

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF UPTON, MASSACHUSETTS

Basic Financial
Statements and Additional
Information Year Ended
June 30, 2021



TOWN OF UPTON, MASSACHUSETTS

TABLE OF CONTENTS **YEAR ENDED JUNE 30, 2021**

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Governmental Funds Financial Statements:	
Balance Sheet	13
Reconciliation of the Balance Sheet Total Fund Balances to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds Financial Statements:	
Statement of Net Position	17
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22 – 49
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED	
Schedule of the Town's Proportionate Share of the Net Pension Liability	50
Schedule of the Town's Contributions to the Pension Plan	50
Schedule of Changes in Net OPEB Liability and Related Ratios	51
Schedule of Contributions to the OPEB Plan	52
Schedule of Investment Returns –OPEB Plan	52
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – General Fund	53
Notes to Required Supplementary Information	54



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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Upton, Massachusetts

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 Upton, 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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Restatement

We audited the Town's basic financial statements for the year ended June 30, 2020, for which we issued an unmodified opinion dated January 12, 2021. As discussed in note V to the financial statements, the Town adopted Statement of Governmental Accounting Standards No. 84, *Fiduciary Activities*, in fiscal year 2021. In connection with the adoption of this accounting standard, previously reported total net position in the Statement of Net Position and fund balances in the Statement of Revenues, Expenditures and Changes in Fund Balances were restated. Our opinion was not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying 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
December 9, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Upton, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$60.0 million (total net position). This represents an increase of approximately \$2.6 million. The Town reported an increase of approximately \$2.1 million in its governmental activities and an approximate \$0.5 million increase in its business-type activities in fiscal year 2021.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit approached \$7.4 million at June 30, 2021, which is relatively consistent with the prior year. Included in this deficit is approximately \$14.6 million in net other postemployment benefits and net pension liabilities. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable by the Town for retiree medical insurance and pensions.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$15.0 million, which is an approximate \$2.1 million increase from the prior year. The Town's general fund reported a decrease in fund balance of \$0.3 million, which was due primarily to its funding of \$0.8 million from free cash for the construction of a new community center building. Each other major governmental fund reported increases to fund balances in fiscal year 2021.
- Of the ending fund balance in the Town's governmental funds, approximately \$5.3 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was nearly 24% of the total general fund expenditures and the total general fund balance was over 28% of total general fund expenditures.
- The Town's total long-term debt decreased by \$315,000 during the current fiscal year. In fiscal year 2021, the Town completed a refunding of previously issued general obligation bonds for which it expects to save approximately \$0.5 million in total debt service payments over the remaining life of these general obligation bonds. The Town's short-term borrowings in the form of bond anticipation notes, or BANs, decreased \$605,000 in fiscal year 2021 to \$1.7 million at June 30, 2021.
- The Town received approximately \$422,000 from the federal government under the American Rescue Plan Act ("ARPA") coronavirus local fiscal recovery fund in late fiscal year 2021. This was the first installment of approximately \$2.4 million in eligible ARPA monies to the Town from this fund. The use of these monies is less limited than the funding the Town received under the CARES Act and based on current guidance must be obligated by December 31, 2024 and expended by December 31, 2026.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's 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 other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (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 of the Town include general government, public safety, highways and streets, sanitation, education through a regional school district, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its water and sewer 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by the Town using its highest level of decision-making authority.
- Assigned – amounts the Town intends to use for a particular purpose.

- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major governmental funds if negative.

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.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the community preservation fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes to the financial statements.

Proprietary Funds – Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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.

Government-Wide Financial Analysis

The condensed comparative statements of net position for the two most recent fiscal years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020 (a)	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Assets:						
Current and other assets	\$ 18,231,222	\$ 15,890,852	\$ 3,730,118	\$ 3,298,944	\$ 21,961,340	\$ 19,189,796
Capital assets, net	<u>51,356,556</u>	<u>50,803,897</u>	<u>12,698,078</u>	<u>12,884,466</u>	<u>64,054,634</u>	<u>63,688,363</u>
Total Assets	<u>69,587,778</u>	<u>66,694,749</u>	<u>16,428,196</u>	<u>16,183,410</u>	<u>86,015,974</u>	<u>82,878,159</u>
Deferred Outflows of Resources	<u>2,505,820</u>	<u>2,758,771</u>	<u>476,450</u>	<u>237,293</u>	<u>2,982,270</u>	<u>2,996,064</u>
Liabilities:						
Long-term liabilities	17,740,075	17,452,140	4,916,323	5,115,794	22,656,398	22,567,934
Other liabilities	<u>2,334,676</u>	<u>2,023,325</u>	<u>1,590,706</u>	<u>1,556,142</u>	<u>3,925,382</u>	<u>3,579,467</u>
Total Liabilities	<u>20,074,751</u>	<u>19,475,465</u>	<u>6,507,029</u>	<u>6,671,936</u>	<u>26,581,780</u>	<u>26,147,401</u>
Deferred Inflows of Resources	<u>2,009,110</u>	<u>2,104,279</u>	<u>356,682</u>	<u>171,844</u>	<u>2,365,792</u>	<u>2,276,123</u>
Net Position:						
Net investment in capital assets	48,256,406	47,560,917	8,571,956	8,518,466	56,828,362	56,079,383
Restricted	9,131,246	7,345,960	-	-	9,131,246	7,345,960
Unrestricted	<u>(7,377,915)</u>	<u>(7,033,101)</u>	<u>1,468,979</u>	<u>1,058,457</u>	<u>(5,908,936)</u>	<u>(5,974,644)</u>
Total Net Position	<u>\$ 50,009,737</u>	<u>\$ 47,873,776</u>	<u>\$ 10,040,935</u>	<u>\$ 9,576,923</u>	<u>\$ 60,050,672</u>	<u>\$ 57,450,699</u>

(a) As restated for the effects of adoption of GASB Statement No. 84; refer to Note V to the financial statements.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position increased nearly \$2.6 million year-over-year. This increase was driven by an approximate \$2.1 million increase in net position in the Town's governmental activities, which was primarily due to positive budget to actual results in both general fund revenues and expenses.

The largest portion of the Town's net position (approximately \$56.8 million) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$9.1 million) represents resources that are subject to restrictions on how they may be used.

The remaining net position is unrestricted and is presented as a deficit balance. The Town reports a deficit unrestricted net position of approximately \$5.9 million. This deficit is primarily the result of an approximate \$7.6 million net other postemployment benefit liability and \$9.2 million net pension liability at June 30, 2021. The Town expects that its deficit in unrestricted net position will remain for the foreseeable future.

The condensed comparative statements of activities for the two most recent fiscal years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,741,718	\$ 1,473,893	\$ 2,064,849	\$ 1,877,793	\$ 3,806,567	\$ 3,351,686
Operating grants and contributions	921,687	650,035	-	-	921,687	650,035
Capital grants and contributions	1,490,446	1,504,969	-	-	1,490,446	1,504,969
General revenues:						
Property taxes	22,267,242	21,583,063	-	-	22,267,242	21,583,063
Excise taxes	1,344,579	1,318,873	-	-	1,344,579	1,318,873
Intergovernmental	565,358	565,358	-	-	565,358	565,358
Other	1,149,274	261,955	2	11,447	1,149,276	273,402
Total Revenues	29,480,304	27,358,146	2,064,851	1,889,240	31,545,155	29,247,386
Expenses:						
General government	2,224,389	1,943,033	-	-	2,224,389	1,943,033
Public safety	5,917,475	4,589,979	-	-	5,917,475	4,589,979
Education	13,982,194	13,509,032	-	-	13,982,194	13,509,032
Public works	3,852,759	3,585,464	-	-	3,852,759	3,585,464
Health and human services	430,179	450,624	-	-	430,179	450,624
Culture and recreation	703,446	678,644	-	-	703,446	678,644
Interest expense	79,597	155,687	52,899	116,626	132,496	272,313
Utility services	-	-	1,702,244	2,354,237	1,702,244	2,354,237
Total Expenses	27,190,039	24,912,463	1,755,143	2,470,863	28,945,182	27,383,326
Change in Net Position Before Transfers	2,290,265	2,445,683	309,708	(581,623)	2,599,973	1,864,060
Transfers	(154,304)	(143,514)	154,304	143,514	-	-
Change in Net Position	2,135,961	2,302,169	464,012	(438,109)	2,599,973	1,864,060
Net Position:						
Beginning of year	47,873,776	45,586,959	9,576,923	10,015,032	57,450,699	55,601,991
Restatement (a)	-	(15,352)	-	-	-	(15,352)
End of year	\$ 50,009,737	\$ 47,873,776	\$ 10,040,935	\$ 9,576,923	\$ 60,050,672	\$ 57,450,699

(a) Restatement accounts for the effects of adoption of GASB Statement No. 84; refer to Note V to the financial statements.

