

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF UPTON, MASSACHUSETTS

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2022



TOWN OF UPTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 these 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.

A handwritten signature in cursive script that reads "Roselli, Clark & Associates".

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
February 9, 2023

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, 2022. 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 commenced construction of a new community center in fiscal year 2023.
- 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 nearly \$60.5 million (total net position). This represents an increase of approximately \$0.4 million. The Town reported a decrease of approximately \$0.8 million in its governmental activities and an approximate \$1.3 million increase in its business-type activities in fiscal year 2022.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit exceeded \$8.0 million at June 30, 2022. Included in this deficit is approximately \$13.1 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 \$25.7 million, which is an approximate \$10.7 million increase from the prior year. Each of the Town's major governmental funds reported increases in fund balances in fiscal year 2022.
- Of the ending fund balance in the Town's governmental funds, approximately \$6.5 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 over 27% of the total general fund expenditures and the total general fund balance was over 37% of total general fund expenditures.
- The Town's total long-term debt increased approximately \$11.0 million in fiscal year 2022. The Town completed the issuance of \$12.2 million in general obligation bonds in 2022. At June 30, 2022, the Town did not maintain any short-term borrowings.

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, community preservation fund, community center construction fund and ARPA grant 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, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Assets:						
Current and other assets	\$ 29,759,653	\$ 18,231,222	\$ 4,166,073	\$ 3,730,118	\$ 33,925,726	\$ 21,961,340
Capital assets, net	<u>52,362,301</u>	<u>51,356,556</u>	<u>12,394,107</u>	<u>12,698,078</u>	<u>64,756,408</u>	<u>64,054,634</u>
Total Assets	<u>82,121,954</u>	<u>69,587,778</u>	<u>16,560,180</u>	<u>16,428,196</u>	<u>98,682,134</u>	<u>86,015,974</u>
Deferred Outflows of Resources	<u>2,559,950</u>	<u>2,505,820</u>	<u>261,567</u>	<u>476,450</u>	<u>2,821,517</u>	<u>2,982,270</u>
Liabilities:						
Long-term liabilities	26,958,497	17,740,075	4,631,299	4,916,323	31,589,796	22,656,398
Other liabilities	<u>3,753,369</u>	<u>2,334,676</u>	<u>508,989</u>	<u>1,590,706</u>	<u>4,262,358</u>	<u>3,925,382</u>
Total Liabilities	<u>30,711,866</u>	<u>20,074,751</u>	<u>5,140,288</u>	<u>6,507,029</u>	<u>35,852,154</u>	<u>26,581,780</u>
Deferred Inflows of Resources	<u>4,804,361</u>	<u>2,009,110</u>	<u>386,556</u>	<u>356,682</u>	<u>5,190,917</u>	<u>2,365,792</u>
Net Position:						
Net investment in capital assets	46,765,421	48,256,406	8,709,338	8,571,956	55,474,759	56,828,362
Restricted	10,406,542	9,131,246	-	-	10,406,542	9,131,246
Unrestricted	<u>(8,006,286)</u>	<u>(7,377,915)</u>	<u>2,585,565</u>	<u>1,468,979</u>	<u>(5,420,721)</u>	<u>(5,908,936)</u>
Total Net Position	<u>\$ 49,165,677</u>	<u>\$ 50,009,737</u>	<u>\$ 11,294,903</u>	<u>\$ 10,040,935</u>	<u>\$ 60,460,580</u>	<u>\$ 60,050,672</u>

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 approximately \$410,000. This increase was driven by an approximate \$1.3 million increase in net position in the Town's business-type activities, which was primarily due to significantly lower OPEB expenses year-over-year, offset by a decrease in net position in the Town's governmental activities of approximately \$0.8 million.

The largest portion of the Town's net position (approximately \$55.5 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 \$10.4 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 \$5.4 million. This deficit is primarily the result of an approximate \$5.7 million net other postemployment benefit liability and \$8.6 million net pension liability at June 30, 2022. 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:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,183,280	\$ 1,741,718	\$ 2,179,536	\$ 2,064,849	\$ 4,362,816	\$ 3,806,567
Operating grants and contributions	967,363	921,687	-	-	967,363	921,687
Capital grants and contributions	453,094	1,490,446	-	-	453,094	1,490,446
General revenues:						
Property taxes	23,208,773	22,267,242	-	-	23,208,773	22,267,242
Excise taxes	1,343,309	1,344,579	-	-	1,343,309	1,344,579
Intergovernmental	585,146	565,358	-	-	585,146	565,358
Other	(270,608)	1,149,274	4	2	(270,604)	1,149,276
Total Revenues	<u>28,470,357</u>	<u>29,480,304</u>	<u>2,179,540</u>	<u>2,064,851</u>	<u>30,649,897</u>	<u>31,545,155</u>
Expenses:						
General government	2,470,512	2,224,389	-	-	2,470,512	2,224,389
Public safety	6,336,731	5,917,475	-	-	6,336,731	5,917,475
Education	14,831,473	13,982,194	-	-	14,831,473	13,982,194
Public works	3,979,632	3,852,759	-	-	3,979,632	3,852,759
Health and human services	473,834	430,179	-	-	473,834	430,179
Culture and recreation	743,329	703,446	-	-	743,329	703,446
Interest expense	295,935	79,597	93,325	52,899	389,260	132,496
Utility services	-	-	1,015,218	1,702,244	1,015,218	1,702,244
Total Expenses	<u>29,131,446</u>	<u>27,190,039</u>	<u>1,108,543</u>	<u>1,755,143</u>	<u>30,239,989</u>	<u>28,945,182</u>
Change in Net Position Before Transfers	(661,089)	2,290,265	1,070,997	309,708	409,908	2,599,973
Transfers	(182,971)	(154,304)	182,971	154,304	-	-
Change in Net Position	<u>(844,060)</u>	<u>2,135,961</u>	<u>1,253,968</u>	<u>464,012</u>	<u>409,908</u>	<u>2,599,973</u>
Net Position:						
Beginning of year	<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>
End of year	<u>\$ 49,165,677</u>	<u>\$ 50,009,737</u>	<u>\$ 11,294,903</u>	<u>\$ 10,040,935</u>	<u>\$ 60,460,580</u>	<u>\$ 60,050,672</u>

Governmental Activities – Total revenues in fiscal year 2022 decreased over \$1.0 million, or 3.4%, from the prior year. This increase was due to (i) an approximate \$1.4 million decrease in investment income, which was the result of negative market returns on the Town’s trust funds, and (ii) an approximate \$1.0 million decrease in capital grants and contributions, which is primarily a function of timing of roadway improvement projects funded by the Commonwealth (commonly referred to as Chapter 90 funds). These decreases were offset by an approximate \$0.9 million, or 4.2%, increase in property tax revenues and an approximate \$0.4 million increase in charges for services.

