

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF MIDDLETON, MASSACHUSETTS**

Report on Examination of the Basic Financial Statements and  
Additional Information

Year Ended June 30, 2021



# TOWN OF MIDDLETON, MASSACHUSETTS

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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Middleton, Massachusetts, (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents, except for the Middleton Electric Light Department "the Light Department" "the Electric Light Department" or "MELD", which is as of December 31, 2020 and is a Town Department reported as an enterprise fund and part of the Town's business-type funds. We did not audit the financial statements of the Light Department. The Light Department represents 100% of the assets, net position, and operating revenues of the Town's business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors.

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

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

### **Auditors' Responsibility**

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

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

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2021, except for the Light Department, which is as of December 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2022 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Roselli Clark + Associates*

Certified Public Accountants  
Woburn, Massachusetts  
February 14, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Middleton, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021 (December 31, 2020 for the Light Department). 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 found in this report.

### **Financial Highlights**

- The assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$46.4 million (*total net position*).
- The Town's total net position increased by approximately \$2.5 million year-over-year. The increase from operations was the result of a increase in governmental activities of approximately \$0.6 million in addition to an approximately \$1.9 million increase in Light Department operations.
- The Town's total long-term debt in its governmental activities decreased by over \$0.9 million due to regular scheduled maturities and a refunding transaction.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of nearly \$11.5 million, which was approximately \$1.8 million higher than the prior year. Of the ending fund balance, approximately \$3.7 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures or nonspendable.

### **Overview of the Financial Statements**

This discussion and analysis are 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 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 a 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 government'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 sick pay).

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, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town consist completely of Light Department activities.

**Fund Financial Statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town 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 a government using its highest level of decision-making authority.
- Assigned—amounts a government 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 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. 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 in this report.

**Proprietary Funds** – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of

information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for enterprise funds of the Light Department.

**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 following table represents the condensed statement of net position:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b><u>Assets</u></b>						
Current and other assets	\$ 20,291,246	\$ 17,832,222	\$ 18,829,907	\$ 17,490,300	\$ 39,121,153	\$ 35,322,522
Capital assets, net	57,161,118	57,502,983	12,598,411	12,508,342	69,759,529	70,011,325
<b>Total assets</b>	<b>77,452,364</b>	<b>75,335,205</b>	<b>31,428,318</b>	<b>29,998,642</b>	<b>108,880,682</b>	<b>105,333,847</b>
<b>Deferred outflows of resources</b>	<b>4,140,212</b>	<b>3,559,901</b>	<b>846,426</b>	<b>830,280</b>	<b>4,986,638</b>	<b>4,390,181</b>
<b><u>Liabilities</u></b>						
Long-term liabilities	48,893,767	47,913,398	4,314,995	4,782,277	53,208,762	52,695,675
Other liabilities	8,515,068	7,546,925	1,165,157	1,490,502	9,680,225	9,037,427
<b>Total liabilities</b>	<b>57,408,835</b>	<b>55,460,323</b>	<b>5,480,152</b>	<b>6,272,779</b>	<b>62,888,987</b>	<b>61,733,102</b>
<b>Deferred inflows of resources</b>	<b>4,143,646</b>	<b>3,993,040</b>	<b>413,813</b>	<b>72,280</b>	<b>4,557,459</b>	<b>4,065,320</b>
<b><u>Net Position</u></b>						
Net investment in capital assets	40,991,134	41,125,835	12,598,411	12,508,342	53,589,545	53,634,177
Restricted	6,648,183	6,036,959	-	-	6,648,183	6,036,959
Unrestricted	(27,599,222)	(27,721,051)	13,782,368	11,975,521	(13,816,854)	(15,745,530)
<b>Total Net Position</b>	<b>\$ 20,040,095</b>	<b>\$ 19,441,743</b>	<b>\$ 26,380,779</b>	<b>\$ 24,483,863</b>	<b>\$ 46,420,874</b>	<b>\$ 43,925,606</b>

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$46.4 million (*total net position*), which represents an approximate \$2.5 million increase from the prior year’s balance.

The largest portion (\$53.6 million) of the Town’s overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. 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 significant portion of the Town’s total net position (\$6.6 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position* which is currently in a deficit position of over \$13.8 million. Surpluses of nearly \$13.8 million in the business-type activities are offset by a deficit of nearly \$27.6 million in the governmental activities. The business-type surplus may be used to meet the

ongoing obligations of the business-type activities. The governmental activities deficit is primarily the result of approximately \$36.9 million in obligations related to OPEB and pensions. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future until a mechanism to more adequately fund its annual OPEB obligation is in place.

The following table represents the condensed statement of changes in net position:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services	\$ 3,922,404	\$ 3,151,970	\$ 13,530,640	\$ 13,507,684	\$ 17,453,044	\$ 16,659,654
Operating grants and contributions	6,519,884	5,297,743	131,992	265,173	6,651,876	5,562,916
Capital grants and contributions	1,018,357	814,305	-	-	1,018,357	814,305
General revenues:						
Property taxes	31,395,186	30,516,284	-	-	31,395,186	30,516,284
Excise taxes	2,411,786	2,456,789	-	-	2,411,786	2,456,789
Unrestricted investment earnings	197,529	156,673	821,542	1,176,429	1,019,071	1,333,102
Other	865,180	861,369	-	-	865,180	861,369
<b>Total Revenues</b>	<b>46,330,326</b>	<b>43,255,133</b>	<b>14,484,174</b>	<b>14,949,286</b>	<b>60,814,500</b>	<b>58,204,419</b>
<b><u>Expenses</u></b>						
General government	3,452,632	2,395,200	-	-	3,452,632	2,395,200
Public safety	6,616,110	5,854,508	-	-	6,616,110	5,854,508
Education	30,615,964	30,001,303	-	-	30,615,964	30,001,303
Public works	3,094,782	3,021,094	-	-	3,094,782	3,021,094
Health and human services	718,381	826,756	-	-	718,381	826,756
Culture and recreation	1,050,555	1,682,730	-	-	1,050,555	1,682,730
Debt service	413,550	499,235	-	-	413,550	499,235
Electric light	-	-	12,357,258	12,484,064	12,357,258	12,484,064
<b>Total Expenses</b>	<b>45,961,974</b>	<b>44,280,826</b>	<b>12,357,258</b>	<b>12,484,064</b>	<b>58,319,232</b>	<b>56,764,890</b>
Change in net position before transfers	368,352	(1,025,693)	2,126,916	2,465,222	2,495,268	1,439,529
<b>Transfers</b>	<b>230,000</b>	<b>176,100</b>	<b>(230,000)</b>	<b>(176,100)</b>	<b>-</b>	<b>-</b>
Change in net position	598,352	(849,593)	1,896,916	2,289,122	2,495,268	1,439,529
Net position, beginning of year	19,441,743	15,406,585	24,483,863	22,194,741	43,925,606	37,601,326
Restatement for net OPEB liability	-	4,884,751	-	-	-	4,884,751
Net position, beginning of year, as restated	19,441,743	20,291,336	24,483,863	22,194,741	43,925,606	42,486,077
Net position, end of year	<b>\$ 20,040,095</b>	<b>\$ 19,441,743</b>	<b>\$ 26,380,779</b>	<b>\$ 24,483,863</b>	<b>\$ 46,420,874</b>	<b>\$ 43,925,606</b>

**Governmental Activities** – Total revenues in fiscal year 2021 in the Town’s governmental activities increased nearly \$3.1 million from fiscal year 2020. This increase was due primarily to an increase property taxes which were nearly \$0.9 million greater than the prior year and higher operating grants and contributions that were approximately \$1.2 million higher than the prior year due to higher on-behalf payments made to the state teachers retirement system by the Commonwealth of Massachusetts and pandemic response grants. All other revenue categories experienced minor increases and decreases that aggregated to the remaining net increase. The greatest revenue areas were property taxes which represented 67.8% of revenues. The increase was in line with the statutorily allowed increase from year to year and was expected. Operating grants which represented 14.1% of revenues increased as noted above. No other revenue sources were greater than 10% of total revenues in fiscal years 2021 or 2020. Total expenses for the current fiscal year were nearly \$46.0 million which was \$0.6 million higher than the prior year, primarily the result of education spending. Education represents by far the largest expense



category for the Town. In fiscal year 2021, education expenses represented approximately 66.6% of total expenses, down slightly with 67.8% in the prior year. The Town continues to fund education expenses above the minimum state requirements. Public safety expenses represented 14.4% of total fiscal year 2021 expense; up slightly from 13.2% in the prior year. No other expense types were greater than 10% of total expenses in fiscal years 2021 and 2020.

