

Town of Middleton Massachusetts



**Annual Report for
Fiscal Year 2021**

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Interested in Town news and announcements?
Receiving board/committee meeting agendas/minutes?
Sign up for updates through the Town website at:
www.middletonma.gov/list.aspx



**TOWN OF MIDDLETON
Memorial Hall
48 South Main Street**

Please visit our new website at www.middletonma.gov to view current town notices and volunteer opportunities. Town offices, committees and boards are listed on the website along with telephone numbers and addresses.

You will need to obtain a transfer station sticker for your trash disposal. Stickers can be purchased online or by mail in ONLY, see link below. The cost for residents is \$125.00 payable by cash or check to the Town of Middleton for the first vehicle registered in Middleton (proof of registration is required) and \$25.00 for any additional sticker for other vehicles in your household. If you want to **Recycle Only** with no trash option, the recycling sticker this now has a \$25 fee. The transfer station is located off River Street at 11 Natsue Way. You can visit our website at <https://unipaygold.unibank.com/transactionInfo.aspx?CustomerID=425> or mail in a copy of your current registration along with a self-addressed return envelope and payment, we will mail your new sticker to you. Please see additional sheet for further information.

EMERGENCY NUMBERS:

Fire Non-Emergency Number
Police Non-Emergency Number

911 Ambulance – Fire – Police

978-774-2466

978-774-4424

Beverly Hospital

978-922-3000

Poison Control

1-800-682-9211

Cable Providers

Comcast and Verizon FiOS

Public Schools in Middleton

Fuller Meadow Elementary School (K-2)
143 South Main Street
Howe-Manning Elementary School (3-6)
26 Central Street
Masconomet Regional Middle/High School (7-12)
District (MASCO)
20 Endicott Road, Topsfield

978-750-4756

978-739-2800

978-887-2323

Local Newspapers

Salem Evening News
Ipswich Chronical

978-922-1234

1-800-697-2737

Post Office

41 South Main Street

978-774-4367

MIDDLETON SCHEDULE of MEETINGS and OFFICE HOURS and TELEPHONE LISTINGS
Please check the Public Calendar at www.middletonma.gov for actual scheduled meetings

OFFICE	DAY(S)	TIME	PLACE	TELEPHONE
Accountant	Monday – Thursday Friday	8:00 am - 4:00 pm 8:00 am-1:00 pm	Memorial Hall / 48 South Main St.	978-777-4966
Town Administrator	Monday – Thursday Friday	9:00 am - 5:00 pm 9:00 am -1:00 pm	Memorial Hall / 48 South Main St.	978-777-3617
Animal Control Officer	Variable			978-807-3097
Annual Town Meeting	2nd Tuesday in May	7:30 pm	Howe-Manning School	
Annual Town Election	3rd Tuesday in May	7:00 am - 8:00 pm	Fuller Meadow School	
Board of Appeals Meeting	4th Thursday	7:00 pm	Fuller Meadow School	978-777-8917
Board of Appeals Office	Monday - Friday	8:00 am - 3:00 pm	195 North Main Street	978-777-8917
Board of Assessors Meeting	Tuesday	4:30 pm	Memorial Hall / 48 S. Main Street	978-774-2099
Board of Assessors' Office	Monday, Wed., Thurs. Tuesday Friday	8:00 am - 4:00 pm 8:00 am - 6:00 pm 8.00 am – 1:00pm	Memorial Hall / 48 S. Main Street	978-774-2099
Conservation Comm. Meeting	1st Tuesday	7:00 pm	Fuller Meadow School.	978-777-1869
Conservation Comm. Office	Tuesday & Friday	8:00 am- 3:00 pm	195 North Main Street	978-777-1869
Council on Aging Meeting	Last Wednesday	9:30 am	Old Town Hall / 38 Maple Street.	978-777-4067
COA Senior Center	Monday-Friday	9:00 am - 3:00pm	Old Town Hall / 38 Maple Street.	978-777-4067
Department of Public Works	Monday – Friday	7:00 am - 3:00 pm	195 North Main Street	978-777-0407
Electric Light Dept. Meeting	2nd Thursday	5:00 pm	197 North Main Street	978-774-4313
Electric Light Dept. Office	Monday – Friday	8:00 am - 4:00 pm	197 North Main Street	978-774-4313
EMERGENCY	Always	24 hours	POLICE, FIRE & AMBULANCE	911
Finance Committee Meeting	Variable		Flint Public Library	
FIRE Department	Always	24 hours	Non-Emergency / 4 Lake St.	978-774-2466
Fuller Meadow School	Monday - Friday	7:30 am - 3:30 pm	143 South. Main Street	978-750-4756
Board of Health Meeting	Every other 1st Wednesday	7:00 pm	Flint Public Library	978-777-1869
Board of Health Office	Monday - Friday	7:00 am - 3:00 pm	195 North Main Street	978-777-1869