Governmental Activities – Total revenues in fiscal year 2021 increased over \$2.1 million, or 7.8%, from the prior year. This increase was due to (i) an approximate \$0.8 million increase in investment income, which was the result of strong market returns on the Town’s trust funds, and (ii) a nearly \$0.7 million, or 3.2%, increase in property tax revenues. The Town’s largest revenue source is property taxes, which represented approximately 76% and 79% of fiscal year 2021 and 2020 total revenues, respectively. No other revenue source exceeded 10% in fiscal year 2021 or 2020.

Total expenses increased approximately \$2.3 million year-over-year. The Town’s largest expense category is education. Education expenses totaled approximately 51% and 54% of total annual expenditures in fiscal years 2021 and 2020, respectively. In terms of gross dollars, education expenses increased nearly \$0.5 million in fiscal year 2021, which reflected the increase in the Town’s assessment for its regional school district. Public safety expenses represented approximately 22% and 18% annual expenditures in fiscal year 2021 and 2020, respectively. The increase in public safety expenditures pertained primarily to the Town’s expenditure of state and federal funds in mitigating the COVID-19 pandemic. Public works expenses represented 14% of both fiscal year 2021 and 2020 total expenses. No other expense categories were greater than 10% in fiscal years 2021 or 2020.

Business-Type Activities – Total revenues increased approximately \$0.2 million year-over-year. User charges represent the majority of the reported revenues in both fiscal years 2021 and 2020.

Total expenses decreased over \$0.7 million year-over-year, which was almost entirely related to decreases in noncash personnel expenses related to the Town's pension and OPEB expenses.

Financial Analysis of the Government's Funds

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$15.0 million, which is an approximate \$2.1 million increase from the prior year. The Town's general fund reported a decrease in fund balance of \$0.3 million, which was due primarily to its funding of \$0.8 million from free cash for the construction of a new community center building. Each other major governmental fund reported increases to fund balances in fiscal year 2021. Of the ending fund balance, approximately \$5.3 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was approximately \$5.9 million, while total fund balance exceeded \$6.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents nearly 24% of total general fund expenditures, while total fund balance represents over 28% of that same amount.

The Town's Community Preservation Fund is restricted for historical preservation and conservation of open space. At June 30, 2021, the Community Preservation Fund balance had over \$2.9 million that is restricted in its use.

In a May 2021 Town Meeting, the Town authorized the transfer of \$800,000 from free cash and borrowing of over \$11.0 million to construct a new community center building. A new major governmental fund was established in these basic financial statements to report the activity of this significant capital project. At June 30, 2021, this fund had a fund balance of \$800,000.

The remainder of the governmental funds are either (1) nonspendable as the corpus of an endowment in the amount of approximately \$156,000; (2) restricted due to constraints placed externally by third-parties in the amount of approximately \$4.9 million; or (3) reported as a deficit in the unassigned fund balance in the amount of approximately \$(563,000), which are expected to be satisfied through future grant receipts or from long-term borrowings.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water and sewer enterprise funds totaled over \$10.0 million in the aggregate.

General Fund Budgetary Highlights

Through Town Meeting votes, free cash of \$942,500 was authorized to fund a number of articles, most notably the transfer of \$800,000 to a capital project funds for the purpose of funding a new community center building project. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets – As of June 30, 2021, the Town’s investment in capital assets for its governmental and business-type activities approximated \$51.4 million and \$12.7 million, respectively. Net capital assets increased nearly \$0.4 million in fiscal year 2021 as current year capital additions exceeded depreciation expense. Additional information on the Town capital assets can be found in the notes to the financial statements.

Long-Term Debt – The Town’s total general obligation bonds payable debt decreased by \$315,000 in fiscal year 2021 to approximately \$6.4 million at June 30, 2021. In fiscal year 2021, the Town completed a refunding of previously issued general obligation bonds for which it expects to save approximately \$0.5 million in total debt service payments over the remaining life of these general obligation bonds.

The Town’s short-term borrowings in the form of bond anticipation notes, or BANs, decreased \$605,000 in fiscal year 2021 to \$1.7 million at June 30, 2021

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town.

Subsequent to year end, in December 2021 the Town issued approximately \$12.2 million in general obligation bonds primarily to fund the construction of a new community center building with a true interest cost of approximately 1.86%. The Town’s bond rating of “AA+” was affirmed by Standard and Poor’s Financial Services LLC in November 2021.

Additional information on the Town’s debt can be found in the notes to the financial statements.

Economic Factors and Next Year’s Budget

- Net state aid for fiscal year 2022 is expected to increase to approximately \$849,000.
- The Town enters fiscal year 2022 with approximately \$2,447,000 in certified free cash and \$2,033,000 in general stabilization funds.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2021 are approximately 94% of the entire property tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.

Each of these factors were considered in preparing the Town’s budget for the 2022 fiscal year, which was adopted at Town Meeting in May 2021. The fiscal year 2022 tax rate, which reflects the adopted budget, was approved on November 18, 2021.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Manager, 1 Main Street, Upton, MA 01568.

TOWN OF UPTON, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 8,113,625	\$ 3,264,860	\$ 11,378,485
Investments	8,121,808	-	8,121,808
Receivables, net of allowances:			
Property taxes	1,187,073	-	1,187,073
Excise taxes	188,293	-	188,293
Departmental, user charges and other	220,444	465,258	685,702
Intergovernmental	399,979	-	399,979
Land	6,317,285	-	6,317,285
Construction in-progress	531,115	-	531,115
Depreciable capital assets, net	<u>44,508,156</u>	<u>12,698,078</u>	<u>57,206,234</u>
Total Assets	<u>69,587,778</u>	<u>16,428,196</u>	<u>86,015,974</u>
Deferred Outflows of Resources:			
Loss on refunding	185,650	71,877	257,527
Other postemployment benefits	1,502,164	312,672	1,814,836
Pensions	<u>818,006</u>	<u>91,901</u>	<u>909,907</u>
Total Deferred Outflows of Resources	<u>2,505,820</u>	<u>476,450</u>	<u>2,982,270</u>
Liabilities:			
Warrants and accounts payable	752,951	53,992	806,943
Accrued interest	4,505	13,714	18,219
Deposits and escrows	393,024	-	393,024
Unearned revenues	422,076	-	422,076
Other liabilities	5,120	-	5,120
Bond anticipation note payable	480,000	1,220,000	1,700,000
Noncurrent liabilities:			
Due within one year	277,000	303,000	580,000
Due in more than one year	<u>17,740,075</u>	<u>4,916,323</u>	<u>22,656,398</u>
Total Liabilities	<u>20,074,751</u>	<u>6,507,029</u>	<u>26,581,780</u>
Deferred Inflows of Resources:			
Other postemployment benefits	1,367,051	284,549	1,651,600
Pensions	<u>642,059</u>	<u>72,133</u>	<u>714,192</u>
Total Deferred Inflows of Resources	<u>2,009,110</u>	<u>356,682</u>	<u>2,365,792</u>
Net Position:			
Net investment in capital assets	48,256,406	8,571,956	56,828,362
Restricted for:			
Nonexpendable permanent funds	156,006	-	156,006
Expendable permanent funds	3,949,987	-	3,949,987
Community preservation	2,829,716	-	2,829,716
Other purposes	2,195,537	-	2,195,537
Unrestricted	<u>(7,377,915)</u>	<u>1,468,979</u>	<u>(5,908,936)</u>
Total Net Position	<u>\$ 50,009,737</u>	<u>\$ 10,040,935</u>	<u>\$ 60,050,672</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,224,389	\$ 209,729	\$ 292,963	\$ 471,703	\$ (1,249,994)		\$ (1,249,994)
Public safety	5,917,475	888,433	493,572	396,491	(4,138,979)		(4,138,979)
Education	13,982,194	-	39,799	-	(13,942,395)		(13,942,395)
Public works	3,852,759	39,925	-	622,252	(3,190,582)		(3,190,582)
Health and human services	430,179	338,998	66,222	-	(24,959)		(24,959)
Culture and recreation	703,446	264,633	29,131	-	(409,682)		(409,682)
Interest expense	79,597	-	-	-	(79,597)		(79,597)
Total Governmental Activities	27,190,039	1,741,718	921,687	1,490,446	(23,036,188)		(23,036,188)
Business-Type Activities:							
Water	1,033,317	1,221,905	-	-		\$ 188,588	188,588
Sewer	721,826	842,944	-	-		121,118	121,118
Total Business-Type Activities	1,755,143	2,064,849	-	-		309,706	309,706
Total Primary Government	\$ 28,945,182	\$ 3,806,567	\$ 921,687	\$ 1,490,446		309,706	(22,726,482)
General Revenues:							
Property taxes					22,267,242	-	22,267,242
Motor vehicle excise taxes					1,344,579	-	1,344,579
Grants and contributions not restricted to to specific programs					565,358	-	565,358
Penalties and interest on taxes					158,028	-	158,028
Unrestricted investment income					923,466	2	923,468
Other income					67,780	-	67,780
Transfers, net					(154,304)	154,304	-
Total General Revenues and Transfers					25,172,149	154,306	25,326,455
Change in Net Position					2,135,961	464,012	2,599,973
Net Position:							
Beginning of year (as restated; refer to Note V)					47,873,776	9,576,923	57,450,699
End of year					\$ 50,009,737	\$ 10,040,935	\$ 60,050,672