The Town’s largest revenue source is property taxes, which represented approximately 82% and 76% of fiscal year 2022 and 2021 total revenues, respectively. No other revenue source exceeded 10% in fiscal year 2022 or 2021.

Total expenses increased approximately \$1.9 million year-over-year (\$2.3 million increase reported in the prior year). The Town’s largest expense category is education. Education expenses totaled approximately 51% of total annual expenses in both fiscal years 2022 and 2021. In terms of gross dollars, education expenses increased nearly \$0.8 million in fiscal year 2022, which reflected the increase in the Town’s assessment for its regional school district. Public safety expenses represented approximately 22% of total annual expenses in both fiscal year 2022 and 2021. Public works expenses represented 14% of both fiscal year 2022 and 2021 total expenses. No other expense categories were greater than 10% in fiscal years 2022 or 2021.

Business-Type Activities – Total revenues increased approximately \$115,000 year-over-year. User charges represent the majority of the reported revenues in both fiscal years 2022 and 2021.

Total expenses decreased nearly \$647,000 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 \$25.7 million, which is an approximate \$10.7 million increase from the prior year. Each of the Town's major governmental funds reported increases to fund balances in fiscal year 2022. Of the ending fund balance, approximately \$6.4 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 \$6.6 million, while total fund balance exceeded \$9.0 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 over 27% of total general fund expenditures, while total fund balance represents over 37% of that same amount.

The Town's community preservation fund is restricted for historical preservation and conservation of open space. At June 30, 2022, the community preservation fund had nearly \$3.3 million reported as restricted fund balance.

The Town established a major governmental fund to account for the construction of its new community center building. In addition to an \$800,000 fiscal year 2021 transfer of free cash, the Town issued over \$11.0 million in general obligation bonds (inclusive of premiums) in December 2021 to finance this construction. Construction commenced in fiscal year 2022. At June 30, 2022, the Town reported a restricted fund balance of over \$8.8 million in this fund.

The Town's ARPA grant fund became a major governmental fund in fiscal year 2022. The ARPA grant fund is used to account for the Town's receipt and use of funds from the American Rescue Plan Act of 2021, or ARPA. Unexpended ARPA grant funds have been deferred and reported as unearned revenues in these financial statements.

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 \$4.5 million; or (3) reported as a deficit in the unassigned fund balance in the amount of approximately \$(71,000), which are expected to be satisfied through future intergovernmental grant receipts.

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 nearly \$11.3 million in the aggregate.

General Fund Budgetary Highlights

Through Town Meeting votes, free cash of \$1,256,926 was authorized to fund a number of articles, most notably (i) a \$400,000 article to repair the Grove Street bridge, (ii) a \$350,000 article to purchase an ambulance, and (iii) a \$231,000 article to purchase a new DPW loader.

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, 2022, the Town’s investment in capital assets for its governmental and business-type activities approximated \$52.4 million and \$12.4 million, respectively. Net capital assets increased over \$0.7 million in fiscal year 2022 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 increased over \$11.0 million in fiscal year 2022 to approximately \$17.4 million at June 30, 2022. In fiscal year 2022, the Town completed the issuance of approximately \$12.2 million in general obligation bonds. The Town did not maintain any short-term or temporary borrowings at June 30, 2022.

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.

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 2023 is expected to increase to approximately \$920,000.
- The Town enters fiscal year 2023 with approximately \$3.1 million in certified free cash and \$2.5 million in general stabilization funds.
- Inflation is expected to affect the Town in a number of areas including increased capital acquisition costs and operating expenses.
- The Town's real estate tax base is made up predominantly of residential taxes, which in 2022 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 2023 fiscal year, which was adopted at Town Meeting in May 2022. The fiscal year 2023 tax rate, which reflects the adopted budget, was approved on December 8, 2022.

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, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 20,211,814	\$ 3,553,362	\$ 23,765,176
Investments	8,141,507	-	8,141,507
Receivables, net of allowances:			
Property taxes	1,093,735	-	1,093,735
Excise taxes	164,953	-	164,953
Departmental, user charges and other	84,959	612,711	697,670
Intergovernmental	62,685	-	62,685
Land	6,454,327	-	6,454,327
Construction in-progress	3,522,310	-	3,522,310
Depreciable capital assets, net	42,385,664	12,394,107	54,779,771
Total Assets	82,121,954	16,560,180	98,682,134
Deferred Outflows of Resources:			
Loss on refunding	159,315	60,862	220,177
Other postemployment benefits	1,564,778	106,799	1,671,577
Pensions	835,857	93,906	929,763
Total Deferred Outflows of Resources	2,559,950	261,567	2,821,517

(continued)

TOWN OF UPTON, MASSACHUSETTS

STATEMENT OF NET POSITION JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Warrants and accounts payable	\$ 1,079,490	\$ 123,731	\$ 1,203,221
Retainage payable	130,818	-	130,818
Accrued interest	208,508	37,369	245,877
Deposits and escrows	421,029	-	421,029
Unearned revenues	1,203,578	-	1,203,578
Other liabilities	5,120	-	5,120
Noncurrent liabilities:			
Due within one year	704,826	347,889	1,052,715
Due in more than one year	26,958,497	4,631,299	31,589,796
Total Liabilities	<u>30,711,866</u>	<u>5,140,288</u>	<u>35,852,154</u>
Deferred Inflows of Resources:			
Other postemployment benefits	3,474,245	237,122	3,711,367
Pensions	1,330,116	149,434	1,479,550
Total Deferred Inflows of Resources	<u>4,804,361</u>	<u>386,556</u>	<u>5,190,917</u>
Net Position:			
Net investment in capital assets	46,765,421	8,709,338	55,474,759
Restricted for:			
Nonexpendable permanent funds	156,006	-	156,006
Expendable permanent funds	3,424,517	-	3,424,517
Community preservation	3,275,753	-	3,275,753
Other purposes	3,550,266	-	3,550,266
Unrestricted	(8,006,286)	2,585,565	(5,420,721)
Total Net Position	<u>\$ 49,165,677</u>	<u>\$ 11,294,903</u>	<u>\$ 60,460,580</u> <i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