OFFICE	DAY(S)	TIME	PLACE	TELEPHONE
Housing Authority Meeting	3rd Wednesday	4:15 pm	Orchard Circle	978-774-4333
Howe-Manning School	Monday – Friday	7:30 am - 4:00 pm	26 Central Street	978-774-3519
Inspections Office	Monday – Friday	7:00 am - 4:00 pm	195 North Main Street	978-777-2850
Library Trustees	2nd Monday	7:00 pm	Flint Public Library	978-774-8132
Flint Public Library/Winter	Monday – Thursday Friday Sunday	10:00 am-8:00 pm 10:00 am-5:00 pm 1:00 pm-5:00 pm	2 North Main Street	978-774-8132
Flint Public Library/Summer	Tues., Wed., Thursday Friday Sunday	10:00 am-8:00 pm 10:00 am-2:00 pm 1:00 pm-5:00pm	2 North Main Street	978-774-8132
Planning Board Meeting	2nd Wednesday	7:00 pm	Fuller Meadow School	978-777-2850
Planning Board Office	Monday – Friday	7:00 am - 3:00 pm	195 North Main Street	978-777-2850
POLICE Department	Always		65 N. Main St./Non-Emergency	978-774-4424
Recreation Commission Mtg	1 st Wednesday & Variable	6:30 pm	Flint Public Library	978-774-8132
Masconomet Regional School Committee Meeting	1st & 3rd Wednesdays	7:30 pm	Masconomet Administration Building	978-887-2323
Elementary School Committee Meeting	2nd Thurs & Variable	7:00 pm	Fuller Meadow School	978-887-0771
Board of Selectmen Meeting	Bi-weekly on Tuesdays	7:00 pm	Fuller Meadow School	978-774-3589
Selectmen's Office	Monday – Thursday Friday	9:00 am - 5:00 pm 9:00 am – 1:00	Memorial Hall / 48 South Main St.	978-774-3589
Town Clerk's Office	Mon., Wed., & Thurs. Tuesday Friday	9:00 am - 4:00 pm 9:00 am - 6:00 pm 9:00 am - 1:00 pm	Memorial Hall / 48 South Main St.	978-774-6927
Transfer Station	Sunday, Wed, Saturday	8:00 am - 4:00 pm	Natsue Way	
Treasurer/ Collector's Office	Monday, Wed., & Thurs. Tues. Friday	8:00 am -4:00 pm 8:00 am-6:00 pm 8:00 am-1:00 pm	Memorial Hall / 48 South Main St.	978-774-8327 978-774-1867
Tri-Town Council Hotline	Always			978-771-4619
Tri-Town Council Office			49 Main St. #6, Topsfield	978-887-6512
Tri-Town School Union	Variable		28 Middleton Rd., Boxford 01921.	978-887-0771

Transfer Station Rules and Regulations
Hours of Operation: 8:00 a.m. - 4:00 p.m.
Wednesday, Saturday & Sunday
www.middletonma.gov

- The Transfer Station Sticker is **ONLY** valid for the vehicle it was issued.
- Stickers must be permanently attached to the vehicle's front windshield in the lower left corner to be easily visible to the attendant. Stickers **MAY NOT** be taped to the window or laminated and kept in the vehicle. If you need to transfer the sticker to a different vehicle, you must remove the sticker from the old vehicle and bring it and your new registration to the Collector's Office for a replacement sticker.
- The attendant may stop a vehicle at any time to confirm that the registration on the sticker matches the registration on the vehicle.
- Only residential refuse generated with the Town of Middleton will be accepted at the Transfer Station. The attendant has the right to randomly inspect loads in a reasonable and responsible manner and turn away any material that seems to be obviously commercial or contain hazardous or other unacceptable material. The attendant may also turn away loads that seem too large to come from a single residence.
- Any individual who accidentally or intentionally creates litter will have the responsibility of cleaning it up.
- **ALL TRASH MUST BE BAGGED.**

UNACCEPTABLE WASTE

The following material **WILL NOT** be accepted at the Transfer Station:

- Infectious or medical wastes, ammunition or other explosives, sewage waste or sludge, sealed containers including gas cylinders, animal carcasses, radioactive material, liquid or slurry waste of any kind regardless of packaging or labeling, tree stumps, boulders, rocks, stones, dirt or other non-combustible material, any barrels or other containers that hold or once held hazardous material unless inspected by the Transfer Station Operator to insure that they are empty. Construction and Demolition waste (C&D). Any recyclable material as defined below.
- Hazardous material including but not limited to gasoline, pesticides & herbicides, chemicals, oil based paint and mercury containing products such as thermometers and florescent bulbs and car batteries. (*Many of these materials can be disposed of at Hazardous Waste Days or other periodic events*)