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2021

	General Fund	Community Preservation Fund	Community Center Construction	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 5,325,604	\$ 1,033,699	\$ 800,000	\$ 954,322	\$ 8,113,625
Investments	2,242,273	1,798,532	-	4,081,003	8,121,808
Receivables, net of allowances:					
Property taxes	1,165,420	21,653	-	-	1,187,073
Excise taxes	188,293	-	-	-	188,293
Departmental, user charges and other	-	-	-	220,444	220,444
Intergovernmental	-	-	-	399,979	399,979
Total Assets	8,921,590	2,853,884	800,000	5,655,748	18,231,222
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 8,921,590	\$ 2,853,884	\$ 800,000	\$ 5,655,748	\$ 18,231,222
Liabilities:					
Warrants and accounts payable	\$ 576,969	\$ 2,515	\$ -	\$ 173,467	\$ 752,951
Deposits and escrows	393,024	-	-	-	393,024
Unearned revenues	-	-	-	422,076	422,076
Other liabilities	5,120	-	-	-	5,120
Bond anticipation note payable	-	-	-	480,000	480,000
Total Liabilities	975,113	2,515	-	1,075,543	2,053,171
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	826,920	21,653	-	-	848,573
Unavailable revenues - other	188,293	-	-	108,252	296,545
Total Deferred Inflows of Resources	1,015,213	21,653	-	108,252	1,145,118
Fund Balances:					
Nonspendable	-	-	-	156,006	156,006
Restricted	2,306	2,829,716	800,000	4,878,647	8,510,669
Committed	1,026,071	-	-	-	1,026,071
Assigned	11,183	-	-	-	11,183
Unassigned	5,891,704	-	-	(562,700)	5,329,004
Total Fund Balances	6,931,264	2,829,716	800,000	4,471,953	15,032,933
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,921,590	\$ 2,853,884	\$ 800,000	\$ 5,655,748	\$ 18,231,222

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION AS OF
JUNE 30, 2021**

Total Governmental Fund Balances		\$ 15,032,933
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		51,356,556
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		1,145,118
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - loss on refunding	185,650	
Deferred outflows of resources - other postemployment benefits	1,502,164	
Deferred outflows of resources - pensions	818,006	
Deferred inflows of resources - other postemployment benefits	(1,367,051)	
Deferred inflows of resources - pensions	<u>(642,059)</u>	
Net effect of reporting deferred outflows and inflows of resources		496,710
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(4,505)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(6,303,247)	
Net pension liability	(8,271,828)	
General obligation bonds payable	<u>(3,442,000)</u>	
Net effect of reporting long-term liabilities		<u>(18,017,075)</u>
Net Position — Governmental Activities		<u>\$ 50,009,737</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Community Preservation Fund	Community Center Construction	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 21,882,272	\$ 489,112	\$ -	\$ -	\$ 22,371,384
Intergovernmental	842,191	471,703	-	1,618,364	2,932,258
Motor vehicle excise taxes	1,320,912	-	-	-	1,320,912
Licenses and permits	345,853	-	-	-	345,853
Penalties and interest on taxes	155,617	2,411	-	-	158,028
Fines and forfeitures	13,514	-	-	-	13,514
Departmental and other revenues	730,989	-	-	613,193	1,344,182
Contributions and donations	-	-	-	45,233	45,233
Investment income	24,196	57,050	-	842,220	923,466
Total Revenues	<u>25,315,544</u>	<u>1,020,276</u>	<u>-</u>	<u>3,119,010</u>	<u>29,454,830</u>
Expenditures:					
Current:					
General government	2,110,682	188,088	-	214,652	2,513,422
Public safety	3,384,428	-	-	1,120,410	4,504,838
Education	13,982,194	-	-	-	13,982,194
Public works	2,756,135	-	-	721,098	3,477,233
Health and human services	301,168	-	-	20,608	321,776
Culture and recreation	297,101	-	-	246,476	543,577
Pension and fringe benefits	1,500,993	-	-	-	1,500,993
State and county charges	60,701	-	-	-	60,701
Debt service:					
Principal	57,400	234,600	-	-	292,000
Interest	119,204	170,054	-	-	289,258
Total Expenditures	<u>24,570,006</u>	<u>592,742</u>	<u>-</u>	<u>2,323,244</u>	<u>27,485,992</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>745,538</u>	<u>427,534</u>	<u>-</u>	<u>795,766</u>	<u>1,968,838</u>
Other Financing Sources (Uses):					
Proceeds of refunding debt	1,075,000	2,180,000	-	-	3,255,000
Premium from issuance of refunding bonds	-	-	-	67,780	67,780
Payment to refunded debt escrow agent	(1,006,500)	(2,043,500)	-	-	(3,050,000)
Transfers in	-	-	800,000	170,000	970,000
Transfers out	(1,124,304)	-	-	-	(1,124,304)
Total Other Financing Sources (Uses)	<u>(1,055,804)</u>	<u>136,500</u>	<u>800,000</u>	<u>237,780</u>	<u>118,476</u>
Change in Fund Balances	(310,266)	564,034	800,000	1,033,546	2,087,314
Fund Balances:					
Beginning of the year (as restated; refer to Note V)	7,241,530	2,265,682	-	3,438,407	12,945,619
End of the year	<u>\$ 6,931,264</u>	<u>\$ 2,829,716</u>	<u>\$ 800,000</u>	<u>\$ 4,471,953</u>	<u>\$ 15,032,933</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances — Total Governmental Funds \$ 2,087,314

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	2,793,676	
Depreciation expense	<u>(2,241,017)</u>	
Net effect of reporting capital activity		552,659

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (42,306)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Repayments of long-term debt	<u>292,000</u>	
Net effect of reporting long-term debt activity		292,000

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:

Net other postemployment benefits liability	(279,619)	
Net pension liability	(478,748)	
Accrued interest	<u>4,661</u>	
Net effect of reporting long-term liabilities		<u>(753,706)</u>