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	\$ 2,470,512	\$ 284,178	\$ 263,160	\$ 453,094	\$ (1,470,080)		\$ (1,470,080)
Public safety	6,336,731	1,266,168	540,678	-	(4,529,885)		(4,529,885)
Education	14,831,473	-	39,979	-	(14,791,494)		(14,791,494)
Public works	3,979,632	47,026	29,210	-	(3,903,396)		(3,903,396)
Health and human services	473,834	317,958	74,680	-	(81,196)		(81,196)
Culture and recreation	743,329	267,950	19,656	-	(455,723)		(455,723)
Interest expense	295,935	-	-	-	(295,935)		(295,935)
Total Governmental Activities	29,131,446	2,183,280	967,363	453,094	(25,527,709)		(25,527,709)
Business-Type Activities:							
Water	664,279	1,040,979	-	-		\$ 376,700	376,700
Sewer	444,264	1,138,557	-	-		694,293	694,293
Total Business-Type Activities	1,108,543	2,179,536	-	-		1,070,993	1,070,993
Total Primary Government	\$ 30,239,989	\$ 4,362,816	\$ 967,363	\$ 453,094		1,070,993	(24,456,716)
General Revenues:							
Property taxes					23,208,773	-	23,208,773
Motor vehicle excise taxes					1,343,309	-	1,343,309
Grants and contributions not restricted to to specific programs					585,146	-	585,146
Penalties and interest on taxes					245,463	-	245,463
Unrestricted investment income (loss)					(516,071)	4	(516,067)
Transfers, net					(182,971)	182,971	-
Total General Revenues and Transfers					24,683,649	182,975	24,866,624
Change in Net Position					(844,060)	1,253,968	409,908
Net Position:							
Beginning of year					50,009,737	10,040,935	60,050,672
End of year					\$ 49,165,677	\$ 11,294,903	\$ 60,460,580

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General Fund	Community Preservation Fund	Community Center Construction	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Assets:						
Cash and cash equivalents	\$ 7,330,829	\$ 1,492,204	\$ 9,431,750	\$ 1,203,578	\$ 753,453	\$ 20,211,814
Investments	2,486,517	1,783,549	-	-	3,871,441	8,141,507
Receivables, net of allowances:						
Property taxes	1,072,992	20,743	-	-	-	1,093,735
Excise taxes	164,953	-	-	-	-	164,953
Departmental, user charges and other	84,959	-	-	-	-	84,959
Intergovernmental	-	-	-	-	62,685	62,685
Total Assets	11,140,250	3,296,496	9,431,750	1,203,578	4,687,579	29,759,653
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 11,140,250	\$ 3,296,496	\$ 9,431,750	\$ 1,203,578	\$ 4,687,579	\$ 29,759,653
Liabilities:						
Warrants and accounts payable	\$ 553,309	\$ -	\$ 456,127	\$ -	\$ 70,054	\$ 1,079,490
Retainage payable	-	-	130,818	-	-	130,818
Deposits and escrows	421,029	-	-	-	-	421,029
Unearned revenues	-	-	-	1,203,578	-	1,203,578
Other liabilities	5,120	-	-	-	-	5,120
Total Liabilities	979,458	-	586,945	1,203,578	70,054	2,840,035
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	907,401	20,743	-	-	-	928,144
Unavailable revenues - other	249,912	-	-	-	-	249,912
Total Deferred Inflows of Resources	1,157,313	20,743	-	-	-	1,178,056
Fund Balances:						
Nonspendable	-	-	-	-	156,006	156,006
Restricted	2,154	3,275,753	8,844,805	-	4,532,370	16,655,082
Committed	2,419,882	-	-	-	-	2,419,882
Assigned	24,482	-	-	-	-	24,482
Unassigned	6,556,961	-	-	-	(70,851)	6,486,110
Total Fund Balances	9,003,479	3,275,753	8,844,805	-	4,617,525	25,741,562
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,140,250	\$ 3,296,496	\$ 9,431,750	\$ 1,203,578	\$ 4,687,579	\$ 29,759,653

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, 2022**

Total Governmental Fund Balances		\$ 25,741,562
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		52,362,301
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.		1,178,056
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	159,315	
Deferred outflows of resources - other postemployment benefits	1,564,778	
Deferred outflows of resources - pensions	835,857	
Deferred inflows of resources - other postemployment benefits	(3,474,245)	
Deferred inflows of resources - pensions	<u>(1,330,116)</u>	
Net effect of reporting deferred outflows and inflows of resources		(2,244,411)
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(208,508)
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	(5,305,754)	
Net pension liability	(7,756,569)	
General obligation bonds payable	<u>(14,601,000)</u>	
Net effect of reporting long-term liabilities		<u>(27,663,323)</u>
Net Position — Governmental Activities		<u>\$ 49,165,677</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, 2022**

	General Fund	Community Preservation Fund	Community Center Construction	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Revenues:						
Property taxes, net of tax refunds	\$ 22,612,532	\$ 516,670	\$ -	\$ -	\$ -	\$ 23,129,202
Intergovernmental	915,222	418,094	-	1,764	627,938	1,963,018
Motor vehicle excise taxes	1,366,649	-	-	-	-	1,366,649
Licenses and permits	375,704	-	-	-	-	375,704
Penalties and interest on taxes	243,472	1,991	-	-	-	245,463
Fines and forfeitures	30,492	-	-	-	-	30,492
Departmental and other revenues	914,075	-	-	-	886,302	1,800,377
Contributions and donations	-	-	-	-	42,585	42,585
Investment income (loss)	30,369	(21,603)	-	-	(524,837)	(516,071)
Total Revenues	26,488,515	915,152	-	1,764	1,031,988	28,437,419
Expenditures:						
Current:						
General government	1,738,679	127,848	-	1,764	66,589	1,934,880
Public safety	3,276,607	-	-	-	1,013,508	4,290,115
Education	14,831,473	-	-	-	-	14,831,473
Public works	1,946,784	14,979	-	-	17,999	1,979,762
Health and human services	297,683	39,500	-	-	29,394	366,577
Culture and recreation	320,469	20,772	2,991,195	-	222,839	3,555,275
Pension and fringe benefits	1,619,820	-	-	-	-	1,619,820
State and county charges	61,320	-	-	-	-	61,320
Debt service:						
Principal	56,200	220,800	-	-	-	277,000
Interest	20,381	45,216	-	-	-	65,597
Total Expenditures	24,169,416	469,115	2,991,195	1,764	1,350,329	28,981,819
Excess (Deficiency) of Revenues Over Expenditures	2,319,099	446,037	(2,991,195)	-	(318,341)	(544,400)
Other Financing Sources (Uses):						
Proceeds of issuance of debt	-	-	10,384,500	-	361,310	10,745,810
Premium from issuance of debt	-	-	651,500	-	38,690	690,190
Transfers in	-	-	-	-	63,913	63,913
Transfers out	(246,884)	-	-	-	-	(246,884)
Total Other Financing Sources (Uses)	(246,884)	-	11,036,000	-	463,913	11,253,029
Change in Fund Balances	2,072,215	446,037	8,044,805	-	145,572	10,708,629
Fund Balances:						
Beginning of the year	6,931,264	2,829,716	800,000	-	4,471,953	15,032,933
End of the year	\$ 9,003,479	\$ 3,275,753	\$ 8,844,805	\$ -	\$ 4,617,525	\$ 25,741,562