MANDATORY RECYCLING:

The following materials will not be accepted at the trash compactor but have designated containers or areas within the Transfer Station:

- Paper including newspapers, magazines, phone books, junk mail, paperboard boxes and cardboard.
- Container glass separated into clear green and brown items. (*Note: window glass, drinking glasses, dishes and light bulbs must go in the compactor*)
- Tin and aluminum cans.
- All seven grades of container plastics.
- CRT's (Cathodes Ray Tubes), computers, monitors, laptops, televisions and video games (**AS OF DECEMBER 15, 2016, THERE IS A MANDATORY \$15 FEE TO DISPOSE OF THESE ITEMS. THE STICKER TO SHOW PROOF OF PAYMENT MAY BE PURCHASED AT THE COLLECTOR'S OFFICE DURING NORMAL BUSINESS HOURS**)
- Rechargeable batteries.
- Passenger car and light truck tires. (Limit two per month)
- Used motor oil.
- Leaves (**Brush will be accepted on scheduled collection dates**)
- Scrap metal and white goods (appliances) * Freon bearing appliances are prohibited (**Freon bearing appliances must be evacuated by a certified vendor before disposal in the metal bins**)

If any section of these regulations shall be deemed illegal, invalid or unenforceable for any reason, such action shall not affect any other section of the regulations.

VIOLATORS OF THESE REGULATIONS MAY HAVE THEIR TRANSFER STATION STICKER REVOKED OR HAVE OTHER ENFORCEMENT ACTION TAKEN AGAINST THEM.

TREASURER/TAX COLLECTOR

PAYMENTS

You can pay your taxes to the Town of Middleton in several ways. Your options are mail your payment to the lock box at P O Box 764, Reading MA 01867, the Secure Drop Box located on the handicapped ramp side of Memorial Hall building at 48 South Main Street. Online payments are also available on our website www.middletonma.gov/131/Online-Payments . Click the Treasurer/ Tax Collector link to be redirected to our Unipay Gold payment center.

Once in the Unipay Gold Payment application you have two (2) options for paying your bill; either by electronic check or by credit card.

Electronic Check:

It is free to pay by electronic check. You will need one of your checks with you when you pay your bill online in order to get your account number and the bank's routing number from it. You will be shown where this information is on your check.

Credit Card:

We accept MasterCard, Visa and Discover for credit card payments. There will be a convenience fee for each online payment. The credit card service provider charges the fee to your credit card. When paying by credit card, the fee amount will appear in a separate box and will be totaled with the amount of the tax.

MIDDLETON 2021 SENATORS AND REPRESENTATIVES

STATE

SENATOR IN GENERAL COURT

*FIRST ESSEX and
MIDDLESEX DISTRICT*
Senator Bruce E. Tarr (R)
State House, Room 308
Boston, MA. 02133-1054
Tel: (617) 722-1600
Email: Bruce.Tarr@masenate.gov

REPRESENTATIVE IN GENERAL COURT

Precincts 1 and 3
20th Middlesex District
TWENTIETH MIDDLESEX DISTRICT
Representative Bradley H. Jones, Jr. (R)
State House, Room 124
Boston, MA. 02133-1054
Tel: (617) 722-2100
Email: Bradley.Jones@mahouse.gov

Precinct 2
13th Essex District
THIRTEENTH ESSEX DISTRICT
Representative Sally Kerans (D)
State House, Room 24
Boston, MA 02133-1054
Tel: 617-722-2400
Email: Sally.Kerans@mahouse.gov

GOVERNOR

The Honorable Charlie Baker
Massachusetts State House
Office of the Governor
Room 280
Boston, MA. 02133-1054
Tel: (617) 725-4005
(888) 870-7770 (in state)
Email: constituents.services@state.ma.us

FEDERAL

REPRESENTATIVE IN CONGRESS

SIXTH DISTRICT
Congressman Seth Moulton
21 Front Street
Salem, MA 01970
Tel: (978) 531-1669
Fax: (978) 224-2270
or
1408 Longworth HOB
Washington, D.C. 20515
Tel: (202) 225-8020
Fax: (202) 225-5915
Website: www.moulton.house.gov

UNITED STATES SENATOR

The Honorable Elizabeth Warren
15 New Sudbury Street
Boston, MA. 02203
Tel: (617) 565-3170
or
317 Hart Senate Office Building
Washington, D.C. 20510
Tel: (202) 224-4543
Fax: (202) 224-2417
Website: www.warren.senate.gov