**Business-Type Activities** – Operating revenues of the light department decreased as actual customer kilowatt hour sales decreased approximately \$0.1 million, or 0.8%, while actual customer kilowatt hour sales increased approximately 1.4%. The difference between the change in customer revenue is the year end unbilled revenue adjustment which decreased due to timing and year end weather changes. There were no rate changes during the year. Investment income decreased approximately \$350,000 due to market factors. Operating expenses decreased approximately \$0.1 million, or 1.0%, primarily due to a decrease in purchased power costs due to market prices.

### **Government Funds Financial Analysis**

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 of over \$9.9 million, which is nearly \$3.3 million lower than the prior year. The decrease was primarily due to over \$3.6 million of capital spending. Of the ending fund balance approximately \$2.6 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, unassigned fund balance of the general fund was nearly \$7.6 million, while total general fund balance was over \$9.4 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 approximately 18.6% of total general fund expenditures, while total fund balance represents approximately 23.2% of that same amount. Fund balance increased over \$1.3 million as positive operations of \$2.2 million were offset by the budgetary use of approximately \$0.9 million of surplus fund balance during the year.

The Town also maintains a major fund to account for its various capital projects. The Town reported \$0.1 million as restricted and a \$3.7 million deficit as unassigned. The Town expended approximately \$0.7 million on an ambulance and public works equipment during the year.

The Town’s aggregate nonmajor funds include the Town’s special revenue funds and trust funds. The fund balances in the nonmajors funds increased approximately \$0.3 million from the prior year to a total of nearly \$5.6 million. The increase was primarily due to unspent community preservation act revenues. The fund reports nearly \$0.2 million as a deficit due to the timing of pandemic grant funding, while the majority of the remaining balance, nearly \$5.6 million, is reported as restricted.

**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 Light Department was nearly \$26.4 million.

**Fiduciary Fund** – The Town’s fiduciary fund is comprised of the Town and Light Department’s OPEB trusts and private purpose trust funds. The OPEB trusts increased nearly \$0.5 million and \$0.2 million respectively for the Town and Light Department trusts due to continued funding beyond the pay go amount; and the private purpose trust funds were relatively unchanged.

### **General Fund Budgetary Highlights**

A budget to actual schedule for the general fund has been provided as required supplementary information. During the fiscal year, Town Meeting increased appropriations approximately \$43,000 as more fully described in the notes to required supplementary information.

### **Capital Asset and Debt Administration**

**Capital Assets** – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to approximately \$69.8 million, net of accumulated depreciation. This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and infrastructure. The balance decreased approximately \$0.3 million as depreciation was higher than additions. Additions were primarily related to ambulance and public works equipment purchases.

Additional information on the Town capital assets can be found in Note II, Section C of this report.

**Long-term Debt** – At June 30, 2021, the Town had total debt outstanding of approximately \$12.0 million, all reported in the governmental activities. Debt decreased approximately \$0.9 million due to regular scheduled maturities and a debt refunding that was offset by a debt issuance of \$0.28 million.

Standard and Poor’s has assigned a bond rating of AA+ for its general obligation debt.

Additional information on the Town’s debt can be found in Note II, Sections E, F and G of this report.

### **Economic Factors and Next Year’s Budgets and Rates**

- The Town’s real estate tax base is made up predominantly of residential taxes, which when setting the 2022 tax rate will be approximately 82% of the entire real estate 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 tax levy without a ballot override by the voters.
- The Town’s unemployment rate remains stable, however unemployment rates throughout the Commonwealth and the nation are near historic highs due to the impact of the COVID-19 pandemic.
- The Town’s housing market has remained relatively stable as median house prices statewide have increased steadily for the past five years. This has been fueled by an attractive mortgage market with relatively low rates and housing inventory that has been declining for many years. The pandemic has also seen many people leaving larger cities to purchase homes in the suburbs. This increases demand at a time when fewer sellers are listing their homes for sale.
- The Town anticipates receiving the same amount of state aid for 2022 as in the previous fiscal year based on state budget estimates.

The above items were considered when the Town accepted its budget for fiscal year 2022 at the June 2021 Town Meeting.

### **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 CFO/Town Accountant, 48 South Main Street, Middleton, Massachusetts 01949.

**TOWN OF MIDDLETON, MASSACHUSETTS**

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 14,296,060	\$ 4,101,252	\$ 18,397,312
Investments	4,029,943	10,114,338	14,144,281
Receivables, net:			
Property taxes	698,428	-	698,428
User charges	7,902	1,430,924	1,438,826
Departmental and other	628,114	61,226	689,340
Intergovernmental	162,338	-	162,338
Unbilled revenue	-	131,651	131,651
Inventory	-	658,316	658,316
Prepaid items	-	2,244,982	2,244,982
Other assets	-	1,881	1,881
Tax foreclosures	468,461	-	468,461
Net other postemployment benefits asset	-	85,337	85,337
Capital assets not being depreciated	11,362,491	2,219,869	13,582,360
Capital assets, net of accumulated depreciation	45,798,627	10,378,542	56,177,169
<b>Total Assets</b>	<b>77,452,364</b>	<b>31,428,318</b>	<b>108,880,682</b>
<b>Deferred Outflows of Resources</b>			
Related to Pensions	1,727,727	490,870	2,218,597
Related to OPEB	2,412,485	355,556	2,768,041
<b>Total Deferred Outflows of Resources</b>	<b>4,140,212</b>	<b>846,426</b>	<b>4,986,638</b>
<b>Liabilities</b>			
Warrants and accounts payable	1,029,806	622,336	1,652,142
Accrued payroll and withholdings	1,357,799	-	1,357,799
Accrued interest	166,787	-	166,787
Unearned revenue	529,100	-	529,100
Customer deposits	-	220,469	220,469
Other liabilities	332,474	322,352	654,826
Bond anticipation notes payable	3,745,000	-	3,745,000
Noncurrent liabilities:			
Due within one year	1,354,102	-	1,354,102
Due in more than one year	48,893,767	4,314,995	53,208,762
<b>Total Liabilities</b>	<b>57,408,835</b>	<b>5,480,152</b>	<b>62,888,987</b>
<b>Deferred Inflows of Resources</b>			
Related to Pensions	1,564,116	280,221	1,844,337
Related to OPEB	2,579,530	133,592	2,713,122
<b>Total Deferred Inflows of Resources</b>	<b>4,143,646</b>	<b>413,813</b>	<b>4,557,459</b>
<b>Net Position</b>			
Net investment in capital assets	40,991,134	12,598,411	53,589,545
Restricted for:			
Nonexpendable permanent funds	190,821	-	190,821
Expendable permanent funds	127,025	-	127,025
Grants and gifts	665,712	-	665,712
Other specific purposes	5,664,625	-	5,664,625
Unrestricted	(27,599,222)	13,782,368	(13,816,854)
<b>Total Net Position</b>	<b>\$ 20,040,095</b>	<b>\$ 26,380,779</b>	<b>\$ 46,420,874</b>

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,452,632	\$ 697,506	\$ 475,652	\$ 25,000	\$ (2,254,474)		\$ (2,254,474)
Public safety	6,616,110	1,967,573	23,269	18,835	(4,606,433)		(4,606,433)
Education	30,615,964	216,014	5,719,624	-	(24,680,326)		(24,680,326)
Public works	3,094,782	991,966	7,525	902,533	(1,192,758)		(1,192,758)
Health and human services	718,381	45,533	278,099	-	(394,749)		(394,749)
Culture and recreation	1,050,555	1,702	15,715	71,989	(961,149)		(961,149)
Interest expense	413,550	2,110	-	-	(411,440)		(411,440)
Total governmental activities	45,961,974	3,922,404	6,519,884	1,018,357	(34,501,329)		(34,501,329)
Business-type activities:							
Electric Light	12,357,258	13,530,640	131,992	-		\$ 1,305,374	1,305,374
Total business-type activities	12,357,258	13,530,640	131,992	-		1,305,374	1,305,374
Total Primary Government	\$ 58,319,232	\$ 17,453,044	\$ 6,651,876	\$ 1,018,357	(34,501,329)	1,305,374	(33,195,955)
General Revenues:							
Property taxes					31,395,186	-	31,395,186
Motor vehicle and other excise					2,411,786	-	2,411,786
Payments in lieu of taxes					132,686	-	132,686
Grants and contributions not restricted to specific programs					603,702	-	603,702
Penalties and interest on taxes					128,792	-	128,792
Unrestricted investment income					197,529	821,542	1,019,071
Transfers (net)					230,000	(230,000)	-
Total general revenues					35,099,681	591,542	35,691,223
Change in Net Position					598,352	1,896,916	2,495,268
Net Position:							
Beginning of year, as restated					19,441,743	24,483,863	43,925,606
End of year					\$ 20,040,095	\$ 26,380,779	\$ 46,420,874