Change in Net Position — Governmental Activities \$ 2,135,961

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Water	Sewer	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 2,038,826	\$ 1,226,034	\$ 3,264,860
Receivables, net of allowances	261,288	203,970	465,258
Total Current Assets	2,300,114	1,430,004	3,730,118
Noncurrent Assets:			
Depreciable capital assets, net	8,759,584	3,938,494	12,698,078
Total Noncurrent Assets	8,759,584	3,938,494	12,698,078
Total Assets	11,059,698	5,368,498	16,428,196
Deferred Outflows of Resources:			
Loss on refunding	71,877	-	71,877
Other postemployment benefits	151,724	160,948	312,672
Pensions	47,316	44,585	91,901
Total Deferred Outflows of Resources	270,917	205,533	476,450
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	23,893	30,099	53,992
Accrued interest	11,838	1,876	13,714
Bond anticipation note payable	1,220,000	-	1,220,000
Current portion of long-term debt	285,770	17,230	303,000
Total Current Liabilities	1,541,501	49,205	1,590,706
Noncurrent liabilities:			
Net other postemployment benefits liability	636,652	675,357	1,312,009
Net pension liability	478,459	450,856	929,315
Long-term debt	2,571,640	103,359	2,674,999
Total Noncurrent Liabilities	3,686,751	1,229,572	4,916,323
Total Liabilities	5,228,252	1,278,777	6,507,029
Deferred Inflows of Resources:			
Other postemployment benefits	138,078	146,471	284,549
Pensions	37,138	34,995	72,133
Total Deferred Inflows of Resources	175,216	181,466	356,682
Net Position:			
Net investment in capital assets	4,754,051	3,817,905	8,571,956
Unrestricted	1,173,096	295,883	1,468,979
Total Net Position	\$ 5,927,147	\$ 4,113,788	\$ 10,040,935

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,221,905	\$ 842,944	\$ 2,064,849
Operating Expenses:			
Payroll and personnel costs	299,307	335,566	634,873
Operating costs	446,850	297,808	744,658
Depreciation	<u>238,630</u>	<u>84,083</u>	<u>322,713</u>
Total Operating Expenses	<u>984,787</u>	<u>717,457</u>	<u>1,702,244</u>
Operating Income	<u>237,118</u>	<u>125,487</u>	<u>362,605</u>
Nonoperating Revenues (Expenses):			
Investment income	1	1	2
Interest expenses	<u>(48,530)</u>	<u>(4,369)</u>	<u>(52,899)</u>
Total Nonoperating Revenues (Expenses)	<u>(48,529)</u>	<u>(4,368)</u>	<u>(52,897)</u>
Income Before Transfers	<u>188,589</u>	<u>121,119</u>	<u>309,708</u>
Transfers in	<u>148,897</u>	<u>5,407</u>	<u>154,304</u>
Change in Net Position	337,486	126,526	464,012
Net Position:			
Beginning of the year	<u>5,589,661</u>	<u>3,987,262</u>	<u>9,576,923</u>
End of the year	<u>\$ 5,927,147</u>	<u>\$ 4,113,788</u>	<u>\$ 10,040,935</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

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

	Business-Type Activities		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Receipts from user charges	\$ 1,245,039	\$ 862,518	\$ 2,107,557
Payments to employees	(286,664)	(282,122)	(568,786)
Payments to vendors	(468,009)	(318,269)	(786,278)
Net Cash Provided By Operating Activities	<u>490,366</u>	<u>262,127</u>	<u>752,493</u>
Cash Flows from Noncapital Financial Activities:			
Transfers in	<u>148,897</u>	<u>5,407</u>	<u>154,304</u>
Net Cash Provided By Noncapital Financing Activities	<u>148,897</u>	<u>5,407</u>	<u>154,304</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the issuance of refunding bonds	2,275,000	-	2,275,000
Proceeds from the issuance of short-term debt	100,000	-	100,000
Premiums received on debt issuances	18,089	-	18,089
Acquisition and construction of capital assets	(83,847)	(52,478)	(136,325)
Principal repayments on long-term debt	(380,736)	(17,230)	(397,966)
Payments to refunding bond escrow agent	(2,195,000)	-	(2,195,000)
Repayments on short-term debt	(40,000)	-	(40,000)
Interest payments	<u>(52,090)</u>	<u>(4,625)</u>	<u>(56,715)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(358,584)</u>	<u>(74,333)</u>	<u>(432,917)</u>
Cash Flow from Investing Activities:			
Investment income	<u>1</u>	<u>1</u>	<u>2</u>
Net Cash Provided By Investing Activities	<u>1</u>	<u>1</u>	<u>2</u>
Change in Cash and Cash Equivalents	280,680	193,202	473,882
Cash and Cash Equivalents:			
Beginning of the year	<u>1,758,146</u>	<u>1,032,832</u>	<u>2,790,978</u>
End of the year	<u>\$ 2,038,826</u>	<u>\$ 1,226,034</u>	<u>\$ 3,264,860</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 237,118	\$ 125,487	\$ 362,605
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation expense	238,630	84,083	322,713
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	23,134	19,574	42,708
Warrants payable and other current liabilities	(21,159)	(20,461)	(41,620)
Accrued and deferred benefits payable	<u>12,643</u>	<u>53,444</u>	<u>66,087</u>
Net Cash Provided By Operating Activities	<u>\$ 490,366</u>	<u>\$ 262,127</u>	<u>\$ 752,493</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and cash equivalents	\$ 14,935	\$ 38,198
Investments in mutual funds, at fair value	<u>974,680</u>	<u>1,622,575</u>
Total Assets	<u>989,615</u>	<u>1,660,773</u>
Liabilities:		
Warrants and accounts payable	-	-
Agency liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Restricted for other postemployment benefits	989,615	-
Held in trust for private purposes	<u>-</u>	<u>1,660,773</u>
Total Net Position	<u>\$ 989,615</u>	<u>\$ 1,660,773</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION JUNE 30, 2021

	OPEB Trust	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Employer contributions	\$ 209,190	\$ -
Employee contributions	<u>14,486</u>	<u>-</u>
Total contributions	<u>223,676</u>	<u>-</u>
Investment income:		
Interest and dividends	24,644	41,522
Net appreciation in fair value of investments	170,255	211,280
Less investment management fees	<u>(5,042)</u>	<u>-</u>
Total net investment income	<u>189,857</u>	<u>252,802</u>
Total Additions	<u>413,533</u>	<u>252,802</u>
Deductions:		
Benefits to retirees and survivors	109,190	-
Scholarships and public welfare	<u>-</u>	<u>51,749</u>
Total Deductions	<u>109,190</u>	<u>51,749</u>
Change in Net Position	304,343	201,053
Net Position:		
Beginning of the year	<u>685,272</u>	<u>1,459,720</u>
End of the year	<u><u>\$ 989,615</u></u>	<u><u>\$ 1,660,773</u></u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

The basic financial statements of the Town of Upton (the “Town”) 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 Town.

A. Reporting Entity

The Town is located in Worcester county and was incorporated in 1785. The Town is approximately thirty-five miles southwest of Boston and fifteen miles southeast of Worcester. The Town utilizes an open town meeting format for its governance with an elected three-member Board of Selectmen, each of whom serve staggered three-year terms. An appointed Town Manager oversees the Town’s daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education from kindergarten to grade twelve through a regional school district, library, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are reported as business enterprises in the basic financial statements.

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 Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

B. Government-Wide and Fund 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. The effect of all material interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by user fees and charges.

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

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as general revenues. The effect of material interfund activity have been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt, which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The Town reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Fund – is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes as well as historical preservation.

Community Center Construction – was established in fiscal year 2021 and is used to account for the construction of an approximate \$11 million community center.

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects funds are used to account for financial resources that are restricted to expenditures for general capital outlays.

Permanent Funds are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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 the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports its water and sewer enterprises as major proprietary funds.

Fiduciary fund financial statements are reported using the economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs. The Town reports the following fiduciary fund:

Private Purpose Trust Funds – are used to account for all trust arrangements under which the principal income generated from donated investments benefits private individuals and/or organizations and not the Town. The Town’s private purpose trust funds are primarily used for scholarship and welfare programs.