UNITED STATES SENATOR

The Honorable Edward Markey
975 JFK Federal Building
15 New Sudbury Street
Boston, MA 02203
Tel: (617) 565-8519
or
255 Dirksen Senate Office Building
Washington, D.C. 20510
Tel: (202) 224-2742
Fax: (202) 224-8525
Website: www.markey.senate.gov

Town of Middleton

2021

ELECTED OFFICIALS

Moderator	Planning Board		
Barbara Piselli	2024	Anthony DeGregorio*	2022
		Joseph Kikta**	2022
		Jason Bernhard**	2022
Town Clerk		Nicholas Bonugli	2023
Ilene B. Twiss	2023	Brian J. Carroll	2024
The Select Board			
Timothy P. Houten	2022	Electric Light Commission	
Richard W. Kassiotis, Jr.	2022	Charles S. Clinch, III	2022
Brian M. Cresta	2023	Frank W. Twiss	2023
Jeffrey P. Garber	2024	James J. Carbone	2023
Kosta E. Prentakis	2024	James W. Kelley	2024
		Timothy P. Houten	2024
Constable		Trustees of Flint Public Library	
Paul F. Armitage	2022	Melissa L. Stankus	2022
Board of Assessors			
Toula Guarino	2022	Maria J. Paikos-Hantzis	2023
Meredith Stone*	2022	George M. Cumming, Jr.	2023
Deborah J. Carbone	2024	Allison Sloan	2024
		Donna Bambury	2024
Elementary School Committee			
Natasha M. Bansfield	2022	Housing Authority	
Jennifer Lynne Pesce	2022	Douglas LeColst	2024
Kristina A. Esposito	2023	Maria J. Paikos-Hantzis	2025
Michelle D. Aitken	2024	Karen E. McCafferty	2026
Jacquelyn J. Dubois	2024		
Regional School Committee			
Joseph Ciampa	2022	**Appointed by Select Board 6/29/2021	
Tasha R. Cooper	2023	*Appointed by Select Board 7/13/2021	
Kosta E. Prentakis	2023		
Domenic Casamassima	2024		As of 7/13/2021

Town of Middleton
2021
APPOINTED OFFICIALS

Town Administrator		Director of Veterans' Services
Andrew Sheehan	2021	Gary Bent
		2022
		Building Commissioner
		Zoning Enforcement Officer
		Fence Viewer & A.D.A. Officer
Assistant Town Administrator & HR Director	Scott Fitzpatrick	2022
Vacant		
		Local Building Inspector
Town Accountant/Finance Director	Michael Donahue	2023
Sarah Wood	2024	Michael Mercurio
		2024
Treasurer/Collector		Plumbing and Gas Inspector
Vacant		Todd Moreschi (Alternate)
		Peter Sakelakos (Alternate)
Assistant Treasurer/Collector	Gary Paul	2024
Morgan Savage		
		Inspector of Wires
Town Counsel	James Carbone	2023
Mead, Talerman and Costa	2024	Mark Fialkowski (Alternate)
		2023
Assistant Assessor		Superintendent of Public Works
Bradford W. Swanson	2024	Superintendent of Insect Pest Control
		Paul Goodwin
		2020
Administrative Assessor		Superintendent of Burials
Theresa A. Fontaine	2022	Vacant
		2020
Assistant Town Clerk		Public Health Director
Carmelina Fiore	2023	Public Health Sanitarian
		Conservation Commission Administrator
		Hazardous Waste Coordinator
Chief of the Fire Department		Derek Fullerton
Director of Emergency Management		
Thomas J. Martinuk		2023
Chief of Police		Assistant Health Agents
William P. Sampson	2024	Ronald Beauregard
		2022
		Leo Cormier
		2023
Superintendent of Schools		Animal Control Officer & Inspector of Animals
Scott Morrison		Beverly Milward
		2020
		Kevin Nicholas
		2020
Library Director		
Melissa Gaspar		