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 8,575,776	\$ 213,194	\$ 5,507,090	\$ 14,296,060
Investments	3,585,602	-	444,341	4,029,943
Receivables, net of allowance for uncollectibles:				
Property taxes	694,148	-	4,280	698,428
Intergovernmental	-	-	162,338	162,338
User charges	-	-	7,902	7,902
Departmental and other	205,387	-	422,727	628,114
Tax foreclosures	468,461	-	-	468,461
<b>Total Assets</b>	<b>13,529,374</b>	<b>213,194</b>	<b>6,548,678</b>	<b>20,291,246</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 13,529,374</b>	<b>\$ 213,194</b>	<b>\$ 6,548,678</b>	<b>\$ 20,291,246</b>
<b>Liabilities</b>				
Warrants and accounts payable	\$ 1,029,806	\$ -	\$ -	\$ 1,029,806
Accrued payroll and withholdings	1,357,799	-	-	1,357,799
Unearned revenue	-	-	529,100	529,100
Other liabilities	326,828	-	5,646	332,474
Bond anticipation notes payable	-	3,745,000	-	3,745,000
<b>Total Liabilities</b>	<b>2,714,433</b>	<b>3,745,000</b>	<b>534,746</b>	<b>6,994,179</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues - property taxes	694,148	-	4,280	698,428
Unavailable revenues - other	673,848	-	430,629	1,104,477
<b>Total Deferred Inflows of Resources</b>	<b>1,367,996</b>	<b>-</b>	<b>434,909</b>	<b>1,802,905</b>
<b>Fund Balances</b>				
Nonspendable	-	-	190,821	190,821
Restricted	310,128	125,587	5,586,738	6,022,453
Committed	531,833	-	-	531,833
Assigned	1,040,649	-	-	1,040,649
Unassigned	7,564,335	(3,657,393)	(198,536)	3,708,406
<b>Total Fund Balances</b>	<b>9,446,945</b>	<b>(3,531,806)</b>	<b>5,579,023</b>	<b>11,494,162</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 13,529,374</b>	<b>\$ 213,194</b>	<b>\$ 6,548,678</b>	<b>\$ 20,291,246</b>

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

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

<b>Total Governmental Fund Balances</b>	<b>\$ 11,494,162</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	57,161,118
Other long-term assets are unavailable to pay current-period expenditures	1,802,905
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to pensions	1,727,727
Deferred outflows related to other postemployment benefits	2,412,485
Deferred inflows related to pensions	(1,564,116)
Deferred inflows related to other postemployment benefits	<u>(2,579,530)</u>
Net effect of reporting deferred outflows and inflows of resources	(3,434)
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds interest is not reported until due.	(166,787)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(11,977,772)
Unamortized premiums on bonds	(443,344)
Capital lease obligations	(234,834)
Landfill closure	(735,000)
Net pension liability	(16,777,571)
Net other postemployment benefits liability	<u>(20,079,348)</u>
Net effect of reporting long-term liabilities	<u>(50,247,869)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 20,040,095</u></b>

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

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

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 30,994,065	\$ -	\$ 259,266	\$ 31,253,331
Intergovernmental	5,595,802	25,000	2,430,801	8,051,603
Motor vehicle and other excises	2,440,905	-	-	2,440,905
Licenses and permits	653,792	-	-	653,792
Penalties and interest on taxes	128,792	-	-	128,792
Payments in lieu of taxes	132,686	-	-	132,686
Fines and forfeitures	4,903	-	-	4,903
Charges for services	-	-	1,159,565	1,159,565
Departmental and other revenue	983,009	-	1,060,445	2,043,454
Investment income	173,499	-	24,030	197,529
Contributions and donations	-	-	90,340	90,340
Total Revenues	41,107,453	25,000	5,024,447	46,156,900
Expenditures:				
Current:				
General government	2,092,053	27,099	602,890	2,722,042
Public safety	4,713,630	356,655	724,947	5,795,232
Education	24,045,499	-	898,019	24,943,518
Public works	1,773,018	292,732	1,252,709	3,318,459
Health and human services	452,385	-	125,413	577,798
Culture and recreation	599,158	-	51,802	650,960
Pension and employee benefits	5,686,612	-	-	5,686,612
State and county assessments	343,596	-	-	343,596
Debt service:				
Principal	655,625	-	130,438	786,063
Interest	394,665	-	4,995	399,660
Total Expenditures	40,756,241	676,486	3,791,213	45,223,940
Excess (Deficiency) of Revenues Over (Under) Expenditures	351,212	(651,486)	1,233,234	932,960
Other Financing Sources (Uses):				
Issuance of bonds and notes	-	280,000	-	280,000
Premiums from bonds and notes	-	28,000	-	28,000
Issuance of refunding bonds	1,220,000	-	-	1,220,000
Premiums from refunding bonds and notes	204,269	-	-	204,269
Payments to refunding escrow agent	(1,677,916)	-	-	(1,677,916)
Capital lease financing	-	356,655	-	356,655
Transfers in	1,205,595	-	-	1,205,595
Transfers out	-	(47,627)	(927,968)	(975,595)
Total Other Financing Sources (Uses)	951,948	617,028	(927,968)	641,008
Net Change in Fund Balances	1,303,160	(34,458)	305,266	1,573,968
FUND BALANCES - Beginning of year	8,143,785	(3,497,348)	5,273,757	9,920,194
FUND BALANCES - End of year	\$ 9,446,945	\$ (3,531,806)	\$ 5,579,023	\$ 11,494,162

See accompanying notes to basic financial statements.



**TOWN OF MIDDLETON, MASSACHUSETTS**

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

**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ 1,573,968**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:

Capital outlays	2,085,389	
Depreciation expense	(2,427,254)	
Net effect of reporting capital assets		(341,865)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Issuances of general obligation bonds and notes	(280,000)	
Issuances of general obligation refunding bonds	(1,220,000)	
Issuances of capital lease obligations	(356,655)	
Premiums from bonds and notes	(232,269)	
Amortization of premiums on bonds and notes payable	(1,420)	
Payments of capital lease obligations	121,821	
Payments to refunding escrow agent	1,677,916	
Repayments of debt	786,063	
Net effect of reporting long-term debt		495,456

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue. 173,426

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year. (12,470)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Landfill closure	52,500	
Pension benefits	(320,923)	
Other postemployment benefits	(1,021,740)	
Net effect of reporting long-term liabilities		(1,290,163)

**Change in Net Position of Governmental Activities** **\$ 598,352**

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

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

	Business-Type Activities Electric Light Enterprise (December 31, 2020)
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 4,101,252
Investments	10,114,338
Receivables (net):	
User charges	1,430,924
Departmental and other	61,226
Unbilled revenue	131,651
Inventory	658,316
Prepaid items	2,244,982
Other current assets	1,881
Total current assets	<u>18,744,570</u>
Noncurrent assets:	
Net other postemployment benefits asset	85,337
Nondepreciable capital assets	2,219,869
Capital assets (net of depreciation)	<u>10,378,542</u>
Total noncurrent assets	<u>12,683,748</u>
Total Assets	<u>31,428,318</u>
<b>Deferred Outflows of Resources</b>	
Related to Pensions	490,870
Related to OPEB	<u>355,556</u>
Total Deferred Outflows of Resources	<u>846,426</u>
<b>Liabilities</b>	
Current liabilities:	
Warrants and accounts payable	622,336
Customer deposits	220,469
Other liabilities	<u>322,352</u>
Total current liabilities	<u>1,165,157</u>
Noncurrent liabilities:	
Compensated absences	86,884
Net pension liability	<u>4,228,111</u>
Total noncurrent liabilities	<u>4,314,995</u>
Total Liabilities	<u>5,480,152</u>
<b>Deferred Inflows of Resources</b>	
Related to Pensions	280,221
Related to OPEB	<u>133,592</u>
Total Deferred Inflows of Resources	<u>413,813</u>
<b>Net Position</b>	
Net investment in capital assets	12,598,411
Restricted	-
Unrestricted	<u>13,782,368</u>
<b>Total Net Position</b>	<u><u>\$ 26,380,779</u></u>

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

**FISCAL YEAR ENDED JUNE 30, 2021**

	Business-Type Activities Electric Light Enterprise (December 31, 2020)
Operating Revenues:	
Charges for services	\$ 13,530,640
Other operating revenues	131,992
Total Operating Revenues	13,662,632
Operating Expenses:	
Purchased power and production	8,139,863
Other operating expenses	3,529,865
Depreciation and bad debts	687,530
Total Operating Expenses	12,357,258
Operating Income (Loss)	1,305,374
Nonoperating Revenues (Expenses):	
Investment income (loss)	821,542
Total Nonoperating Revenues (Expenses)	821,542
Income (Loss) Before Transfers	2,126,916
Transfers out	(230,000)
Change in Net Position	1,896,916
Total Net Position - Beginning of the Year	24,483,863
<b>Total Net Position - End of the Year</b>	<b>\$ 26,380,779</b>

