January 1, 2021 actuarial valuation report was 2.77%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member 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. Therefore, the long-term expected rate of return on plan investments of 7.15% was blended with the Aa municipal bond rate of 2.77% and applied to all periods of projected benefit payments to determine the total OPEB liability.

The OPEB Plan fiduciary net position was determined using the accrual basis of accounting. the OPEB Plan accounting records are maintained on a fiscal-year basis. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements.

Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

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Actuarial Valuation – The measurement of the OPEB Plan net liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2021. The significant actuarial assumptions used in the January 1, 2021 actuarial valuation included:

Investment rate of return	7.00%
Discount rate	2.77%, net of OPEB plan investment expense
Health care trend rate	Getzen model
Inflation rate	2.5%
Mortality rates:	
Healthy participants	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020 set forward one year for females
Disabled participants	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020 set forward one year.

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation. The target allocation and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

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

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Sensitivity Analysis – The following presents the Commonwealth assumed Commission proportionate share of the net OPEB liability calculated using the discount rate of 2.77% as well as the Commonwealth assumed Commission proportionate share of the net OPEB liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net OPEB liability			
Discount rate			
Current rate	Decrease 1%	Current	Increase 1%
2.77%	\$ 1,005,977	\$ 846,782	\$ 718,495

The following presents the Commonwealth assumed Commission proportionate share of the net OPEB liability calculated using the current health care trend rate as well as the Commonwealth assumed Commission proportionate share of the net OPEB liability using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

Net OPEB liability			
Health care trend rate			
Current rate	Decrease 1%	Current	Increase 1%
4.0% - 6.7%	\$ 693,260	\$ 846,782	\$ 1,047,469

B. Risk Financing

The Commission is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. The amount of claim settlements has not exceeded insurances coverage in any of the previous three years.

C. Commitments and Contingencies

Legal Claims - The Commission may be party to certain legal terms that arise during the normal course of operations. These legal claims, if any, are subject to many uncertainties, the outcome of which is not always predictable. The Commission does not believe any such claims currently exist.

IV. Implementation of New GASB Pronouncements

Current Year Implementations –

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Commission's financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for

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interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Commission's financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Commission's financial statements.

Future Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Commission is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Commission is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Commission is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Commission is currently evaluating whether adoption will have a material impact on the financial statements.

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In June 2022, the GASB issued GASB Statement No. 101, *Compensate Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Commission is currently evaluating whether adoption will have a material impact on the financial statements.

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DEVENS ENTERPRISE COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

YEAR ENDED JUNE 30, 2022

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS STATE EMPLOYEES RETIREMENT SYSTEM
(dollar amounts are in thousands)

	Year Ended June 30,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Commission's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 10,436,529	\$17,157,700	\$ 14,634,204	\$13,229,979	\$12,824,768	\$ 13,788,844	\$ 11,382,829	\$ 7,424,105	\$ 8,903,042
Commonwealth's actuarially determined contribution	\$ 1,189,601	\$ 1,080,651	\$ 995,819	\$ 914,462	\$ 781,812	\$ 718,068	\$ 626,053	\$ 588,224	\$ 551,433

Contributions to SERS are the responsibility of the Commonwealth of Massachusetts.

The Commonwealth uses a year earlier date as the measurement date.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

DEVENS ENTERPRISE COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2022

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS OTHER POSTEMPLOYMENT BENEFIT PLAN
(dollar amounts are in thousands)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%
Commission's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 15,999,465	\$ 20,691,199	\$ 18,293,558	\$ 18,573,764	\$ 17,484,529
Commonwealth's actuarially determined contribution	\$ 545,426	\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932

Contributions to OPEB are the responsibility of the Commonwealth of Massachusetts.

The Commonwealth uses a year earlier date as the measurement date.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.