**Town of Middleton
2021
APPOINTED OFFICIALS**

Town Planner		Board of Appeals	
Katrina O'Leary	2023	William Renault (Alternate) Anne LeBlanc-Snyder(Alternate)	2022 2022
Custodian of Town Lands		Nicholas A. Yebba	2022
Robert F. Murphy	2023	Anne Cote Richard J. Benevento	2022 2024
Local Cable Television Access Director		Carolyn Damato-McPherson	2025
Paul A. Pellicelli	2023	Craig Hartwell	2026
Election Officers		Board of Health	
Warden	Vacant	Matthew Greenfield	2022
Eileen Bakoian-Clerk	2024	George Demeritt Judy Schneider	2023 2023
BOARD OF Registrars		Raymond Cryan	2024
Ilene B. Twiss (ex officio)		Paul LeBlanc	2024
Richard Cardinale	2022	Bylaw Review Committee	
James. V. Hannon Jr.	2022	Vacant	2019
Sarah George	2023	Vacant	2019
Executive Director of the Middleton Housing Authority		Vacant	2019
Cindy Dunn-Danvers Housing Authority		Vacant	2019
Director of the Council on Aging		Ilene B. Twiss (ex officio)	2022
Jillian Smith	2023	Meghan Walter	2024
		Richard Cardinale	2024
Middleton Electric Light Department Manager		Community Preservation Committee	
Michael Cloutier		Vacant	2022
		Timothy Houten	2022
		John Erickson	2022
		Ann LeBlanc-Snyder	2023
		Kosta Prentakis	2023
		Ilene B. Twiss	2023
		Anthony DeGregorio	2024
		Mary Ann Erickson	2024
Alexandra Liteplo	12/31/2023	Robert Murphy	2024
Representative to the Metropolitan Area Planning Council			
Katrina O'Leary	2020		
Municipal Hearing Officer, Parking Clerk, & Municipal Liaison to the Ethics Commission			
Ilene B. Twiss	2023		

**Town of Middleton
2021
APPOINTED OFFICIALS**

Complete Streets Committee			Historical Commission		
Kristin Kent	2023	Anne Cote			2022
Scott Fitzpatrick	2023	Pike Messenger			2022
Derek Fullerton	2023	Sarah B. George			2023
Katrina O'Leary	2023	Anne LeBlanc-Snyder			2023
Vacant	2020	Shirley Raynard			2024
Vacant	2020				
Conservation Commission			Housing Authority		
Michael G. Sliney	2022	Ilene B. Twiss - State Appt			2010
Andrea Nelson	2023	Sandra L. Knight - Tenant Rep			2026
Antonio Pesce	2023				
Susan Piccole	2024	Chuck Kozlosky			2022
Gerald Gove	2024	Paul Richardson			2023
Kristin Kent (Agent)	2024	Michael Watkin			2024
		Robert Murphy			2024
Council on Aging			Industrial and Commercial Design Review Committee		
Linda Cornell	2022	Vacant			
Joan Shea-Desmond	2022	Vacant			2021
Wendy Tirck	2022	Vacant			2021
Ellen Strobel	2023	Vacant			2021
Barbara Sanborn	2023	Timothy Houten			2022
Alice Tierney	2023	Robert Murphy			2022
Gerald Gove	2024	John Erickson			2023
Leah Magnifico	2024	Peter Moon			2023
Francis J. Leary, Jr	2024	Annette Wilton			2024
		Brian Carroll			2024
Cultural Council			Master Plan Committee		
Richard Gilman	2022	Vacant			
Pam Hartman	2022	Vacant			
Ann Noyes	2022	Vacant			2018
Lauren Calabrese	2023	Vacant			2018
Diana Jackson	2023	Vacant			2019
Judy Schneider	2023	Vacant			2020
		Robert Wahl			2023
		Scott Saulnier			2024
Finance Committee			Memorial Day Committee		
Michelle Cresta	2022	Vacant			
Jason Vining	2022	Vacant			
John Erickson (co-Chair)	2023	Vacant			
Richard Gregorio (co-Chair)	2023	Vacant			
George E. Dow, Sr	2024	Vacant			
John Mahoney	2024	Vacant			
Antonietta Mertz	2024	Vacant			

**Town of Middleton
2021
APPOINTED OFFICIALS**

Municipal Property Tax Relief Committee		Town Building Committee	
Vacant (ex officio)	2021	Frank Twiss	2024
Kosta Prentakis	2022	George E. Dow, Sr	2024
Jeffrey Garber	2022	Kyle Smith	2024
Robert F. Murphy	2023	Nicholas Bonugli	2024
Deborah Carbone	2024	Paul F. Armitage	2024
		Roger Bourgeois	2024
		William Renault	2024
		William P. Sampson (Ex Officio)	2024
		Thomas Martinuk (Ex Officio)	2024
Lisa Sheehan - Alternate	2022	Jillian Smith (Ex Officio)	2024
Vacant- Alternate		Andrew Sheehan (Ex Officio)	2024
 Planning Board			
Alternate Members			
 Rails to Trails Committee			
Sherri Harris	2022		
John LeBlanc	2022	Water Advisory Committee	
Richard Kassiotis	2023	Fire Chief	
Richard Gilman	2023	Town Administrator	
Martin Emmick	2024	Selectmen's Rep	
Charles Costigan	2024	Planning Board Representative	
		Supt of DPW	
		Public Health Director	
 Recreation Commission			
Michelle Creasi	2022		
Jennifer Pavenski	2022	Zoning Bylaw Review Committee	
Jessica Sollazo	2022	Lisa Sheehan	2022
Michaela Anderson	2023	Annette Wilton	2022
James DesRocher	2024	Craig Hartwell	2022
		David Parker	2022
		Natalie Lovett	2022
		Richard Kassiotis	2022
 Scholarship Committee			
Rodney Pendleton	2022	Vacant	2022
Shirley Raynard	2022		
Ilene B. Twiss	2022		
Claudia Johnson	2023		