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

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

	Business-Type Activities Electric Light Enterprise (December 31, 2020)
Cash Flows from Operating Activities:	
Receipts from customers	\$ 13,846,639
Payments to suppliers	(10,606,058)
Payments to employees	(1,849,644)
Operating transfers out	(230,000)
	<u>1,160,937</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,160,937</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(777,599)
	<u>-</u>
Net Cash Used in Capital and Related Financing Activities	<u>(777,599)</u>
Cash Flows from Investing Activities:	
Investment income	821,542
Investment of operating cash, net	(1,425,635)
	<u>(604,093)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(604,093)</u>
Net Change in Cash and Cash Equivalents	(220,755)
Cash and Cash Equivalents:	
Beginning of the year	<u>4,322,007</u>
End of the year	<u><u>\$ 4,101,252</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ 1,305,374
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Operating transfers out	(230,000)
Depreciation, bad debts and reserve	671,385
Changes in assets and liabilities:	
Receivables	44,208
Unbilled revenue	99,967
Inventory	(97,244)
Prepaid items	(96,322)
Net other postemployment benefits asset	(452,231)
Accounts payable	(414,241)
Customer deposits	39,832
Other liabilities	54,981
Net pension liability	235,228
	<u>235,228</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 1,160,937</u></u>

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

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

	Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2020 Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 1,572	\$ 99,849
Investments:			
Negotiable certificates of deposit	-	-	4,492
Common stock	-	-	1,343
Corporate fixed income securities	-	-	20,603
U.S. government obligations	-	-	13,105
Equity mutual funds	-	982,021	476,881
Other mutual funds	-	-	107,672
PRIT	1,864,063	-	-
<b>Total Assets</b>	<u>1,864,063</u>	<u>983,593</u>	<u>723,945</u>
<b>Liabilities</b>			
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>			
Restricted for other postemployment benefits	1,864,063	983,593	-
Held in trust for private purposes	<u>-</u>	<u>-</u>	<u>735,745</u>
<b>Total Net Position</b>	<u><u>\$ 1,864,063</u></u>	<u><u>\$ 983,593</u></u>	<u><u>\$ 735,745</u></u>

See accompanying notes to basic financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2021**

	Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2020 Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>Additions</b>			
Contributions:			
Employer	\$ 632,585	\$ 59,143	\$ -
Other	<u>-</u>	<u>-</u>	<u>1,943</u>
Total contributions	<u>632,585</u>	<u>59,143</u>	<u>1,943</u>
Investment income:			
Interest and dividends	<u>419,599</u>	<u>164,033</u>	<u>145,235</u>
<b>Total Additions</b>	<u>1,052,184</u>	<u>223,176</u>	<u>147,178</u>
<b>Deductions</b>			
Education - scholarships	-	-	2,500
Health and human services	-	-	13,603
Retiree benefits	<u>557,585</u>	<u>59,143</u>	<u>-</u>
<b>Total Deductions</b>	<u>557,585</u>	<u>59,143</u>	<u>16,103</u>
CHANGE IN NET POSITION	494,599	164,033	131,075
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,369,464</u>	<u>819,560</u>	<u>604,670</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 1,864,063</u></u>	<u><u>\$ 983,593</u></u>	<u><u>\$ 735,745</u></u>

See accompanying notes to basic financial statements.

# **TOWN OF MIDDLETON, MASSACHUSETTS**

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

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### **I. Summary of Significant Accounting Policies**

The accompanying basic financial statements of the Town of Middleton, Massachusetts (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 approximately twenty miles north of Boston. It is bordered by the Towns of North Reading, North Andover, Boxford, Topsfield, Danvers, Peabody and Lynnfield. The Town was settled in 1659 and incorporated as a Town in 1728; and uses the open town meeting form of government. It is governed by a five-member elected Board of Selectmen with an appointed Town Administrator. Members of the Town’s Board of Selectmen serve three-year terms.

The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12, utility services, street maintenance, parks and recreational facilities.

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 Town is a member community of the Masconomet Regional School District that provides educational services in grades 7 to 12 to the Towns of Middleton, Topsfield and Boxford. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town’s share of the operating and debt service expenses was \$10,307,792. Complete audited financial statements can be obtained directly from the District’s administrative office located at 20 Endicott Road, Topsfield, Massachusetts 01983.

The Town is a member community of the Essex North Shore Agricultural and Technical School District that provides educational services in grades 9 to 12 to many area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town’s share of the operating and debt service expenses was \$706,901. Complete audited financial statements can be obtained directly from the District’s administrative office located at 565 Maple Street, Hathorne, Massachusetts 01937.

The Town does not have an equity interest in either of the joint ventures.

## 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 non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor 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 and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent 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*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is 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: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has 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. 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 one, moneys must be expended for a specific purpose or project before any amounts will be paid to the; therefore, revenues are recognized as expenditures are incurred. In the other, moneys 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.

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year and are material. 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 government 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.

*Town Capital Projects Fund* – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

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

*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 *non-operating* 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, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Light Department – accounts for user charges collected to finance costs associated with providing electric power to the Town’s residents and businesses.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

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

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used primarily for public assistance and scholarships.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/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 of the Town are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – 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 to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes that are secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental receivables are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

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 are recorded as prepaid items in both government-wide and fund financial statements. The Light Department’s prepaid items represent a deposit used to facilitate timely payments of certain monthly power invoices.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, sewer mains, and similar items), 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. Interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and improvements	7 to 40 years
Land improvements	20 to 30 years
Machinery and equipment	3 to 10 years
Infrastructure	30 to 100 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 – 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 permanent funds and proprietary funds is retained in the funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick-pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. 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 Funds only if they have matured. For governmental activities, the liability for compensated absences is not material and is therefore not reported in these financial statements.

Long-term Obligations – 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. 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 has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

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 has three items that are reported as deferred inflows of resources. The first arises only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to outflows from changes in the net pension liability and the other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

*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 permanent funds* represent the spendable portion of donor restricted trusts that support governmental programs.

*Grants and gifts* represent assets that have restrictions placed on them from federal and state granting agencies, donors and other outside parties for specific governmental programs and uses.

*Other specific purposes* represent assets that are restricted by third parties for specific governmental programs and uses.

*Fund Equity* – The Town presents its fund balances in its governmental funds using 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) or (b) legally or contractually required to be maintained intact as the corpus of the 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. The Town has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*Unassigned* represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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.

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 purchasing activity approved by the Town Accountant 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. The Town reports \$229,708 of encumbrances from normal purchasing activity in the general fund as assigned and \$531,833 of encumbrances from Town Meeting Articles in the general fund as committed. There are no encumbrances reported in any other fund.

The following table reflects the Town’s fund equity categorizations:

	General	Capital Projects	Nonmajor Governmental	Total
Nonspendable:				
Nonexpendable trust funds	\$ -	\$ -	\$ 190,821	\$ 190,821
Restricted:				
School revolving	-	-	777,308	777,308
Federal and state grants	-	-	405,018	405,018
Ambulance services	-	-	1,192,934	1,192,934
Gift funds	-	-	260,694	260,694
Septic betterments	-	-	57,310	57,310
Cable access programming	-	-	442,461	442,461
Water services	-	-	1,278,747	1,278,747
Community preservation	-	-	633,965	633,965
Other capital outlay	-	125,587	-	125,587
Cemetery trust funds	-	-	38,787	38,787
Other trust funds	-	-	88,238	88,238
Debt service	310,128	-	-	310,128
Other purposes	-	-	411,276	411,276
Committed:				
General government	344,364	-	-	344,364
Public works	76,604	-	-	76,604
Public safety	72,804	-	-	72,804
Education	33,128	-	-	33,128
Other purposes	4,933	-	-	4,933
Assigned:				
Purchase orders	229,708	-	-	229,708
Subsequent years' budget	810,941	-	-	810,941
Unassigned	7,564,335	(3,657,393)	(198,536)	3,708,406
	<u>\$ 9,446,945</u>	<u>\$ (3,531,806)</u>	<u>\$ 5,579,023</u>	<u>\$11,494,162</u>

Stabilization Funds – The Town maintains a general stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. At June 30, 2021, the Town reported a balance in its stabilization fund of \$1,952,521, which is reported as unassigned in the general fund.

The Town maintains a special education stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any special education purpose upon a two-thirds vote of the Town Meeting. At June 30, 2021, the Town reported a balance in its special education stabilization fund of \$224,403, which is reported as unassigned in the general fund.

The Town maintains a capital stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any capital purpose upon a two-thirds vote of the Town Meeting. At June 30, 2021, the Town reported a balance in its capital stabilization fund of \$715,505, which is reported as unassigned in the general fund.