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future other postemployment benefits, or OPEB, obligations.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Equity

Deposits and Investments – The Town’s cash and cash equivalents are 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. Investments for the Town are reported at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes as well as water and sewer usage fees are secured through a lien process generally in the second quarter of the following fiscal year and are generally considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables may not be reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and governmental fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets 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.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, if their expected lives are 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-progress) are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	25 to 75 years
Buildings and improvements	20 to 50 years
Equipment, furniture, fixtures and vehicles	3 to 20 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as transfers, net.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained by the respective funds but may be voluntarily assigned to the general fund.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation benefits. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured. The Town has calculated the compensated absence obligation and determined that it is not material to the financial statements.

Unearned Revenues – Amounts collected in advance from federal and state grants are reported as unearned revenues if material.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports items related to its net other postemployment benefits, pension liabilities and refunding activities as deferred outflows of resources in both its government-wide and business-type activities. These amounts are expected to be amortized into expense over the next thirteen years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports items related to its net other postemployment benefits and pension liabilities as deferred inflows of resources in both its government-wide and business-type activities, which it expects to amortize as a benefit into pension expense within the next six years. In its governmental fund financial statements, the Town reports unavailable revenues as deferred inflows of resources within the governmental funds balance sheet. Unavailable revenues are derived from three sources – property taxes, motor vehicle excise taxes and departmental revenues. The Town expects to recognize these items into revenue in the period(s) that these amounts become available.

Fund Equity – In the governmental funds financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

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, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the Town's governmental funds, primarily its general fund.

Net Position – In the government-wide financial statements, 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 has been restricted for the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable funds represent the spendable, yet restricted, amount of various trust funds that support governmental programs.

Community preservation funds represent financial resources accumulated for community and historical preservation projects.

Other purposes represent assets that are restricted by donors for specific governmental programs and uses.

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 expenditures/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. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in preapproved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements and the Massachusetts Municipal Depository Trust (the "MMDT"), which is administered by the Treasurer of the Commonwealth. 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. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town relies on private and federal depository insurance to mitigate this risk. At June 30, 2021, bank balances totaling \$1,087,163 were not covered by federal depository insurance or by other depositors' insurance programs and were therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All of the Town's investments are registered in its name and cannot be pledged or assigned. As a result, the Town is not exposed to custodial credit risk on its investments.

Fair Value Measurement: Investments – The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

<u>Investments by Fair Value Level</u>	<u>June 30, 2021</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. Treasury notes	\$ 315,163	\$ 315,163	\$ -	\$ -
U.S. Government agency obligations	233,234	-	233,234	-
Corporate bonds	<u>859,351</u>	<u>-</u>	<u>859,351</u>	<u>-</u>
Total debt securities	<u>1,407,748</u>	<u>315,163</u>	<u>1,092,585</u>	<u>-</u>
Equity securities	248,089	248,089	-	-
Mutual funds	<u>6,820,953</u>	<u>-</u>	<u>6,820,953</u>	<u>-</u>
Total investments by fair value level	<u>8,476,790</u>	<u>\$ 563,252</u>	<u>\$ 7,913,538</u>	<u>\$ -</u>
Investments measured at amortized cost:				
MMDT	<u>2,242,273</u>			
Total investments at fair value	<u>\$ 10,719,063</u>			

The MMDT is valued at amortized cost, which approximates fair value.

Concentration of Credit Risk: Investments – The Town does not place a limit on the amount that may be invested in any one issuer. At June 30, 2021, the Town's investment in the MMDT represented approximately 21% of the Town's total investment balance. No other individual investment exceeded 5% of the Town's investment balance.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the Town mitigates interest rate risk by managing the duration of its investments.

At June 30, 2021, the Town had the following investments maturities:

Investments	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. Government obligations	\$ 548,397	\$ 125,089	\$ 423,308	\$ -
Corporate bonds	859,351	108,634	750,717	-
Total investments with maturities	1,407,748	\$ 233,723	\$ 1,174,025	\$ -
Other investments:				
Equity securities	248,089			
Mutual funds	6,820,953			
MMDT	2,242,273			
Total Investments	\$ 10,719,063			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has not adopted a formal policy related to credit risk. The following table summarizes the credit ratings assigned by Moody's Investors Service for Town investments in fixed income securities at June 30, 2021:

Moody's Rating	U.S. Government Obligations	Corporate Bonds	Total
Aaa	\$ 548,397	\$ -	\$ 548,397
A1	-	202,985	202,985
A2	-	239,135	239,135
Baa1	-	257,427	257,427
Baa2	-	159,804	159,804
	\$ 548,397	\$ 859,351	\$ 1,407,748

B. Receivables

Receivables as of June 30, 2021 for the Town's major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Property taxes	\$ 784,971	\$ -	\$ 784,971
Tax liens	502,102	(100,000)	402,102
Excise taxes	208,293	(20,000)	188,293
Departmental	355,544	(135,100)	220,444
Intergovernmental	399,979	-	399,979
	<u>\$ 2,250,889</u>	<u>\$ (255,100)</u>	<u>\$ 1,995,789</u>

Receivables in the Town's proprietary funds consisted almost entirely of user charges receivable. No allowances for uncollectible accounts were reported in the Town's proprietary funds at June 30, 2021.

Governmental funds report unavailable revenues as a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current accounting period. The following table identifies the components of unavailable revenues at June 30, 2021 in the governmental funds:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 424,818	\$ 14,308	\$ -	\$ 439,126
Tax liens	402,102	7,345	-	409,447
Excise taxes	188,293	-	-	188,293
Ambulance	-	-	108,252	108,252
	<u>\$ 1,015,213</u>	<u>\$ 21,653</u>	<u>\$ 108,252</u>	<u>\$ 1,145,118</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 5,979,331	\$ 337,954	\$ -	\$ 6,317,285
Construction in-progress	155,310	531,115	(155,310)	531,115
Total capital assets not being depreciated	6,134,641	869,069	(155,310)	6,848,400
Capital assets being depreciated:				
Buildings and improvements	12,635,154	-	-	12,635,154
Infrastructure	58,563,990	1,648,005	-	60,211,995
Machinery and equipment	2,584,245	333,455	-	2,917,700
Vehicles	3,049,522	98,457	-	3,147,979
Total capital assets being depreciated	76,832,911	2,079,917	-	78,912,828
Less accumulated depreciation for:				
Buildings and improvements	(3,213,222)	(307,219)	-	(3,520,441)
Infrastructure	(25,270,432)	(1,529,688)	-	(26,800,120)
Machinery and equipment	(1,228,291)	(213,556)	-	(1,441,847)
Vehicles	(2,451,710)	(190,554)	-	(2,642,264)
Total accumulated depreciation	(32,163,655)	(2,241,017)	-	(34,404,672)
Total capital assets being depreciated, net	44,669,256	(161,100)	-	44,508,156
Governmental activities capital assets, net	\$ 50,803,897	\$ 707,969	\$ (155,310)	\$ 51,356,556
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities - Combined:</i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 5,069,582	\$ -	\$ -	\$ 5,069,582
Infrastructure	12,603,966	83,847	-	12,687,813
Vehicles and equipment	137,535	52,478	-	190,013
Total capital assets being depreciated	17,811,083	136,325	-	17,947,408
Less accumulated depreciation for:				
Buildings and improvements	(1,690,032)	(64,547)	-	(1,754,579)
Infrastructure	(3,164,304)	(243,988)	-	(3,408,292)
Vehicles and equipment	(72,281)	(14,178)	-	(86,459)
Total accumulated depreciation	(4,926,617)	(322,713)	-	(5,249,330)
Total capital assets being depreciated, net	12,884,466	(186,388)	-	12,698,078
Business-type activities capital assets, net	\$ 12,884,466	\$ (186,388)	\$ -	\$ 12,698,078