2021 SPECIAL TOWN MEETING
June 5, 2021

On Saturday, June 5, 2021, voters of the Town of Middleton met at the Henry Tragert Common Soccer Field, 48 South Main Street, Middleton. At 9:00 A.M. Town Moderator Barbara Piselli welcomed voters to the Special Town Meeting and declared that a quorum was present. (It was later shown that 353 voters were in attendance.) The reading of the Return of Service of the Warrant was waived. Richard Kassiotis, Select Board member led the Meeting in the Pledge of Allegiance.

Pursuant to Chapter 5 of the Acts of 2021, the Middleton Select Board at the meeting of April 20, 2021 held in compliance with the Open Meeting Law, the Middleton Select Board voted to postpone the 2021 Annual Town Meeting to June 5, 2021. A copy of the certified vote of said meeting is noted herewith.

After the Moderator reviewed the ground rules for Town Meeting, the articles on the Warrant were disposed of as follows:

ARTICLE 1. On petition of Robert T. Peachey, Sr. and 200 or more registered voters, for the following:

“Following the retirement of the current Chief of Police, the Board of Selectmen shall appoint to the position of Chief of Police, under Chapter 97A of the Massachusetts General Laws, one of the three internal candidates: Police Sergeant Ron Carpenter, Police Sergeant Matt Armitage, or Police Officer Robert Marino.”

Under a motion made by Robert Peachey, Sr. and duly seconded, it was recommended that the Town take no action.

The motion passed by a strong majority.

ARTICLE 2. On petition of Eric R. Cudmore and 10 or more registered voters, to see if the Town will vote to raise and appropriate, borrow or transfer from available funds \$20,000 to pay for the costs associated with the acquisition or disposal of real property.

Purpose: The Town has acquired land for public facilities and to sell Town-owned land on Locust Street. The town needs to engage professionals to conduct assessments such as appraisals, environmental assessments, and surveys. Funds appropriated under this article would not be used for the acquisition of any real property.

Master Plan Committee Recommendation: The Master Plan Committee voted 5-1 to recommend against the article.

Under a motion made by Jeffrey Garber and duly seconded, it was recommended that the Town transfer from Free Cash the sum of **\$20,000** to pay costs associated with the acquisition or disposal of real property.

The motion failed by a narrow majority.

At 9:24 AM there was a motion and a second from the floor to dissolve the June 5, 2021 Special Town Meeting, and the vote to do so was unanimous.

Attest, a True Copy,



Irene B. Twiss

Town Clerk

2021 ANNUAL TOWN MEETING
June 5, 2021

On Saturday, June 5, 2021, voters of the Town of Middleton met at the Henry Tragert Common Soccer Field, 48 South Main Street, Middleton. At 9:00 A.M. Town Moderator Barbara Piselli welcomed voters to the Annual Town Meeting and declared that a quorum was present. (It was later shown that 353 voters were in attendance.) The reading of the Return of Service of the Warrant was waived. Richard Kassiotis, Select Board member led the Meeting in the Pledge of Allegiance.

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After the Moderator reviewed the ground rules for Town Meeting, the articles on the Warrant were disposed of as follows:

ARTICLE 1. To hear Committee Reports:

ARTICLE 2. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to raise and appropriate, borrow, or transfer from available funds a certain sum to be used to fund the deficit incurred in the Department of Public Works (snow removal and winter road maintenance) budget; or take any other action relative thereto.

Purpose: This article will transfer funds to close the deficit for snow and ice removal. The snow and ice deficit is typically funded through a transfer from Free Cash. At the time of printing the snow and ice deficit was \$0; therefore, no action is anticipated.

Under a motion made by John Mahoney and duly seconded, it was voted that the Town take no action.

The motion passed unanimously.

ARTICLE 3. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to raise and appropriate, transfer between and among various accounts, or transfer from available funds to supplement the Fiscal Year 2021 operating budget; or take any other action relative thereto.