The Town maintains a retirement stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for retirement costs upon a two-thirds vote of the Town Meeting. At June 30, 2021, the Town reported a balance in its retirement stabilization fund of \$298,355, which is reported as unassigned in the general fund.

#### **E. Excess of Expenditures Over Appropriations and Fund Deficits**

During the fiscal year ended, expenditures exceeded appropriations in the General Fund for state and county tax assessments by \$26,332, which was funded through available funds during the fiscal year.

The Town incurred individual fund deficits totaling \$3,657,393 and \$198,536 in its capital projects major fund and the nonmajor governmental funds, respectively. These deficits will be funded in future fiscal years with bond proceeds, grant revenues or other available funds.

#### **F. 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 pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool (the "Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust, or MMDT, which was established by the Treasurer of

the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

*Custodial Credit Risk: Deposits* - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2021, the Town, excluding the Light Department, had bank deposits totaling \$11,952,806 with a carrying value of \$12,193,048. Of the bank balance, \$7,943,180 was not insured by the Federal Deposit Insurance Corporation ("FDIC"), the depositors' insurance fund or collateralization agreements and therefore exposed to custodial credit risk.

At year-end, the Light Department's carrying amount of *segregated* bank deposits was \$223,263. The bank balance of these Department segregated funds maintained by the Town Treasurer was \$229,913. In addition to the segregated funds, there was \$3,729,173 of operating cash pooled within various accounts maintained by the Town Treasurer. Bank deposits are pooled with, or in the same financial institution as, Town operated funds and therefore specific collateralization information on these deposits is not available.

*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 or Light Department may not be able to recover the full amount of its principal investment and/or investment earnings. The Town's investment in the MMDT and PRIT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town's investments in United States governmental obligations, bond and equity mutual funds and other investment funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town's investments in negotiable certificates of deposit are fully insured by the FDIC. The Town's investment in a repurchase agreement is held by a counterparty, but not in the Town's name. The repurchase agreement is fully collateralized with U.S. government securities.

*Fair Value of Investments* – The Town reports its investments 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.



The following table presents the Town's investments (not including the Light Department) carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Corporate fixed income securities	\$ 1,539,083	\$ 1,539,083	\$ -	\$ -
U.S. government obligations	978,999	660,426	318,573	-
Negotiable certificates of deposit	335,566	-	335,566	-
State treasurer's PRIT fund	1,864,063	-	1,864,063	-
Total debt securities	4,717,711	2,199,509	2,518,202	-
Equity securities:				
Common stock	981,790	981,790	-	-
Equity mutual funds	830,401	830,401	-	-
Total equity securities	1,812,191	1,812,191	-	-
Total investments by fair value level	\$ 6,529,902	\$ 4,011,700	\$ 2,518,202	\$ -
Investments measured at amortized costs				
Massachusetts Municipal Depository Trust	2,202,861			
Total investments	8,732,763			

U.S government obligations, fixed income securities and equity mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities. The remaining investments are classified in Level 2. Negotiable certificates of deposit are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. The State Treasurer's PRIT fund is valued based on the composition and fair value of the underlying investments contained within this pool, which can be determined using inputs other than quoted prices that are observable either directly or indirectly. The State Treasurer's investment pool (MMDT) is valued at amortized cost. The MMDT's investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool.

At December 31, 2020, the Light Department's investments are categorized as follows: Level 1 - \$633,279 equities and \$9,377,929 mutual and money market funds; Level 2 - \$492,563 municipal bonds, \$986,834 corporate bonds and \$436,555 certificates of deposit.

**Interest Rate Risk: Deposits** – This is the risk that fair value losses may arise due to increasing interest rates. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

**Interest Rate Risk: Investments** – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2021, the Town (not including the Light Department) had the following investments with maturities:

Investments	Fair Value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
Corporate fixed income securities	\$ 1,539,083	\$ 248,812	\$ 1,290,271	\$ -
U.S. government obligations	978,999	305,291	673,708	-
Negotiable certificates of deposit	335,566	199,604	135,962	-
Total investments with maturities	<u>\$ 2,853,648</u>	<u>\$ 753,707</u>	<u>\$ 2,099,941</u>	<u>\$ -</u>

The Light Department had investments as follows: 1) for certificates of deposit, \$381,295 less than one year, \$55,260 between two and five years; 2) for municipal bonds, \$257,083 between one and two years, \$235,481 between two and five years; and 3) for corporate bonds, \$656,865 between two and five years and \$329,969 beyond five years.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. At June 30, 2021, Town has 25% of its investments in MMDT, 21% in the PRIT fund and 11% in U. S. government obligations.

Credit Risk – The Town has not adopted a formal policy related to credit risk. The Town's investments in U.S. government obligations are rated Aaa by Moody's. Corporate bonds are rated \$121,465 as Aaa, \$249,767 as A1, \$301,239 as A2, \$463,955 as Baa1 and \$402,657 as Baa2. The Town's remaining investments are unrated.

The Light Department's municipal bonds are rated \$235,481 as AAA, \$257,082 as AA to A and corporate bonds are rated \$108,777 as AAA, \$767,079 as AA to A and \$110,978 are rated BBB by Standards and Poor's. Mutual funds, money market funds and certificates of deposit are not rated.

## B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 316,153	\$ -	\$ 316,153
Tax liens and deferrals	377,995	-	377,995
Community preservation surcharges	4,280	-	4,280
Motor vehicle and other excise taxes	204,893	-	204,893
User charges	7,902	-	7,902
Ambulance fees	555,364	(222,146)	333,218
Public safety details	84,235	-	84,235
Other	5,768	-	5,768
Intergovernmental	162,338	-	162,338
Total	<u>\$ 1,718,928</u>	<u>\$ (222,146)</u>	<u>\$ 1,496,782</u>

Receivables at year-end for the Town's Electric Light Department Enterprise Fund are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Customer accounts receivable	\$ 1,596,080	\$ (165,156)	\$ 1,430,924
Other accounts receivable	61,226	-	61,226
Total	<u>\$ 1,657,306</u>	<u>\$ (165,156)</u>	<u>\$ 1,492,150</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental	Total
Receivables and other asset type:			
Real estate and personal property taxes	\$ 316,153	\$ -	\$ 316,153
Tax liens and deferrals	377,995	-	377,995
Motor vehicle and other excise taxes	204,893	-	204,893
Community preservation surcharges	-	4,280	4,280
User charges	-	7,902	7,902
Ambulance fees	-	333,218	333,218
Public safety details	-	84,235	84,235
Other	494	5,274	5,768
Tax foreclosures	468,461	-	468,461
Total	<u>\$ 1,367,996</u>	<u>\$ 434,909</u>	<u>\$ 1,802,905</u>

## C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 (December 31, 2020 for Electric Light Department) was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 10,383,884	\$ -	\$ -	\$ 10,383,884
Construction in process	424,661	572,246	(18,300)	978,607
Total capital assets not being depreciated	10,808,545	572,246	(18,300)	11,362,491
Capital assets being depreciated:				
Land improvements	1,966,993	8,550	-	1,975,543
Buildings and improvements	44,781,587	40,132	-	44,821,719
Machinery and equipment	7,772,568	625,530	(213,618)	8,184,480
Infrastructure	31,744,529	857,231	(65,000)	32,536,760
Total capital assets being depreciated	86,265,677	1,531,443	(278,618)	87,518,502
Less accumulated depreciation for:				
Land improvements	(1,117,718)	(56,554)	-	(1,174,272)
Buildings and improvements	(17,141,667)	(1,167,768)	-	(18,309,435)
Machinery and equipment	(5,224,596)	(559,122)	213,618	(5,570,100)
Infrastructure	(16,087,258)	(643,810)	65,000	(16,666,068)
Total accumulated depreciation	(39,571,239)	(2,427,254)	278,618	(41,719,875)
Total capital assets being depreciated, net	46,694,438	(895,811)	-	45,798,627
Total governmental activities capital assets, net	\$ 57,502,983	\$ (323,565)	\$ (18,300)	\$ 57,161,118
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,219,869	\$ -	\$ -	\$ 2,219,869
Capital assets being depreciated:				
Buildings and improvements	1,285,958	4,350	(2,500)	1,287,808
Machinery and equipment	3,116,676	31,989	(4,500)	3,144,165
Infrastructure	18,766,854	742,135	(91,875)	19,417,114
Total capital assets being depreciated	23,169,488	778,474	(98,875)	23,849,087
Less accumulated depreciation for:				
Buildings and improvements	(657,116)	(25,746)	2,500	(680,362)
Machinery and equipment	(1,829,306)	(131,944)	4,500	(1,956,750)
Infrastructure	(10,394,593)	(529,840)	91,000	(10,833,433)
Total accumulated depreciation	(12,881,015)	(687,530)	98,000	(13,470,545)
Total capital assets being depreciated, net	10,288,473	90,944	(875)	10,378,542
Total business-type activities capital assets, net	\$ 12,508,342	\$ 90,944	\$ (875)	\$ 12,598,411

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General government	\$ 96,291	Light Department	\$ 687,530
Public safety	344,186		<u>\$ 687,530</u>
Education	936,716		
Public works	835,803		
Health and human services	16,171		
Culture and recreation	198,087		
	<u>\$ 2,427,254</u>		

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

Transfers Out	Transfers In	
	General Fund	
Capital Projects Fund	\$ 47,627	(1)
Nonmajor Governmental Funds	927,968	(2)
Electric Light Enterprise Fund	230,000	(2)
Total	<u>\$ 1,205,595</u>	

(1) Transfers to general fund to close out unused project balances.