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, 2022

Net Change in Fund Balances — Total Governmental Funds \$ 10,708,629

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	3,241,942	
Depreciation expense	<u>(2,236,197)</u>	
Net effect of reporting capital activity		1,005,745

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 32,938

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:

Issuance of long-term debt	(10,745,810)	
Premiums received from sale of long-term debt	(690,190)	
Repayments of long-term debt	<u>277,000</u>	
Net effect of reporting long-term debt activity		(11,159,000)

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	(1,047,087)	
Net pension liability	(154,947)	
Accrued interest	<u>(230,338)</u>	
Net effect of reporting long-term liabilities		<u>(1,432,372)</u>

Change in Net Position — Governmental Activities \$ (844,060)

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2022

	Water	Sewer	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 2,022,388	\$ 1,530,974	\$ 3,553,362
Receivables, net of allowances	304,920	307,791	612,711
Total Current Assets	<u>2,327,308</u>	<u>1,838,765</u>	<u>4,166,073</u>
Noncurrent Assets:			
Depreciable capital assets, net	8,540,339	3,853,768	12,394,107
Total Noncurrent Assets	<u>8,540,339</u>	<u>3,853,768</u>	<u>12,394,107</u>
Total Assets	<u>10,867,647</u>	<u>5,692,533</u>	<u>16,560,180</u>
Deferred Outflows of Resources:			
Loss on refunding	60,862	-	60,862
Other postemployment benefits	54,268	52,531	106,799
Pensions	48,348	45,558	93,906
Total Deferred Outflows of Resources	<u>163,478</u>	<u>98,089</u>	<u>261,567</u>
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	30,431	93,300	123,731
Accrued interest	34,639	2,730	37,369
Current portion of long-term debt	333,889	14,000	347,889
Total Current Liabilities	<u>398,959</u>	<u>110,030</u>	<u>508,989</u>
Noncurrent liabilities:			
Net other postemployment benefits liability	184,007	178,118	362,125
Net pension liability	448,658	422,774	871,432
Long-term debt	3,320,522	77,220	3,397,742
Total Noncurrent Liabilities	<u>3,953,187</u>	<u>678,112</u>	<u>4,631,299</u>
Total Liabilities	<u>4,352,146</u>	<u>788,142</u>	<u>5,140,288</u>
Deferred Inflows of Resources:			
Other postemployment benefits	120,489	116,633	237,122
Pensions	76,937	72,497	149,434
Total Deferred Inflows of Resources	<u>197,426</u>	<u>189,130</u>	<u>386,556</u>
Net Position:			
Net investment in capital assets	4,946,790	3,762,548	8,709,338
Unrestricted	1,534,763	1,050,802	2,585,565
Total Net Position	<u>\$ 6,481,553</u>	<u>\$ 4,813,350</u>	<u>\$ 11,294,903</u>

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, 2022**

	Water	Sewer	Total
Operating Revenues:			
Charges for services	\$ 919,087	\$ 895,707	\$ 1,814,794
Other operating revenues	<u>121,892</u>	<u>242,850</u>	<u>364,742</u>
Total Operating Revenues	<u>1,040,979</u>	<u>1,138,557</u>	<u>2,179,536</u>
Operating Expenses:			
Operating costs	337,949	354,612	692,561
Depreciation	<u>237,931</u>	<u>84,726</u>	<u>322,657</u>
Total Operating Expenses	<u>575,880</u>	<u>439,338</u>	<u>1,015,218</u>
Operating Income	<u>465,099</u>	<u>699,219</u>	<u>1,164,318</u>
Nonoperating Revenues (Expenses):			
Investment income	3	1	4
Interest expenses	<u>(88,399)</u>	<u>(4,926)</u>	<u>(93,325)</u>
Total Nonoperating Revenues (Expenses)	<u>(88,396)</u>	<u>(4,925)</u>	<u>(93,321)</u>
Income Before Transfers	<u>376,703</u>	<u>694,294</u>	<u>1,070,997</u>
Transfers in	<u>177,703</u>	<u>5,268</u>	<u>182,971</u>
Change in Net Position	554,406	699,562	1,253,968
Net Position:			
Beginning of the year	<u>5,927,147</u>	<u>4,113,788</u>	<u>10,040,935</u>
End of the year	<u>\$ 6,481,553</u>	<u>\$ 4,813,350</u>	<u>\$ 11,294,903</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Receipts from user charges and other	\$ 997,347	\$ 1,034,736	\$ 2,032,083
Payments to employees	(292,414)	(292,387)	(584,801)
Payments to vendors	(402,809)	(409,237)	(812,046)
Net Cash Provided By Operating Activities	302,124	333,112	635,236
Cash Flows from Noncapital Financial Activities:			
Transfers in	177,703	5,268	182,971
Net Cash Provided By Noncapital Financing Activities	177,703	5,268	182,971
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the issuance of long-term debt	922,310	-	922,310
Acquisition and construction of capital assets	(18,686)	-	(18,686)
Principal repayments on long-term debt	(114,294)	(29,369)	(143,663)
Repayments on short-term debt	(1,220,000)	-	(1,220,000)
Interest payments	(65,598)	(4,072)	(69,670)
Net Cash Used In Capital and Related Financing Activities	(496,268)	(33,441)	(529,709)
Cash Flow from Investing Activities:			
Interest income	3	1	4
Net Cash Provided By Investing Activities	3	1	4
Change in Cash and Cash Equivalents	(16,438)	304,940	288,502
Cash and Cash Equivalents:			
Beginning of the year	2,038,826	1,226,034	3,264,860
End of the year	\$ 2,022,388	\$ 1,530,974	\$ 3,553,362

(continued)