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities – Water:</i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 702,021	\$ -	\$ -	\$ 702,021
Infrastructure	11,583,538	83,847	-	11,667,385
Vehicles and equipment	56,597	-	-	56,597
Total capital assets being depreciated	12,342,156	83,847	-	12,426,003
Less accumulated depreciation for:				
Buildings and improvements	(563,793)	(4,788)	-	(568,581)
Infrastructure	(2,823,429)	(230,382)	-	(3,053,811)
Vehicles and equipment	(40,567)	(3,460)	-	(44,027)
Total accumulated depreciation	(3,427,789)	(238,630)	-	(3,666,419)
Water capital assets, net	<u>\$ 8,914,367</u>	<u>\$ (154,783)</u>	<u>\$ -</u>	<u>\$ 8,759,584</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities – Sewer:</i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 4,367,561	\$ -	\$ -	\$ 4,367,561
Infrastructure	1,020,428	-	-	1,020,428
Vehicles and equipment	80,938	52,478	-	133,416
Total capital assets being depreciated	5,468,927	52,478	-	5,521,405
Less accumulated depreciation for:				
Buildings and improvements	(1,126,239)	(59,759)	-	(1,185,998)
Infrastructure	(340,875)	(13,606)	-	(354,481)
Vehicles and equipment	(31,714)	(10,718)	-	(42,432)
Total accumulated depreciation	(1,498,828)	(84,083)	-	(1,582,911)
Sewer capital assets, net	<u>\$ 3,970,099</u>	<u>\$ (31,605)</u>	<u>\$ -</u>	<u>\$ 3,938,494</u>

Depreciation expense in the governmental activities was charged to functions/programs in the Town's governmental activities as follows in fiscal year 2021:

General government	\$ 231,290
Public safety	369,941
Public works	1,614,242
Health and human services	1,237
Culture and recreation	24,307
	<u>\$ 2,241,017</u>

D. Interfund Transfers

The following transfers from the general fund were reported for the fiscal year ended June 30, 2021:

- \$800,000 was transferred to the newly formed community center construction fund;
- \$170,000 was transferred to capital projects to repay temporary debt;
- \$5,000 was transferred to the conservation trust fund as to supplement its operations; and
- \$154,304 was transferred to the water and sewer enterprises to subsidize operations.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANs”) or state aid anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount. Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law.

Temporary notes activity for fiscal year 2021 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
BAN	1.50%	matured	\$ 2,305,000	\$ -	\$ (2,305,000)	\$ -
BAN	0.46%	12/21/21	-	1,700,000	-	1,700,000
			<u>\$ 2,305,000</u>	<u>\$ 1,700,000</u>	<u>\$ (2,305,000)</u>	<u>\$ 1,700,000</u>

The proceeds of the BAN were used to finance the following:

Fire pumper truck	\$ 480,000
Water mains	<u>1,220,000</u>
	<u>\$ 1,700,000</u>

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital assets. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations related to postemployment/retirement personnel costs.

The following reflects the activity in the long-term liability accounts during the fiscal year ended June 30, 2021:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,529,000	\$ 3,255,000	\$ (3,342,000)	\$ 3,442,000	\$ 277,000
Net OPEB liability	5,898,183	3,822,329	(3,417,265)	6,303,247	-
Net pension liability	8,261,957	2,159,981	(2,150,110)	8,271,828	-
Total Governmental Activities	\$17,689,140	\$ 9,237,310	\$ (8,909,375)	\$18,017,075	\$ 277,000
Business-Type Activities:					
Water:					
General obligation bonds	\$ 3,068,180	\$ 2,275,000	\$ (2,485,770)	\$ 2,857,410	\$ 285,770
Net OPEB liability	634,390	274,894	(272,632)	636,652	-
Net pension liability	477,889	124,939	(124,369)	478,459	-
Total Water	4,180,459	2,674,833	(2,882,771)	3,972,521	285,770
Sewer:					
General obligation bonds	137,819	-	(17,230)	120,589	17,230
Net OPEB liability	630,198	285,134	(239,975)	675,357	-
Net pension liability	450,318	117,730	(117,192)	450,856	-
Total Sewer	1,218,335	402,864	(374,397)	1,246,802	17,230
Total Business-Type Activities	\$ 5,398,794	\$ 3,077,697	\$ (3,257,168)	\$ 5,219,323	\$ 303,000

Debt service requirements on general obligation bonds at June 30, 2021 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Balance	Interest	Balance	Interest
2022	\$ 277,000	\$ 50,136	\$ 303,000	\$ 55,555
2023	245,000	44,388	280,000	48,837
2024	250,000	40,675	280,000	42,887
2025	250,000	36,925	285,000	36,900
2026	255,000	33,775	285,000	31,087
2027 - 2031	1,325,000	122,375	1,154,999	79,906
2032 - 2034	840,000	22,225	390,000	6,825
	<u>\$ 3,442,000</u>	<u>\$ 350,499</u>	<u>\$ 2,977,999</u>	<u>\$ 301,997</u>

Year Ending June 30,	Water		Sewer	
	General Obligation Bonds		General Obligation Bonds	
	Balance	Interest	Balance	Interest
2022	\$ 285,770	\$ 51,463	\$ 17,230	\$ 4,092
2023	262,770	45,305	17,230	3,532
2024	262,770	39,915	17,230	2,972
2025	267,770	34,488	17,230	2,412
2026	267,770	29,278	17,230	1,809
2027 - 2031	1,120,560	78,097	34,439	1,809
2032 - 2033	390,000	6,825	-	-
	<u>\$ 2,857,410</u>	<u>\$ 285,371</u>	<u>\$ 120,589</u>	<u>\$ 16,626</u>

Refunding – In November 2020, the Town issued general obligation refunding bonds of \$5,530,000 (par value) with interest rates between 1.0% and 2.0%. The debt proceeds, along with \$39,447 of premiums, were used to retire \$5,245,000 of general obligation bonds. As a result of the refunding, the Town reduced its total debt service requirements by \$548,930, which resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$475,059.

In connection with this refunding, \$5,465,611 of the net proceeds of the general obligation bonds were used to purchase U.S. government securities that were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the advanced refunded bonds are called in fiscal year 2022.

Authorized and Unissued Debt – At June 30, 2021, the Town had authorized and unissued debt totaling \$878,702 for road projects and \$11,036,000 for community center construction.

Subsequent General Obligation Bond Issuance – In December 2021, the Town issued approximately \$12.2 million in general obligation bonds with maturities through August 2046 and stated interest rates ranging between 2% and 5%. The proceeds of this issuance will be primarily used to fund the construction of a new community center building, water mains and public safety equipment.

G. Fund Balances

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2021 are as follows:

	General Fund	Community Preservation Fund	Community Center Construction	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ 156,006	\$ 156,006
Restricted:					
General government	-	2,829,716	-	362,671	3,192,387
Health and human services	-	-	-	221,094	221,094
Culture and recreation	-	-	800,000	296,980	1,096,980
Debt service	2,306	-	-	-	2,306
Expendable trust funds	-	-	-	3,949,987	3,949,987
Other purposes	-	-	-	47,915	47,915
Committed:					
General government articles	323,253	-	-	-	323,253
Public safety articles	174,268	-	-	-	174,268
Public works articles	278,475	-	-	-	278,475
Capital stabilization funds	205,075	-	-	-	205,075
Other purposes	45,000	-	-	-	45,000
Assigned:					
Encumbrances	11,183	-	-	-	11,183
Unassigned:					
General stabilization funds	2,032,844	-	-	-	2,032,844
Unrestricted	3,858,860	-	-	(562,700)	3,296,160
	<u>\$ 6,931,264</u>	<u>\$ 2,829,716</u>	<u>\$ 800,000</u>	<u>\$ 4,471,953</u>	<u>\$ 15,032,933</u>

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The general stabilization fund's balance is presented as unassigned in the general fund. The Town also maintains a capital stabilization fund, which may be used for capital purposes upon a two-thirds vote of the Town Meeting. The capital stabilization fund's balance is presented as restricted in the general fund.

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal, approved purchasing activity as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately.

H. Deficits

The Town incurred legal individual fund deficits in the following capital projects and special revenue funds:

Fire pumper truck	\$ 458,913
COVID-19 grants (CARES and FEMA)	87,786
Public safety and other grants	<u>16,001</u>
	<u>\$ 562,700</u>

These have been reflected as unassigned fund balance in the nonmajor governmental funds and will be funded through future bond or grant proceeds.