(2) Transfers to general fund to supplement operating budgets.

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 revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes (“GANS”). 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 generally carry maturity dates of less than one year and are interest bearing and will be paid through future issuance of general obligation bonds.

During the fiscal year, the Town renewed a \$3,745,000 BAN issued in the prior year at 1.46% for the South Main land acquisition and master plan project. The new \$3,745,000 BAN was issued at 1.13% and is due and payable on December 16, 2021.

## F. Long-Term Obligations

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 12,855,000	\$ 1,500,000	\$ (2,410,000)	\$ 11,945,000	\$ 1,040,000
Unamortized bond premium	247,571	232,269	(36,496)	443,344	129,443
Direct borrowings and placements	48,835	-	(16,063)	32,772	16,186
Capital lease obligations	-	356,655	(121,821)	234,834	115,973
Landfill closure	787,500	-	(52,500)	735,000	52,500
Net pension liability	17,147,338	3,681,799	(4,051,566)	16,777,571	-
Net other postemployment benefits liability	17,937,213	5,354,250	(3,212,115)	20,079,348	-
<b>Total Governmental Activities</b>	<b>\$ 49,023,457</b>	<b>\$ 11,124,973</b>	<b>\$ (9,900,561)</b>	<b>\$ 50,247,869</b>	<b>\$ 1,354,102</b>
<i>Business-Type Activities - MELD:</i>					
Compensated absences	\$ 80,968	\$ 5,916	\$ -	\$ 86,884	\$ -
Net pension liability	4,219,930	8,181	-	4,228,111	-
<b>Total Business-Type Activities</b>	<b>\$ 4,300,898</b>	<b>\$ 14,097</b>	<b>\$ -</b>	<b>\$ 4,314,995</b>	<b>\$ -</b>

The governmental activities liabilities will be liquidated by the General Fund. The business-type liabilities will be liquidated by the Electric Light Department Enterprise Fund.

Capital Leases – The Town entered into a non-cancelable lease for the purchase of an ambulance. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

	Amount
<i>Asset:</i>	
Ambulance	\$ 356,655
Less: accumulated depreciation	-
<b>Total</b>	<b>\$ 356,655</b>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2021, are as follows:

Fiscal Year Ended June 30,	Amount
2022	121,821
2023	121,821
<b>Total minimum lease payments</b>	<b>243,642</b>
Less: amounts representing interest	(8,808)
<b>Present value of minimum lease payments</b>	<b>\$ 234,834</b>

## G. Long-Term Debt

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities and equipment. 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 personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of five percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.”

The following is a summary of outstanding long-term debt obligations as of June 30, 2021:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	2.30 - 5.00%	\$ 12,855,000	\$ 280,000	\$ (2,410,000)	\$ 10,725,000
General Obligation Refunding Bonds	5.00%	-	1,220,000	-	1,220,000
Federal Home Loan Bonds	5.00%	24,800	-	(9,800)	15,000
Massachusetts Clean Water Trust Notes	3.00 - 5.25%	24,035	-	(6,263)	17,772
<b>Total Governmental Activities</b>		12,903,835	1,500,000	(2,426,063)	11,977,772
Add: Unamortized bond premium		247,571	232,269	(36,496)	443,344
<b>Total Governmental Activities, net</b>		<u>\$ 13,151,406</u>	<u>\$ 1,732,269</u>	<u>\$ (2,462,559)</u>	<u>\$ 12,421,116</u>

Payments on long-term debt due in future years consist of the following:

Year Ending June 30,	<i>Governmental Activities</i>			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 1,040,000	\$ 416,230	\$ 16,186	\$ 909
2023	1,090,000	335,080	11,586	265
2024	1,075,000	290,630	1,000	-
2025	1,095,000	252,353	1,000	-
2026	1,110,000	219,025	3,000	-
2027 - 2031	4,710,000	623,950	-	-
2032 - 2033	1,825,000	55,125	-	-
Total	<u>\$ 11,945,000</u>	<u>\$ 2,192,393</u>	<u>\$ 32,772</u>	<u>\$ 1,174</u>

The following table summarizes authorized but unissued debt at June 30, 2021:

<u>Project</u>	<u>Amount</u>
<i>Governmental:</i>	
Town buildings	\$ 61,700,000
Septic loans	84,969
South Main Street	3,745,000
Equipment	910,000
Total Authorized and Unissued	<u>\$ 66,439,969</u>

### **III. Other Information**

#### **A. Retirement System**

Plan Description – The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2020, were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the System as of December 31, 2020, was as follows:

Retired participants and beneficiaries	
receiving benefits	1,510
Inactive participants entitled to a return	
of their employee contributions	1,146
Active members	<u>2,420</u>
Total	<u>5,076</u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

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

Massachusetts contributory retirement system benefits are uniform, with certain exceptions, from retirement system to retirement system. The 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 group classification.



Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040 (the System’s current funding schedule allows for full funding by June 30, 2035). Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town (including the Light Department) contributed \$2,033,808 to the System in fiscal year 2021, which equaled the actuarially determined contribution requirement for the year.

Net Pension Liability – As of June 30, 2021, the Town reported a liability of \$21,005,682 for its proportionate share of the net pension liability. The net pension liability reported by the System at December 31, 2020 (used for fiscal year end June 30, 2021) is \$20,893,613. The difference between these two figures is attributable to the difference in fiscal year ends between the Town and Light Department, which results in a one-year lag.

The Town’s (excluding the Light Department) net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. These figures were updated by the independent actuary as of December 31, 2020. The Light Department’s net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. These figures were updated by the independent actuary as of December 31, 2020. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System’s benefit terms since the actuarial valuation.

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 System relative to the projected contributions of all employers. The Town’s and Light Department’s proportionate share were approximately 5.264% as of December 31, 2020.

Pension Expense – The Town (excluding the Light Department) recognized \$1,954,072 in pension expense in the statement of activities in fiscal year 2021; and the Light Department recognized \$524,175.

Deferred Outflows of Resources and Deferred Inflows of Resources – As of June 30, 2021, the Town (excluding the Light Department) 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 earnings	\$ -	\$ 1,248,260
Changes in assumptions	1,122,391	-
Changes in proportion differences	603,503	-
Differences between expected and actual experience	1,833	14,386
Changes in proportion differences	-	301,470
	<u>\$ 1,727,727</u>	<u>\$ 1,564,116</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 217,649
2023	196,009
2024	(178,514)
2025	(71,534)
Total	<u>\$ 163,610</u>

As of December 31, 2020, the Light Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual earnings	\$ -	\$ 157,644
Changes in assumptions	422,589	-
Changes in proportion differences	67,701	-
Differences between expected and actual experience	580	20,094
Changes in proportion differences	-	102,483
	<u>\$ 490,870</u>	<u>\$ 280,221</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Light Department's pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 105,668
2022	68,665
2023	62,562
2024	(26,246)
Total	<u>\$ 210,649</u>

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2019. The significant actuarial assumptions used in the January 1, 2019 actuarial valuation included:

Investment rate of return	Full prefunding: 7.3% per year, net of investment expenses
Discount Rate	7.30%
Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Cost of Living Adjustment	2% of first \$14,000 in 2021 and 3% of first \$14,000 thereafter
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP 2019
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP 2019
Disabled Mortality	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP 2019

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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 allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	23.10%	6.40%
International Equity	14.40%	6.60%
International Emerging Markets	5.80%	8.40%
Core fixed income	15.80%	2.70%
High Yield Fixed Income	7.40%	6.20%
Real Estate	8.30%	6.00%
Timberland	3.30%	6.60%
Hedge Fund, GTAA, Risk Parity	8.80%	5.20%
Liquidating portfolios	0.10%	0.00%
Overlay	0.60%	0.00%
Private Equity	12.40%	10.20%
	<u>100.00%</u>	

**Discount Rate** – The discount rate used to measure the Town’s and Light Department’s pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer

contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the 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 and Light Department's proportionate shares of the net pension liability calculated using the current discount rate as well as using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Current Rate	Discount Rate		
		1% lower	Current	1% greater
Town	7.30%	\$ 21,482,989	\$ 16,777,571	\$ 12,822,625
Light Department	7.30%	\$ 5,317,109	\$ 4,228,111	\$ 3,312,740

Teachers and certain administrative employees of the Town's school department participate in the Massachusetts Teachers' Retirement System ("MTRS"), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth's legislature has the authority to amend or modify the MTRS's funding policies.