TOWN OF UPTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities		
	Water	Sewer	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 465,099	\$ 699,219	\$ 1,164,318
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation expense	237,931	84,726	322,657
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	(43,632)	(103,821)	(147,453)
Warrants payable and other current liabilities	6,538	63,201	69,739
Accrued and deferred benefits payable	(363,812)	(410,213)	(774,025)
Net Cash Provided By Operating Activities	<u>\$ 302,124</u>	<u>\$ 333,112</u>	<u>\$ 635,236</u>
			(concluded)

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and cash equivalents	\$ 23,993	\$ 367,580
Investments in mutual funds, at fair value	<u>915,094</u>	<u>1,099,816</u>
Total Assets	<u>939,087</u>	<u>1,467,396</u>
Liabilities:		
Warrants and accounts payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Restricted for other postemployment benefits	939,087	-
Held in trust for private purposes	<u>-</u>	<u>1,467,396</u>
Total Net Position	<u>\$ 939,087</u>	<u>\$ 1,467,396</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION JUNE 30, 2022

	OPEB Trust	Private Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Employer contributions	\$ 250,223	\$ -
Employee contributions	<u>21,103</u>	<u>-</u>
Total contributions	<u>271,326</u>	<u>-</u>
Investment income:		
Interest and dividends	62,882	32,462
Net decline in fair value of investments	(228,789)	(203,328)
Less investment management fees	<u>(5,724)</u>	<u>-</u>
Total net investment income	<u>(171,631)</u>	<u>(170,866)</u>
Total Additions	<u>99,695</u>	<u>(170,866)</u>
Deductions:		
Benefits to retirees and survivors	150,223	-
Scholarships and public welfare	<u>-</u>	<u>22,511</u>
Total Deductions	<u>150,223</u>	<u>22,511</u>
Change in Net Position	(50,528)	(193,377)
Net Position:		
Beginning of the year	<u>989,615</u>	<u>1,660,773</u>
End of the year	<u>\$ 939,087</u>	<u>\$ 1,467,396</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, 2022

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 serving 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.

The Mendon-Upton Regional School District is a joint venture between the Town and town of Mendon. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town’s assessment was \$13,510,372. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the Mendon-Upton Regional School District’s administrative office located at 1150 North Avenue, Mendon, Massachusetts 01756.

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. The Town commenced construction in fiscal year 2023.

ARPA Grant Fund – was established as a major fund in fiscal year 2022 and is used to account for the Town’s expenditure of grant awards from the American Rescue Plan Act of 2021, or ARPA.

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, 2022, bank balances totaling \$5,818,515 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, 2022:

<u>Investments by Fair Value Level</u>	<u>June 30, 2022</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	\$ 453,462	\$ 453,462	\$ -	\$ -
U.S. Government agency obligations	179,512	-	179,512	-
Corporate bonds	715,847	-	715,847	-
Total debt securities	1,348,821	453,462	895,359	-
Equity securities	281,227	281,227	-	-
Mutual funds	6,039,852	-	6,039,852	-
Total investments by fair value level	7,669,900	\$ 734,689	\$ 6,935,211	\$ -
Investments measured at amortized cost:				
MMDT	2,486,517			
Total investments at fair value	<u>\$ 10,156,417</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, 2022, the Town's investment in the MMDT represented approximately 25% 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, 2022, 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	\$ 632,974	\$ 305,446	\$ 327,528	\$ -
Corporate bonds	715,847	49,983	665,864	-
Total investments with maturities	1,348,821	\$ 355,429	\$ 993,392	\$ -
Other investments:				
Equity securities	281,227			
Mutual funds	6,039,852			
MMDT	2,486,517			
Total Investments	\$ 10,156,417			

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, 2022:

Moody's Rating	Government Obligations	Corporate Bonds	Total
Aaa	\$ 632,974	\$ -	\$ 632,974
A1	-	187,793	187,793
A2	-	84,026	84,026
Baa1	-	99,388	99,388
Baa2	-	344,640	344,640
	\$ 632,974	\$ 715,847	\$ 1,348,821

B. Receivables

Receivables as of June 30, 2022 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	\$ 683,313	\$ (8,800)	\$ 674,513
Tax liens	569,222	(150,000)	419,222
Excise taxes	184,953	(20,000)	164,953
Departmental	249,259	(164,300)	84,959
Intergovernmental	62,685	-	62,685
	<u>\$ 1,749,432</u>	<u>\$ (343,100)</u>	<u>\$ 1,406,332</u>

Receivables in the Town's proprietary funds consisted entirely of user charges receivable. No allowances for uncollectible accounts were reported in the Town's proprietary funds at June 30, 2022.

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, 2022 in the governmental funds:

	General Fund	Community Preservation Fund	Total
Property taxes	\$ 496,453	\$ 12,469	\$ 508,922
Tax liens	410,948	8,274	419,222
Excise taxes	164,953	-	164,953
Ambulance	84,959	-	84,959
	<u>\$ 1,157,313</u>	<u>\$ 20,743</u>	<u>\$ 1,178,056</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 6,317,285	\$ 137,042	\$ -	\$ 6,454,327
Construction in-progress	531,115	2,991,195	-	3,522,310
Total capital assets not being depreciated	6,848,400	3,128,237	-	9,976,637
Capital assets being depreciated:				
Buildings and improvements	12,635,154	11,988	-	12,647,142
Infrastructure	60,211,995	39,500	-	60,251,495
Machinery and equipment	2,917,700	17,309	-	2,935,009
Vehicles	3,147,979	44,908	(63,692)	3,129,195
Total capital assets being depreciated	78,912,828	113,705	(63,692)	78,962,841
Less accumulated depreciation for:				
Buildings and improvements	(3,520,441)	(306,451)	-	(3,826,892)
Infrastructure	(26,800,120)	(1,560,623)	-	(28,360,743)
Machinery and equipment	(1,441,847)	(201,726)	-	(1,643,573)
Vehicles	(2,642,264)	(167,397)	63,692	(2,745,969)
Total accumulated depreciation	(34,404,672)	(2,236,197)	63,692	(36,577,177)
Total capital assets being depreciated, net	44,508,156	(2,122,492)	-	42,385,664
Governmental activities capital assets, net	\$ 51,356,556	\$ 1,005,745	\$ -	\$ 52,362,301
	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	12,687,813	18,686	-	12,706,499
Vehicles and equipment	190,013	-	-	190,013
Total capital assets being depreciated	17,947,408	18,686	-	17,966,094
Less accumulated depreciation for:				
Buildings and improvements	(1,754,579)	(64,547)	-	(1,819,126)
Infrastructure	(3,408,292)	(245,270)	-	(3,653,562)
Vehicles and equipment	(86,459)	(12,840)	-	(99,299)
Total accumulated depreciation	(5,249,330)	(322,657)	-	(5,571,987)
Total capital assets being depreciated, net	12,698,078	(303,971)	-	12,394,107
Business-type activities capital assets, net	\$ 12,698,078	\$ (303,971)	\$ -	\$ 12,394,107