III. Other Information

A. Retirement System

Pension Plan Description – The Town is a member and contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2020 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Current membership in the Retirement System for all ninety-nine employers as of December 31, 2020 was as follows:

Active members	7,137
Inactive members entitled to, but not receiving benefits	2,414
Inactive members (or beneficiaries) currently receiving benefits	<u>3,941</u>
	<u>13,492</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform throughout the Commonwealth. The Retirement System 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 the Retirement System 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 creditable 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 creditable service, average compensation and veteran status.
- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2021.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Town contributed \$696,704 to the Retirement System in fiscal year 2021, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 18% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town reported a liability of \$9,201,143 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2020. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. The Retirement System changed several actuarial assumptions used in the latest valuation update; the most notable assumption change was a reduction in the discount rate to 7.5% from 7.65%.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 1.04% and 1.03% at December 31, 2020 and 2019, respectively.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2020, which can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or 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.

Pension Expense – The Town recognized \$1,007,747 in pension expense in the statement of activities in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,517	\$ 238,805
Changes of assumptions	569,611	-
Net difference between projected and actual earnings on pension plan investments	-	475,387
Changes in proportion and differences between Town contributions and proportionate share of contributions	327,779	-
	<u>\$ 909,907</u>	<u>\$ 714,192</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense (benefit) as follows:

<u>Year ended June 30,</u>		
2022	\$	174,367
2023		117,427
2024		(117,298)
2025		1,575
2026		19,644
	\$	<u>195,715</u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020. The significant actuarial assumptions used in the actuarial valuation included:

Inflation	2.2% per year (previously 2.4%)
Salary increases	Group 1: 4.25% - 6.00%, based on service Group 4: 4.75% - 7.00%, based on service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation (previously 7.65%)
Mortality rates	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018
Disabled life mortality	Based on RP-2014 Blue Collar Mortality Table set forward on year with full generational mortality improvement using Scale MP-2018

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 returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term</u>	
	<u>Target</u>	<u>Expected Rate of</u>
	<u>Allocation</u>	<u>Return</u>
Global equity	39%	4.38%
Core fixed income	15%	0.05%
Value-added fixed income	8%	4.00%
Private equity	13%	8.00%
Real estate	10%	3.80%
Timberland	4%	4.40%
Portfolio completion	11%	3.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.5% (formerly 7.65%). 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 in accordance with MGL. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1.0% lower or higher than the current rate:

Current Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.50%	\$ 11,335,165	\$ 9,201,143	\$ 7,399,305

B. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Chapter 32B of MGL.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2021:

Inactive employees or beneficiaries receiving benefits	19
Active employees	<u>60</u>
	<u>79</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated contribution through pension benefit deductions and the remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2021, the Town’s average contribution rate was 4% of covered payroll.

Employees hired after July 1, 2018 in police, fire and public works departments are required to contribute 2% of their annual compensation into the OPEB Plan. In fiscal year 2021, employee contributions totaled \$14,486.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2019 and a measurement date of June 30, 2021. The components of the net OPEB liability of the Town at June 30, 2021 were as follows:

Total OPEB liability	\$ 8,604,871
Plan fiduciary net position	(989,615)
Net OPEB liability	<u>\$ 7,615,256</u>
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Investment rate of return	6.5%, net of investment expenses, including inflation (previously 7.5%)
Single equivalent discount rate	2.25%, net of investment expenses (previously 2.26%)
Healthcare cost trend rates	7.0% for 2019, decreasing 0.45% per year to 5.4%, then grading down to an ultimate trend rate of 4.0% in 2075
Pre-retirement mortality	RP-2014 Blue Collar Mortality Table projected with generational improvement using Scale MP-2018
Post-retirement mortality	RP-2014 Blue Collar Mortality Table projected with generational improvement using Scale MP-2018

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 OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	31%	5.34%
International equity	21%	6.10%
Domestic bond	22%	1.62%
International bond	6%	1.26%
Alternatives	20%	4.21%
Cash and cash equivalents	0%	0.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 2.25% (formerly 2.26%). The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the OPEB Plan’s funding policy. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to the first ten periods of projected future benefit payments and the 2.16% municipal bond rate was applied to all periods thereafter to determine the total OPEB liability.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2021:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 7,848,043	\$ 685,272	\$ 7,162,771
Changes for the year:			
Service cost	585,946	-	585,946
Interest	189,374	-	189,374
Changes in assumptions	90,698	-	90,698
Employer contributions	-	209,190	(209,190)
Employee contributions	-	14,486	(14,486)
Net investment income	-	189,857	(189,857)
Benefit payments	(109,190)	(109,190)	-
Net changes	756,828	304,343	452,485
Balances at June 30, 2021	<u>\$ 8,604,871</u>	<u>\$ 989,615</u>	<u>\$ 7,615,256</u>

There were a number of changes in assumptions made in the current year’s actuarial study. The most notable included a decrease in the discount rate from 2.25% to 2.25%.

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current discount rate:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
2.25%	\$ 9,572,553	\$ 7,615,256	\$ 6,133,924

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or higher than the current healthcare cost trend rates:

Current Trend Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
7.0% decreasing to 4%	\$ 5,806,733	\$ 7,615,256	\$ 10,141,723

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the Town recognized OPEB expense of \$722,613. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,400,706
Changes of assumptions	1,814,836	158,353
Net difference between projected and actual earnings on OPEB Plan investments	-	92,541
	<u>\$ 1,814,836</u>	<u>\$ 1,651,600</u>

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

<u>Year Ended June 30,</u>	
2022	\$ 11,709
2023	10,203
2024	7,934
2025	3,481
2026	63,439
Thereafter	<u>66,470</u>
	<u>\$ 163,236</u>

Investment Custody – The Town Treasurer is the custodian of the OPEB Plan in accordance with MGL and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established under MGL and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan has a formal investment policy that it adopted in 2012. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 24.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Risk Financing

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town carries commercial insurance to better mitigate these risks. The amount of claim settlements has not exceeded insurance coverage in any of the past three years.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, including legal claims associated with its personnel, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2021 cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts ("ATB"). The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers' success at the ATB. Therefore, no loss provision has been made in the Town's basic financial statements.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

Allowance for Uncollectible Accounts – Management's estimate of allowances for uncollectible accounts involves judgment. Management evaluates the collectability of receivables by analyzing historical revenues, historical loss levels as well as the collectability of individual accounts. Should management's estimates prove to be incorrect, the Town may be required to recognize additional bad debt charges, which may have a material effect on the Town's financial position and results of operations.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the Town in fiscal year 2021. In connection with the adoption of this accounting standard, certain previously reported agency balances are now reported in the governmental funds and government-wide financial statements. Refer to Note V for the financial impact of the adoption of this accounting standard.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement became effective for the Town in fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. In addition to accounting and financial reporting implications that result from the replacement of an interbank offered rate (which become effective in fiscal year 2022), this Statement eliminated the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt for reporting periods effective fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

B. Future Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the 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 establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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 Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2020 (fiscal year 2022). The Town 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 issued 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 Town 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 Town is currently evaluating whether adoption will have a material impact on the 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 is 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 are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. Restatement

The adoption of GASB Statement No. 84 required certain accounts previously reported as agency accounts in the Statement of Fiduciary Activities to be reclassified into nonmajor governmental funds. The following table illustrates the effect of adoption of this accounting standard:

	Governmental Activities	Business-Type Activities	Total	
Net position at June 30, 2020 — as reported	\$ 47,889,128	\$ 9,576,923	\$ 57,466,051	
Adoption of GASB Statement No. 84	<u>(15,352)</u>	<u>-</u>	<u>(15,352)</u>	
Net position at June 30, 2020 — as restated	<u>\$ 47,873,776</u>	<u>\$ 9,576,923</u>	<u>\$ 57,450,699</u>	

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Fund balances at June 30, 2020 — as reported	\$ 7,241,530	\$ 2,265,682	\$ 3,453,759	\$ 12,960,971
Adoption of GASB Statement No. 84	<u>-</u>	<u>-</u>	<u>(15,352)</u>	<u>(15,352)</u>
Fund balances at June 30, 2020 — as restated	<u>\$ 7,241,530</u>	<u>\$ 2,265,682</u>	<u>\$ 3,438,407</u>	<u>\$ 12,945,619</u>