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

For the year ended June 30, 2021, (measured as of June 30, 2020) the Commonwealth contributed \$1,387,571 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.089323%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following (dollar amounts are in thousands):

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town Portion
Net pension liability	\$ 25,497,070	\$ (25,497,070)	\$ —
Pension expense	3,149,253	(3,149,253)	—

The Town recognized \$3,149,253 in intergovernmental revenue and pension expense relative to this arrangement.

### C. Other Postemployment Benefits

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

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 an audited stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

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

Active employees	225
Inactive employees	<u>84</u>
Total	<u><u>309</u></u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 40% of the set premium for medical; 25% for dental, and 50% for life insurance. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis and also pays 60% of a retiree’s Medicare Part B premium. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2021, the Town’s average contribution rate was approximately 4.31% of covered payroll.

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

Total OPEB Liability	\$ 21,943,411
Plan fiduciary net position	<u>(1,864,063)</u>
Net OPEB liability	<u><u>\$ 20,079,348</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.5%

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

Investment rate of return	6.77%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	2.18% as of June 30, 2021
Discount Rate	4.25%, net of OPEB plan investment expense including inflation. Using a blend of the Municipal Bond Index Rate for unfunded periods and the Investment Rate of Return.
Inflation	2.50% annually as of June 30, 2021 and for future periods
Health Care Trend Rate	4.5%
Salary Increases	3.00% annually as of July 1, 2020 and for future periods
Cost of Living Adjustment	Not applicable.
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Actuarial Cost Method	Individual Entry Age Normal

Discount Rate – The discount rate used to measure the total OPEB liability was 4.25%. The only key change in assumptions from the prior year was the decrease of this discount rate from 4.75% to 4.25%.

Long Term Expected Rate of Return – 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 were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	14.50%	4.90%
Domestic Equity - Small/Mid Cap	3.50%	5.40%
International Equity - Developed Market	16.00%	5.32%
International Equity - Emerging Market	6.00%	6.26%
Domestic Fixed Income	20.00%	1.40%
International Fixed Income	3.00%	1.30%
Alternatives	23.00%	6.32%
Real Estate	14.00%	6.25%
Cash	0.00%	0.00%
	<u>100.00%</u>	
Real rate of return		4.77%
Inflation assumption		2.50%
Total nominal rate of return		7.27%
Investment expense		-0.50%
Net investment return		<u>6.77%</u>

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 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Current Rate	Discount Rate		
		1% Decrease	At Current Rate	1% Increase
Net OPEB liability	4.25%	\$ 23,542,309	\$ 20,079,348	\$ 17,305,778

  

	Current Rate	Health Care Trend Rate		
		1% Decrease	At Current Rate	1% Increase
Net OPEB liability	4.50%	\$ 17,341,716	\$ 20,079,348	\$ 23,543,584

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 19,306,677	\$ 1,369,464	\$ 17,937,213
Changes for the year:			
Service cost	814,764	-	814,764
Interest	942,679	-	942,679
Change in assumptions	1,436,876	-	1,436,876
Difference between expected and actual experience	-	-	-
Net investment income	-	419,599	(419,599)
Employer contributions	-	632,585	(632,585)
Benefit payments withdrawn from trust	-	(557,585)	557,585
Benefit payments	(557,585)	-	(557,585)
Net changes	2,636,734	494,599	2,142,135
Balances at June 30, 2021	\$ 21,943,411	\$ 1,864,063	\$ 20,079,348

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB* – For the year ended June 30, 2021, the Town recognized OPEB expense of \$1,654,325. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ -	\$ 225,639
Changes of Assumptions	2,412,485	-
Differences between actual and expected experience	-	2,353,891
	<u>\$ 2,412,485</u>	<u>\$ 2,579,530</u>

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

June 30,	
2022	\$ (7,906)
2023	2,104
2024	15,815
2025	(187,370)
2026	(194,956)
thereafter	205,268
	<u>\$ (167,045)</u>

*Investment Custody* – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan 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 in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. 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 follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

*Investment Rate of Return* – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Electric Light Department OPEB* – Electric Light Department OPEB, which is not material to the overall financial statements, may be reviewed in detail in the Electric Light Department financial statements.



#### **D. Risk Financing**

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

#### **E. Commitments and Contingencies**

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

Grant Compliance – Amounts received 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 Town expects such amounts, if any, to be immaterial.

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 expects the amount if any, in these situations, to be immaterial.

Electric Light Department - MELD is a Town owned utility responsible for the purchase and distribution of electric power throughout the Town of Middleton. MELD has its own Board of Commissioners elected at large by citizenry of the Town of Middleton.

MELD is a participant in certain projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC), a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop bulk power supply for its Members and other utilities.

MMWEC is authorized to construct, own or purchase ownership interest in, and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix One project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for Millstone Unit 3 extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 3.7% interest in W.F. Wyman Unit No. 4 plant, which is owned and operated by its majority owner, FPL Energy Wyman IV, LLC.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Department has entered into PSAs with MMWEC. Under the PSAs, the Department is required to make certain payments to MMWEC solely from Department revenues. Among other things, PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project. In

addition, should a Project Participant fail to make any payment when due, other Project Participants may be required to increase (step-up) their payments and correspondingly their Participant's share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs. Under the PSAs each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. The Seabrook and Millstone Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the Act has been renewed several times. In July, 2005, Congress extended the Act until the end of 2025.

At December 31, 2020, MMWEC has no debt service obligations outstanding relating to the Projects. MMWEC is involved in various legal actions, the outcome of which, in the opinion of MMWEC management, will not have a material effect on the financial position of MMWEC.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses discussed above) associated with the Department's Project Capability of the Projects in which it participates was \$34,732,873 for the year ended December 31, 2020.

The MELD purchases its power through contracts with various power suppliers, including MMWEC. These contracts are subject to certain market factors. Based on current market conditions, the MELD anticipates some stability to its power cost expenses over the next few years.

#### **F. Landfill Closure and Post-Closure Care Costs**

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In addition, the Town acquired a parcel of land in fiscal year 2009 that was formerly used as a landfill and is responsible for post-closure testing and monitoring. Finally, the Town acquired another parcel of land that was formerly used as the Town landfill and is also responsible for the post-closure testing and monitoring of the site.

In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring and other post-closure liabilities for these three parcels, \$735,000, has been recorded as a governmental activities' liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### **G. Implementation of New GASB Pronouncements**

##### *Current Year Implementations –*

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the Town in fiscal year 2021. In connection

with the adoption of this accounting standard, certain previously reported agency balances are now reported in the governmental funds and government-wide financial statements. The adoption of this standard did not have a material impact on the Town's financial statements.

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

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

#### Future Implementations –

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

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting

periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

**TOWN OF MIDDLETON, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
*(dollar amounts are in thousands)*

		<u>2021</u>	<u>2020</u>	<u>Year Ended June 30,</u>		<u>2017</u>	<u>2016</u>
				<u>2019</u>	<u>2018</u>		
Town's proportion of the net pension liability (asset)		5.26%	5.07%	5.22%	5.23%	5.06%	4.93%
Town's proportionate share of the net pension liability (asset)	* \$	20,893	\$ 21,354	\$ 22,036	\$ 19,679	\$ 19,507	\$ 17,900
Town's covered payroll	\$	7,957	\$ 7,652	\$ 7,695	\$ 7,388	\$ 7,060	\$ 6,129
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		262.6%	279.1%	286.4%	266.4%	276.3%	292.1%
Plan fiduciary net position as a percentage of the total pension liability		59.7%	55.5%	51.9%	55.4%	51.1%	51.0%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN**  
*(dollar amounts are in thousands)*

		<u>2021</u>	<u>2020</u>	<u>Year Ended June 30,</u>		<u>2017</u>	<u>2016</u>
				<u>2019</u>	<u>2018</u>		
Actuarially determined contribution	\$	2,032	\$ 1,820	\$ 1,743	\$ 1,628	\$ 1,467	\$ 1,258
Contributions in relation to the actuarially determined contribution		<u>2,034</u>	<u>1,822</u>	<u>1,745</u>	<u>1,630</u>	<u>1,468</u>	<u>1,258</u>
Contribution deficiency (excess)	\$	<u>(2)</u>	\$ <u>(2)</u>	\$ <u>(2)</u>	\$ <u>(2)</u>	\$ <u>(1)</u>	\$ <u>-</u>
Town's covered payroll	\$	7,957	\$ 7,652	\$ 7,695	\$ 7,388	\$ 7,060	\$ 6,129
Contributions as a percentage of covered payroll		25.6%	23.8%	22.7%	22.1%	20.8%	20.5%

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

\* The net pension liability as reported in the basic financial statements differs from this schedule due to the Light Department implementing GASB #68 one year later than the Town.