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities – Water:</i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 702,021	\$ -	\$ -	\$ 702,021
Infrastructure	11,667,385	18,686	-	11,686,071
Vehicles and equipment	56,597	-	-	56,597
Total capital assets being depreciated	12,426,003	18,686	-	12,444,689
Less accumulated depreciation for:				
Buildings and improvements	(568,581)	(4,788)	-	(573,369)
Infrastructure	(3,053,811)	(231,664)	-	(3,285,475)
Vehicles and equipment	(44,027)	(1,479)	-	(45,506)
Total accumulated depreciation	(3,666,419)	(237,931)	-	(3,904,350)
Water capital assets, net	<u>\$ 8,759,584</u>	<u>\$ (219,245)</u>	<u>\$ -</u>	<u>\$ 8,540,339</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	133,416	-	-	133,416
Total capital assets being depreciated	5,521,405	-	-	5,521,405
Less accumulated depreciation for:				
Buildings and improvements	(1,185,998)	(59,759)	-	(1,245,757)
Infrastructure	(354,481)	(13,606)	-	(368,087)
Vehicles and equipment	(42,432)	(11,361)	-	(53,793)
Total accumulated depreciation	(1,582,911)	(84,726)	-	(1,667,637)
Sewer capital assets, net	<u>\$ 3,938,494</u>	<u>\$ (84,726)</u>	<u>\$ -</u>	<u>\$ 3,853,768</u>

Depreciation expense in the governmental activities was charged to functions/programs in the Town's governmental activities as follows in fiscal year 2022:

General government	\$ 224,370
Public safety	353,810
Public works	1,633,028
Health and human services	3,063
Culture and recreation	21,926
	<u>\$ 2,236,197</u>

D. Interfund Transfers

The following transfers from the general fund were reported for the fiscal year ended June 30, 2022:

- \$58,913 was transferred to capital projects to repay temporary debt;
- \$5,000 was transferred to the conservation trust fund as to supplement its operations;
- \$32,683 was transferred to water capital projects to repay temporary debt; and
- \$150,288 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 2022 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
BAN	0.46%	matured	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ (1,700,000)</u>	<u>\$ -</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, 2022:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,442,000	\$ 10,745,810	\$ (277,000)	\$ 13,910,810	\$ 626,810
Unamortized bond premiums	-	690,190	-	690,190	78,016
Net OPEB liability	6,303,247	4,213,153	(5,210,646)	5,305,754	-
Net pension liability	8,271,828	2,314,087	(2,829,316)	7,756,599	-
Total Governmental Activities	\$ 18,017,075	\$ 17,963,240	\$ (8,316,962)	\$ 27,663,353	\$ 704,826
Business-Type Activities:					
Water:					
General obligation bonds	\$ 2,857,410	\$ 922,310	\$ (341,750)	\$ 3,437,970	\$ 294,190
Unamortized bond premiums	-	216,441	-	216,441	39,699
Net OPEB liability	636,652	208,769	(661,414)	184,007	-
Net pension liability	478,459	133,854	(163,655)	448,658	-
Total Water	3,972,521	1,481,374	(1,166,819)	4,287,076	333,889
Sewer:					
General obligation bonds	120,589	-	(29,369)	91,220	14,000
Net OPEB liability	675,357	214,899	(712,138)	178,118	-
Net pension liability	450,856	126,129	(154,211)	422,774	-
Total Sewer	1,246,802	341,028	(895,718)	692,112	14,000
Total Business-Type Activities	\$ 5,219,323	\$ 1,822,402	\$ (2,062,537)	\$ 4,979,188	\$ 347,889

General obligation bonds outstanding at June 30, 2022 consisted of the following:

Description	Interest Rates	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:					
General obligation bonds	2.00 - 4.00%	\$ 242,000	\$ 10,745,810	\$ (242,000)	\$ 10,745,810
General obligation refunded bonds	1.00 - 5.00%	3,200,000	-	(35,000)	3,165,000
Total Governmental Activities		\$ 3,442,000	\$ 10,745,810	\$ (277,000)	\$ 13,910,810
Business-Type Activities – Water					
General obligation bonds	2.00 - 5.00%	\$ 607,411	\$ 922,310	\$ (607,411)	\$ 922,310
General obligation refunded bonds	1.00 - 5.00%	2,250,000	440,660	(175,000)	2,515,660
Total - Water		2,857,411	1,362,970	(782,411)	3,437,970
Business-Type Activities – Sewer					
General obligation bonds	2.00 - 5.00%	120,589	-	(120,589)	-
General obligation refunded bonds	5.00%	-	91,220	-	91,220
Total - Sewer		120,589	91,220	(120,589)	91,220
Total Business-Type Activities		\$ 2,978,000	\$ 1,454,190	\$ (903,000)	\$ 3,529,190

Debt service requirements on general obligation bonds at June 30, 2022 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Balance	Interest	Balance	Interest
2023	\$ 626,810	\$ 429,111	\$ 308,190	\$ 92,357
2024	693,000	352,525	317,000	74,118
2025	717,000	326,025	318,000	64,631
2026	727,000	299,400	323,000	55,546
2027	732,000	273,225	323,000	46,795
2028 - 2032	3,470,000	1,001,094	1,295,000	129,771
2033 - 2037	2,715,000	566,206	420,000	35,962
2038 - 2042	2,130,000	339,263	225,000	11,502
2043 - 2047	2,100,000	117,075	-	-
	<u>\$ 13,910,810</u>	<u>\$ 3,703,924</u>	<u>\$ 3,529,190</u>	<u>\$ 510,682</u>

Year Ending June 30,	Water		Sewer	
	General Obligation Bonds		General Obligation Bonds	
	Balance	Interest	Balance	Interest
2023	\$ 294,190	\$ 87,449	\$ 14,000	\$ 4,908
2024	302,120	70,630	14,880	3,488
2025	302,920	61,891	15,080	2,740
2026	307,760	53,564	15,240	1,982
2027	307,600	45,579	15,400	1,216
2028 - 2032	1,278,380	129,355	16,620	416
2033 - 2037	420,000	35,962	-	-
2038 - 2042	225,000	11,502	-	-
	<u>\$ 3,437,970</u>	<u>\$ 495,932</u>	<u>\$ 91,220</u>	<u>\$ 14,750</u>

Authorized and Unissued Debt – At June 30, 2022, the Town had authorized and unissued debt totaling \$878,702 for road projects.

G. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2022 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	-	3,275,753	-	453,803	3,729,556
Health and human services	-	-	-	238,289	238,289
Culture and recreation	-	-	8,844,805	361,544	9,206,349
Debt service	2,154	-	-	-	2,154
Expendable trust funds	-	-	-	3,424,517	3,424,517
Other purposes	-	-	-	54,217	54,217
Committed:					
General government articles	189,575	-	-	-	189,575
Public safety articles	510,320	-	-	-	510,320
Public works articles	1,641,885	-	-	-	1,641,885
Other purposes	78,102	-	-	-	78,102
Assigned:					
Encumbrances	24,482	-	-	-	24,482
Unassigned:					
General stabilization funds	2,548,075	-	-	-	2,548,075
Unrestricted	4,008,886	-	-	(70,851)	3,938,035
	<u>\$ 9,003,479</u>	<u>\$ 3,275,753</u>	<u>\$ 8,844,805</u>	<u>\$ 4,617,525</u>	<u>\$ 25,741,562</u>

The ARPA grant fund is not presented above as it did not maintain a fund balance at June 30, 2022.

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 Town also maintains a capital stabilization fund, which may be used for capital purposes upon a two-thirds vote of the Town Meeting.

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. Excess of Expenditures Over Appropriations and Deficits

The Town did not incur any material fund or appropriation deficits during the fiscal year.

The Town reported deficits of \$70,851 in its nonmajor governmental funds relative to a number of state and federal grants. The Town expects to cure these deficits through the receipt of future intergovernmental grant awards.

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, 2021 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, 2021 was as follows:

Active members	7,121
Inactive members entitled to, but not receiving benefits	2,714
Inactive members (or beneficiaries) currently receiving benefits	<u>4,112</u>
	<u>13,947</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 2022.

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 \$757,724 to the Retirement System in fiscal year 2022, 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 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$8,628,031 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 and rolled forward to the measurement date of December 31, 2021. 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 7.25% from 7.50%.

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 1.02% and 1.04% at December 31, 2021 and 2020, 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, 2021, 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 \$930,114 in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, 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	\$ -	\$ 180,454
Changes of assumptions	741,904	-
Net difference between projected and actual earnings on pension plan investments	-	1,217,274
Changes in proportion and differences between Town contributions and proportionate share of contributions	187,859	81,822
	<u>\$ 929,763</u>	<u>\$ 1,479,550</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>	
2023	\$ (38,319)
2024	(271,479)
2025	(153,945)
2026	(136,323)
2027	<u>50,279</u>
	<u>\$ (549,787)</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The significant actuarial assumptions used in the current actuarial valuation included:

Inflation	2.4% per year (previously 2.2%)
Salary increases	Group 1: 4.25% - 6.00%, based on service Group 4: 4.75% - 7.00%, based on service
Investment rate of return	7.25%, net of pension plan investment expense, including inflation (previously 7.50%)
Mortality rates	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020
Disabled life mortality	Based on RP-2014 Blue Collar Mortality Table set forward on year with full generational mortality improvement using Scale MP-2020

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, 2021 are summarized in the following table:

Asset Class	Long-Term	
	Target Allocation	Expected Rate of Return
Global equity	38%	4.22%
Core fixed income	15%	0.70%
Value-added fixed income	8%	4.00%
Private equity	15%	7.70%
Real estate	10%	3.60%
Timberland	4%	4.20%
Portfolio completion	10%	3.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.25% (previously 7.50%). 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 7.25% as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.25%	\$ 10,883,613	\$ 8,628,031	\$ 6,722,116

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, 2022:

Inactive employees or beneficiaries receiving benefits	21
Active employees	<u>59</u>
	<u>80</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, 2022, 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 2022, employee contributions totaled \$21,103.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2021, which was rolled forward to the measurement date of June 30, 2022. The components of the net OPEB liability of the Town at June 30, 2022 were as follows:

Total OPEB liability	\$ 6,606,966
Plan fiduciary net position	(939,087)
Net OPEB liability	<u>\$ 5,667,879</u>
Plan fiduciary net position as a percentage of the total OPEB liability	14.2%

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
Single equivalent discount rate	3.73%, net of investment expenses (previously 2.25%)
Healthcare cost trend rates	7.5% for 2021, decreasing 0.6% per year to 5.7%, then grading down to an ultimate trend rate of 3.9% in 2075
Pre-retirement mortality	RP-2014 Blue Collar Mortality Table projected with generational improvement using Scale MP-2020
Post-retirement mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected with generational improvement using Scale MP-2020

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%	4.66%
International equity	21%	5.88%
Domestic bond	22%	1.30%
International bond	6%	1.33%
Alternatives	20%	5.28%
Cash and cash equivalents	0%	0.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.73% (previously 2.25%). 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, 2022:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 8,604,871	\$ 989,615	\$ 7,615,256
Changes for the year:			
Service cost	612,827	-	612,827
Interest	205,708	-	205,708
Experience differences	(405,658)	-	(405,658)
Changes in assumptions	(2,260,559)	-	(2,260,559)
Employer contributions	-	250,223	(250,223)
Employee contributions	-	21,103	(21,103)
Net investment loss	-	(171,631)	171,631
Benefit payments	(150,223)	(150,223)	-
Net changes	(1,997,905)	(50,528)	(1,947,377)
Balances at June 30, 2022	<u>\$ 6,606,966</u>	<u>\$ 939,087</u>	<u>\$ 5,667,879</u>

There were a number of changes in assumptions made in the current year’s actuarial study. The most notable included an increase in the discount rate from 2.25% to 3.73%.

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% lower or higher than the current discount rate:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
3.73%	\$ 6,758,587	\$ 5,667,879	\$ 4,800,476

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% lower or higher than the current healthcare cost trend rates:

Current Trend Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
6.5% decreasing to 3.9%	\$ 4,610,487	\$ 5,667,879	\$ 7,060,704

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$505,872. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,569,480
Changes of assumptions	1,551,301	2,141,887
Net difference between projected and actual earnings on OPEB Plan investments	120,276	-
	<u>\$ 1,671,577</u>	<u>\$ 3,711,367</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>	
2023	\$ (223,373)
2024	(225,642)
2025	(230,095)
2026	(170,138)
2027	(252,158)
Thereafter	<u>(938,384)</u>
	<u>\$ (2,039,790)</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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -15.98%. 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, 2022 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, 2022.