Purpose: This article is to transfer funds and supplement monies, if necessary, to meet departmental expenses in the current fiscal year ending on June 30, 2021.

Under a motion made by John Mahoney and duly seconded, it was voted that the Town take no action.

The motion passed unanimously.

ARTICLE 4. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to fund collective bargaining agreements; or take any other action relative thereto.

Purpose: This article will fund costs associated with contracts negotiated with collective bargaining groups (public employee unions).

Under a motion made by John Erickson and duly seconded, it was voted that the Town transfer from Free Cash the sum of \$35,000 to fund the collective bargaining contract for the full-time firefighters, IAFF 3097 in FY2021; and raise and appropriate the sum of \$20,000 to fund the collective bargaining contract for the full-time firefighters, IAFF 3097 in FY2022.

The motion passed unanimously.

ARTICLE 5. On petition of the Board of Selectmen and Community Preservation Committee, to see if the Town will vote to amend Article 6 of the Annual Town Meeting held on May 13, 2014 with respect to the use of Community Preservation Funds for the rails to trails pedestrian and bike paved trail by deleting the reference to phase 1 of said trail; or take any other action relative thereto.

Purpose: This article amends a prior appropriation that directed the funds be used for phase 1 of the rail trail project. The first portion of phase 1 was built in 2020 with grant funds. This article would allow the previously appropriated funds to be used for subsequent phases of the project. No additional funding is sought.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town amend Article 6 of the May 13, 2014 Annual Town Meeting by striking “Phase 1 of the planned 5.2 mile Rails to Trails pedestrian and bike paved trail way including but not limited to parking areas along the utility and former “narrow gauge” rail right of way from Maple Street to Essex Street a distance of approximately 7,000 feet,” and insert “the pedestrian and bike trail including but not limited to parking areas along the utility and former rail right of way”.

The Motion passed by a strong majority vote under the Consent Calendar “A”.

ARTICLE 6. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to pay prior fiscal year bills; or take any other action relative thereto.

Purpose: This article authorizes payment of bills from prior fiscal years. Under General Law c. 44, s. 64, bills from prior fiscal years can only be paid if approved by Town Meeting unless funds were encumbered. At the time of printing the following prior fiscal year bills were identified:

- \$4,497.50: Hilltop Securities borrowing fees

- \$2,320.00: Firefighter funeral expenses (GL c. 41, 100 G1/4)
- \$1,283.00: LHS Associates, Inc. Election expenses

Under a motion made by John Erickson and duly seconded, the following was voted that the Town transfer from Free Cash the sum of **\$8,100.50** to pay bills of prior fiscal years.

The motion passed unanimously.

ARTICLE 7. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to amend Article 10 of the Annual Town Meeting held on June 24, 2020 with respect to the Capital Budget for Fiscal Year 2021, by returning the sum of \$121,821 from the General Fund to the Ambulance Fund; or take any other action relative thereto.

Purpose: This article returns unspent funds to the Ambulance Fund. The appropriation from the Ambulance Fund under Article 10 of the 2020 Annual Town Meeting was higher than it needed to be to meet the expense.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town amend the amount appropriated under Article 10 of the June 24, 2020 Annual Town Meeting by returning the sum of **\$121,821** from the General Fund to the Ambulance Fund.

The motion passed by a strong majority vote under the Consent Calendar “A”.

ARTICLE 8. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to amend Article 10 of the Annual Town Meeting held on June 24, 2020 with respect to the Capital Budget for Fiscal Year 2021, by reducing the Free Cash appropriation by \$75,000; or take any other action relative thereto.

Purpose: This article corrects scrivener’s errors that misstated the amounts approved under Article 10. The Free Cash amount and the total appropriation amount were higher than they should have been.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town amend the amount appropriated under Article 10 of the June 24, 2020 Annual Town Meeting by reducing the Free Cash appropriation by **\$75,000** to **\$562,267** for a total Article 10 appropriation of **\$1,262,088**.

The motion passed by a strong majority vote under the Consent Calendar “A”.

FY2022 FINANCIAL ARTICLES

ARTICLE 9. On petition of the Board of Selectmen acting in the capacity of the Personnel Board, to see if the Town will vote to set the salaries of elected officials pursuant to Massachusetts General Law Chapter 41, Section 108; or take any other action relative thereto.

Purpose: This article establishes the compensation of elected officials. The Personnel Plan which shows the compensation of all employees is located in the back of the warrant book.

Under a motion made by Michelle Cresta and duly seconded, the following was voted that the Town set the compensation of elected officials pursuant to Massachusetts General Laws Chapter 41, Section 108, all as shown on the Compensation Plan printed on pages 46-48 of the Town Meeting Warrant.