See accompanying independent auditor's report.

**TOWN OF MIDDLETON, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEAR ENDED JUNE 30, 2021**

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

	2020	2019	Year Ended June 30, 2018	2017	2016	2015
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643
Commonwealth's actuarially determined contribution	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930

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

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

See accompanying independent auditor's report.

TOWN OF MIDDLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
YEAR ENDED JUNE 30, 2021

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability:					
Service cost	\$ 814,764	\$ 785,898	\$ 1,055,101	\$ 883,961	\$ 845,336
Interest	942,679	962,580	1,048,772	1,087,561	1,012,331
Difference between expected and actual plan experience	-	(3,226,197)	-	302,431	-
Changes of assumptions	1,436,876	424,641	1,682,663	-	-
Benefit payments	(557,585)	(484,676)	(609,902)	(565,578)	(510,717)
Net change in total OPEB liability	2,636,734	(1,537,754)	3,176,634	1,708,375	1,346,950
Total OPEB liability - beginning of year	19,306,677	20,844,431	17,667,797	15,959,422	14,612,472
Total OPEB liability - end of year (a)	<u>\$ 21,943,411</u>	<u>\$ 19,306,677</u>	<u>\$ 20,844,431</u>	<u>\$ 17,667,797</u>	<u>\$ 15,959,422</u>
Plan fiduciary net position:					
Contributions - employer	\$ 632,585	\$ 534,676	\$ 684,902	\$ 615,578	\$ 610,717
Net investment income	419,599	26,543	72,264	96,789	109,117
Benefit payments	(557,585)	(484,676)	(609,902)	(565,578)	(510,717)
Net change in Plan fiduciary net position	494,599	76,543	147,264	146,789	209,117
Plan fiduciary net position - beginning of year	1,369,464	1,292,921	1,145,657	998,868	789,751
Plan fiduciary net position - end of year (b)	<u>\$ 1,864,063</u>	<u>\$ 1,369,464</u>	<u>\$ 1,292,921</u>	<u>\$ 1,145,657</u>	<u>\$ 998,868</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 20,079,348</u>	<u>\$ 17,937,213</u>	<u>\$ 19,551,510</u>	<u>\$ 16,522,140</u>	<u>\$ 14,960,554</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.49%	7.09%	6.20%	6.48%	6.26%
Covered payroll	\$ 14,679,968	\$ 14,252,396	\$ 11,055,578	\$ 10,733,570	\$ 10,700,000
Net OPEB liability as a percentage of covered payroll	136.78%	125.85%	176.85%	153.93%	139.82%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: An error in assumptions was discovered during fiscal year 2020. The error, totalling \$4,884,751, was applied to all periods presented and reduced the net OPEB liability.

See independent auditors' report.

**TOWN OF MIDDLETON, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED  
YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS**

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Actuarially-determined contribution	\$ 1,607,679	\$ 1,868,286	\$ 2,490,680	\$ 2,189,164	\$ 2,033,068
Contributions in relation to the actuarially-determined contribution	(632,585)	(534,676)	(684,902)	(615,578)	(610,717)
Contribution deficiency (excess)	<u>\$ 975,094</u>	<u>\$ 1,333,610</u>	<u>\$ 1,805,778</u>	<u>\$ 1,573,586</u>	<u>\$ 1,422,351</u>
Covered payroll	\$14,679,968	\$14,252,396	\$11,055,578	\$10,733,570	\$ 10,700,000
Contribution as a percentage of covered payroll	4.31%	3.75%	6.20%	5.74%	5.71%
Valuation Date	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2017	July 1, 2017
Amortization Period	30 years	30 years	30 years	30 years	30 years
Investment rate of return	7.01%	7.01%	7.04%	7.04%	7.04%
Municipal Bond Rate	2.18%	2.66%	2.79%	3.45%	3.16%
Single Equivalent Discount Rate	4.25%	4.75%	4.50%	5.00%	4.75%
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%
Healthcare cost trend rates	4.50%	4.50%	5.00%	5.00%	5.00%
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)				
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)				

**SCHEDULE OF INVESTMENT RETURNS  
LAST 10 FISCAL YEARS**

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	29.33%	1.99%	6.14%	9.46%	10.92%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.



## TOWN OF MIDDLETON, MASSACHUSETTS

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

	Budgeted Amounts		Actual	Encumbrances	Actual	Variance
	Original	Final	Budgetary	and continuing	Budgetary	Positive
	Budget	Budget	Amounts	appropriations	Adjusted	(Negative)
<b>REVENUES</b>						
Real estate and personal property taxes, net	\$ 30,869,960	\$ 30,869,960	\$ 31,314,184		\$31,314,184	\$ 444,224
Intergovernmental	2,395,375	2,395,375	2,446,549		2,446,549	51,174
Motor vehicle and other excises	2,225,000	2,225,000	2,440,905		2,440,905	215,905
Payments in lieu of taxes	130,000	130,000	132,686		132,686	2,686
License and permits	480,000	480,000	653,792		653,792	173,792
Departmental and other revenue	686,114	686,114	983,009		983,009	296,895
Penalties and interest on taxes	80,000	80,000	128,792		128,792	48,792
Fines and forfeitures	10,000	10,000	4,903		4,903	(5,097)
Investment income	70,000	70,000	21,542		21,542	(48,458)
Total Revenues	36,946,449	36,946,449	38,126,362	\$ -	38,126,362	1,179,913
<b>EXPENDITURES</b>						
General government	2,742,971	2,765,186	2,047,212	353,368	2,400,580	364,606
Public safety	4,691,087	4,856,908	4,713,630	85,626	4,799,256	57,652
Education	24,822,471	24,822,471	23,893,515	766,256	24,659,771	162,700
Public works	1,982,355	1,982,355	1,773,018	76,639	1,849,657	132,698
Health and human services	557,592	560,321	452,385	7,907	460,292	100,029
Culture and recreation	664,519	665,060	599,158	10,362	609,520	55,540
Pension and employee benefits	2,783,684	2,630,981	2,537,359	2,441	2,539,800	91,181
State and county tax assessments	317,264	317,264	343,596	-	343,596	(26,332)
Debt service	1,398,618	1,403,116	1,348,778	-	1,348,778	54,338
Total Expenditures	39,960,561	40,003,662	37,708,651	1,302,599	39,011,250	992,412
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,157,981	1,157,981	1,205,595	-	1,205,595	47,614
Total Other Financing Sources (Uses)	1,157,981	1,157,981	1,205,595	\$ -	\$ 1,205,595	47,614
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE</b>						
	(1,856,131)	(1,899,232)	\$ 1,623,306			\$2,219,939
<b>Other Budgetary Items:</b>						
Undesignated surplus (free cash)	637,267	680,368				
Overlay surplus	170,000	170,000				
Prior year encumbrances	1,048,864	1,048,864				
<b>Net Budget</b>	<b>\$ -</b>	<b>\$ -</b>				

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

# TOWN OF MIDDLETON, MASSACHUSETTS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

### I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the general fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by the Town Meeting at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During the fiscal year, Town Meeting increased appropriations by approximately \$43,000.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2021, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 38,126,362
Stabilization revenue	\$ -	\$ 151,957	151,957
Change in revenue recognition	(320,119)	-	(320,119)
On behalf payments	3,149,253	-	3,149,253
Revenues on a GAAP basis	<u>\$ 2,829,134</u>	<u>\$ 151,957</u>	<u>\$ 41,107,453</u>
Expenditures on a budgetary basis			\$ 37,708,651
Change in expenditure recognition	\$ 151,984	\$ -	151,984
Refunding transactions	(253,647)	-	(253,647)
On behalf payments	3,149,253	-	3,149,253
Expenditures on a GAAP basis	<u>\$ 3,047,590</u>	<u>\$ -</u>	<u>\$ 40,756,241</u>
Other financing sources (uses) on a budgetary basis			\$ 1,205,595
Refunding transactions	\$ (253,647)	\$ -	(253,647)
Other financing sources (uses) on a GAAP basis	<u>\$ (253,647)</u>	<u>\$ -</u>	<u>\$ 951,948</u>

Excess of Expenditures Over Appropriations - During the fiscal year ended, expenditures exceeded appropriations in the General Fund for state and county tax assessments by \$26,332, which was funded through available funds during the fiscal year.