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

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

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

B. Future Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The 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 issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The 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 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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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
2022	1.025%	\$ 8,628	\$ 4,109	210.0%	56.2%
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
2022	\$ 758	\$ 758	\$ -	\$ 4,109	18.4%
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,				
	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service cost	\$ 613	\$ 586	\$ 440	\$ 391	\$ 406
Interest	206	189	273	258	232
Changes in benefit terms	-	-	(65)	-	-
Differences in experience	(406)	-	(1,789)	-	-
Changes in assumptions	(2,260)	91	1,902	387	(311)
Benefit payments	(150)	(110)	(88)	(107)	(78)
Net Change in Total OPEB Liability	(1,997)	756	673	929	249
Total OPEB Liability:					
Beginning of year	8,604	7,848	7,175	6,246	5,997
End of year (a)	<u>\$ 6,607</u>	<u>\$ 8,604</u>	<u>\$ 7,848</u>	<u>\$ 7,175</u>	<u>\$ 6,246</u>
Plan Fiduciary Net Position:					
Contributions	\$ 271	\$ 223	\$ 187	\$ 207	\$ 178
Net investment income (loss)	(171)	190	20	28	20
Benefit payments	(150)	(109)	(87)	(107)	(78)
Net Change in Plan Fiduciary Net Position	(50)	304	120	128	120
Plan Fiduciary Net Position:					
Beginning of year	989	685	565	437	317
End of year (b)	<u>\$ 939</u>	<u>\$ 989</u>	<u>\$ 685</u>	<u>\$ 565</u>	<u>\$ 437</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 5,668</u>	<u>\$ 7,615</u>	<u>\$ 7,163</u>	<u>\$ 6,610</u>	<u>\$ 5,809</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.2%	11.5%	8.7%	7.9%	7.0%
Covered payroll	\$ 3,762	\$ 4,750	\$ 4,317	\$ 4,556	\$ 3,463
Net OPEB Liability as a Percentage of Covered Payroll	150.7%	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,				
	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 978	\$ 931	\$ 820	\$ 738	\$ 736
Contributions in relation to the actuarially determined contribution	(250)	(210)	(187)	(207)	(178)
Contribution deficiency (excess)	<u>\$ 728</u>	<u>\$ 721</u>	<u>\$ 633</u>	<u>\$ 531</u>	<u>\$ 558</u>
Covered payroll	\$ 3,762	\$ 4,750	\$ 4,317	\$ 4,556	\$ 3,463
Contribution as a Percentage of Covered Payroll	6.65%	4.42%	4.33%	4.54%	5.14%

Notes to Schedule:

Valuation date	July 1, 2021
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	3.73%, net of investment expenses, including inflation (previously 2.25%)
Healthcare cost trend rates	7.5% for 2021, decreasing 0.6% per year to 5.7%, then grading down to an ultimate trend rate of 3.9% in 2075
Mortality	RP-2014 Blue Collar Mortality Table projected with generational improvement using Scale MP-2020

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	-15.98%	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, 2022**

	Budgeted Amounts		Actual		Actual	Positive
	Original	Final	Budgetary	Encumbrances	Budgetary	(Negative)
	Budget	Budget	Amounts		Adjusted	Variance
Revenues:						
Property taxes, net of tax refunds	\$ 22,663,395	\$ 22,663,395	\$ 22,785,442		\$ 22,785,442	\$ 122,047
Intergovernmental	896,874	896,874	915,222		915,222	18,348
Motor vehicle and other excise taxes	915,655	915,655	1,366,649		1,366,649	450,994
Licenses and permits	158,000	158,000	375,704		375,704	217,704
Penalties and interest on taxes	85,000	85,000	243,472		243,472	158,472
Fines and forfeitures	12,800	12,800	30,492		30,492	17,692
Departmental and other revenues	661,152	661,152	914,075		914,075	252,923
Investment income	10,000	10,000	22,637		22,637	12,637
Total Revenues	25,402,876	25,402,876	26,653,693		26,653,693	1,250,817
Expenditures:						
General government	1,973,900	2,033,900	1,738,679	\$ 214,058	1,952,737	81,163
Public safety	3,615,049	3,965,049	3,276,607	510,320	3,786,927	178,122
Education	14,833,224	14,833,224	14,831,473	-	14,831,473	1,751
Public works	3,039,654	3,770,654	1,946,784	1,641,885	3,588,669	181,985
Health and human services	374,210	419,210	297,683	45,000	342,683	76,527
Culture and recreation	431,341	431,341	320,469	33,102	353,571	77,770
Pension and fringe benefits	2,134,357	2,134,357	1,619,820	-	1,619,820	514,537
State and county charges	61,680	61,680	61,320	-	61,320	360
Debt service	195,116	195,116	76,581	-	76,581	118,535
Total Expenditures	26,658,531	27,844,531	24,169,416	\$ 2,444,365	26,613,781	1,230,750
Other Financing Sources (Uses):						
Transfers in	200,000	200,000	200,000		200,000	-
Transfers out	(678,381)	(749,307)	(749,307)		(749,307)	-
Total Other Financing Sources (Uses)	(478,381)	(549,307)	(549,307)		(549,307)	-
(Deficiency) Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,734,036)	(2,990,962)	\$ 1,934,970		\$ (509,395)	\$ 2,481,567
Other Budgetary Items:						
Prior year articles and encumbrances	832,179	832,179				
Free cash	901,857	2,158,783				
Total Other Budgetary Items	1,734,036	2,990,962				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF UPTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

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:

	<u>Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenue — budgetary basis			\$ 26,653,693
Revenue recognition adjustments	\$ (172,909)	\$ -	(172,909)
Stabilization revenue	<u>-</u>	<u>7,731</u>	<u>7,731</u>
Revenue — GAAP basis	<u>\$ (172,909)</u>	<u>\$ 7,731</u>	<u>\$ 26,488,515</u>
 Other Financing Sources (Uses) — budgetary basis			\$ (549,307)
Transfer treatment	<u>\$ -</u>	<u>\$ 302,423</u>	<u>302,423</u>
Other Financing Sources (Uses) — GAAP basis	<u>\$ -</u>	<u>\$ 302,423</u>	<u>\$ (246,884)</u>