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TOWN OF UPTON MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	1.032%	\$ 9,201	\$ 3,957	232.5%	50.3%
2020	1.032%	9,190	3,654	251.5%	47.4%
2019	1.013%	9,188	3,910	235.0%	43.1%
2018	1.011%	8,241	3,364	245.0%	46.4%
2017	0.926%	7,759	3,590	216.1%	42.0%
2016	0.923%	6,548	3,378	193.8%	44.5%
2015	1.108%	6,593	3,248	203.0%	47.9%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 697	\$ 697	\$ -	\$ 3,957	17.6%
2020	629	629	-	3,654	17.2%
2019	564	564	-	3,910	14.4%
2018	511	511	-	3,364	15.2%
2017	450	450	-	3,590	12.5%
2016	415	415	-	3,378	12.3%
2015	438	438	-	3,248	13.5%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF UPTON MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,			
	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 586	\$ 440	\$ 391	\$ 406
Interest	189	273	258	232
Changes in benefit terms	-	(65)	-	-
Differences between actual and expected experience	-	(1,789)	-	-
Changes in assumptions	91	1,902	387	(311)
Benefit payments	(110)	(88)	(107)	(78)
Net Change in Total OPEB Liability	756	673	929	249
Total OPEB Liability:				
Beginning of year	7,848	7,175	6,246	5,997
End of year (a)	\$ 8,604	\$ 7,848	\$ 7,175	\$ 6,246
Plan Fiduciary Net Position:				
Contributions	\$ 223	\$ 187	\$ 207	\$ 178
Net investment income	190	20	28	20
Benefit payments	(109)	(87)	(107)	(78)
Net Change in Plan Fiduciary Net Position	304	120	128	120
Plan Fiduciary Net Position:				
Beginning of year	685	565	437	317
End of year (b)	\$ 989	\$ 685	\$ 565	\$ 437
Net OPEB Liability — End of Year	\$ 7,615	\$ 7,163	\$ 6,610	\$ 5,809
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.5%	8.7%	7.9%	7.0%
Covered payroll	\$ 4,750	\$ 4,317	\$ 4,556	\$ 3,463
Net OPEB Liability as a Percentage of Covered Payroll	160.3%	165.9%	145.1%	167.7%

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

See accompanying independent auditors' report.

TOWN OF UPTON MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

	Year Ended June 30,			
	2021	2020	2019	2018
Actuarially determined contribution	\$ 931	\$ 820	\$ 738	\$ 736
Contributions in relation to the actuarially determined contribution	(210)	(187)	(207)	(178)
Contribution deficiency (excess)	<u>\$ 721</u>	<u>\$ 633</u>	<u>\$ 531</u>	<u>\$ 558</u>
Covered payroll	\$ 4,750	\$ 4,317	\$ 4,556	\$ 3,463
Contribution as a percentage of covered payroll	4.42%	4.33%	4.54%	5.14%

Notes to Schedule:

Valuation date	July 1, 2019
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of the assets as of the reporting date
Investment rate of return	6.5%, net of investment expenses, including inflation
Single equivalent discount rate	2.25%, net of investment expenses, including inflation (previously 2.26%)
Healthcare cost trend rates	7.0% for 2019, decreasing 0.45% per year to 5.4%, then grading down to an ultimate trend rate of 4.0% in 2075
Mortality	RP-2014 Blue Collar Mortality Table projected with generational improvement using Scale MP-2018

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,			
	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	24.75%	3.56%	5.42%	5.22%

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

See accompanying independent auditors' report.

TOWN OF UPTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual		Actual	Positive
	Original	Final	Budgetary	Encumbrances	Budgetary	(Negative)
	Budget	Budget	Amounts		Adjusted	Variance
Revenues:						
Property taxes, net of tax refunds	\$ 21,677,535	\$ 21,677,535	\$ 21,714,660		\$ 21,714,660	\$ 37,125
Intergovernmental	843,118	843,118	842,191		842,191	(927)
Motor vehicle and other excise taxes	946,272	946,272	1,320,912		1,320,912	374,640
Licenses and permits	160,000	160,000	345,853		345,853	185,853
Penalties and interest on taxes	91,000	91,000	155,617		155,617	64,617
Fines and forfeitures	26,500	26,500	13,514		13,514	(12,986)
Departmental and other revenues	642,962	642,962	730,989		730,989	88,027
Investment income	10,000	10,000	20,208		20,208	10,208
Total Revenues	<u>24,397,387</u>	<u>24,397,387</u>	<u>25,143,944</u>		<u>25,143,944</u>	<u>746,557</u>
Expenditures:						
General government	2,603,555	2,603,555	2,110,682	\$ 324,668	2,435,350	168,205
Public safety	3,737,997	3,773,497	3,384,428	183,968	3,568,396	205,101
Education	13,983,944	13,983,944	13,982,194	-	13,982,194	1,750
Public works	3,115,711	3,165,711	2,756,135	278,474	3,034,609	131,102
Health and human services	420,657	420,657	301,168	69	301,237	119,420
Culture and recreation	330,999	382,999	297,101	45,000	342,101	40,898
Pension and fringe benefits	2,024,884	2,024,884	1,500,993	-	1,500,993	523,891
State and county charges	60,701	60,701	60,701	-	60,701	-
Debt service	108,196	108,196	108,104	-	108,104	92
Total Expenditures	<u>26,386,644</u>	<u>26,524,144</u>	<u>24,501,506</u>	<u>\$ 832,179</u>	<u>25,333,685</u>	<u>1,190,459</u>
Other Financing Sources (Uses):						
Transfers in	259,699	259,699	259,699		259,699	-
Transfers out	(319,304)	(1,124,304)	(1,124,304)		(1,124,304)	-
Total Other Financing Sources (Uses)	<u>(59,605)</u>	<u>(864,605)</u>	<u>(864,605)</u>		<u>(864,605)</u>	<u>-</u>
(Deficiency) Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(2,048,862)</u>	<u>(2,991,362)</u>	<u>\$ (222,167)</u>		<u>\$ (1,054,346)</u>	<u>\$ 1,937,016</u>
Other Budgetary Items:						
Prior year articles and encumbrances	1,818,862	1,818,862				
Free cash	<u>230,000</u>	<u>1,172,500</u>				
Total Other Budgetary Items	<u>2,048,862</u>	<u>2,991,362</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF UPTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2021

An annual budget is legally adopted for the general fund. Financial orders are initiated by the Town Manager, recommended by the Town Finance Committee and approved by Town Meeting at the Town's annual meeting, which is generally held in each spring. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance. Unspent funds from continuing appropriations such as capital articles are carried forward into the subsequent fiscal year and are available for spending.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The Town Accountant is responsible to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town's accounting system.

The Town's general fund is prepared on a basis of accounting other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide meaningful comparison with the budget. A reconciliation of reported balances is provided below:

	Accounting Differences	Fund Perspective Differences	Total
Revenue — budgetary basis			\$ 25,143,944
Revenue recognition adjustments	\$ 167,612	\$ -	167,612
Stabilization revenue	-	3,988	3,988
Revenue — GAAP basis	<u>\$ 167,612</u>	<u>\$ 3,988</u>	<u>\$ 25,315,544</u>
 Expenditures — budgetary basis			\$ 24,501,506
Effect of refunding debt	<u>\$ 68,500</u>	<u>\$ -</u>	<u>68,500</u>
Expenditures — GAAP basis	<u>\$ 68,500</u>	<u>\$ -</u>	<u>\$ 24,570,006</u>
 Other Financing Sources (Uses) — budgetary basis			\$ (864,605)
Transfer treatment	\$ -	\$ (259,699)	(259,699)
Effect of refunding debt	<u>68,500</u>	<u>-</u>	<u>68,500</u>
Other Financing Sources (Uses) — GAAP basis	<u>\$ 68,500</u>	<u>\$ (259,699)</u>	<u>\$ (1,055,804)</u>