The motion passed unanimously.

ARTICLE 10. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to raise and appropriate, borrow, or transfer from available funds a certain sum to fund the Omnibus Budget for Fiscal Year 2022; or take any other action relative thereto.

Purpose: This article requests approval of the Town operating budget for the coming fiscal year beginning on July 1, 2021 and running through June 30, 2022. Detailed descriptions of revenues and expenditures are presented in the warrant book.

Under a motion made by George Dow and duly seconded, the following was voted that the Town appropriate the sum of **\$38,884,886** to fund the Omnibus Budget for Fiscal Year 2022 and that to meet this appropriation:

- **\$38,000,374** be raised and appropriated [taxation, local receipts, State Aid]
- **\$621,821** be transferred from the Ambulance Fund,
- **\$157,516** be transferred from the PEG Cable Fund,
- **\$105,175** be appropriated from the Capital Stabilization Fund

The motion passed by a very strong 2/3 Majority vote.

ARTICLE 11. On petition of the Board of Selectmen and Community Preservation Committee, to see if the Town will vote to appropriate or reserve from the Community Preservation Fund annual revenues or available funds the amounts recommended by the Community Preservation Committee for debt service, and community preservation projects and other expenses in Fiscal Year 2022 with each item to be considered a separate appropriation; or take any other action relative thereto.

Proposed Fiscal Year 2022 Community Preservation Budget

The Community Preservation Committee recommends that the following amounts be appropriated or reserved from Fiscal Year 2022 Community Preservation Fund Revenues, unless otherwise specified for Fiscal Year 2022 Community Preservation Purposes with each item considered to be a separate appropriation:

<u>Purpose</u>	<u>Recommended</u>	<u>Funding Source</u>
	<u>Amount</u>	
A) Reserves: Open Space	\$35,596.50	FY 2021 Estimated CPA Receipts
Reserves: Historic Resources	\$35,596.50	FY 2021 Estimated CPA Receipts
Reserves: Community Housing	\$35,596.50	FY 2021 Estimated CPA Receipts
B) Flint Library Debt Service	\$80,000	\$36,334.42 from Historic Resources Reserve and \$43,665.58 from Fund Balance
C) 11 South Main St. Debt Service	\$42,400	\$36,334.41 from Open Space Reserve And \$6,065.59 from Fund Balance
D) CPA Committee Admin. Expenses	\$1,200	From Fund Balance
Community Preservation Total	\$230,389.50	

Purpose: Each year the Town Meeting must appropriate or reserve for future appropriation at least 10% of the estimated annual fund revenues for acquisitions and initiatives in each of the following three categories of allowable community preservation purposes:

Open space (excluding recreational uses)
Historic resources
Community housing

The term “annual fund revenues” in Fiscal Year 2022 are estimated at \$320,000 and is composed of the estimated receipts from the local surcharge of \$260,000 and monies from the State Trust Fund, which will make its fifteenth payment in October of 2021 providing an additional estimated \$60,000 in matching funds based upon the local share raised in FY 2022

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town appropriate or reserve from the Community Preservation Fund annual revenues or available funds the amounts recommended by the Community Preservation Committee and printed on page 11 of the Town Meeting Warrant for debt service, community preservation projects and other expenses in Fiscal Year 2022 with each item to be considered a separate appropriation for a total of **\$230,390**.

The motion passed by a strong majority vote under the Consent Calendar “A”.

ARTICLE 12. On petition of the Board of Selectmen and Community Preservation Committee, to see if the Town will vote to appropriate from the Community Preservation Fund annual revenues the following amounts recommended by the Community Preservation Committee for new community preservation projects in Fiscal Year 2022 with each item to be considered a separate appropriation; or take any other action relative thereto.

<u>Purpose</u>	<u>Recommended</u>	<u>Funding Source</u>
	<u>Amount</u>	
Tramp House Roof	\$17,000	Fund Balance
Common at Municipal Complex	\$300,000	Fund Balance
Essex Co. Greenbelt for conservation restriction at Camp Creighton Pond	\$50,000	Fund Balance
Community Preservation Total	\$367,000	

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town appropriate from Fund Balance of the Community Preservation Fund the sum of **\$17,000** to replace the roof on the Tramp House, the sum of **\$50,000** to Essex County Greenbelt for a conservation restriction at Camp Creighton Pond, and the sum of **\$300,000** for the Common at the municipal complex at 105 South Main Street contingent on the approval of the project, with each item to be considered a separate appropriation, for a total of **\$367,000**, all as printed on page 21 of the Town Meeting Warrant.

The motion passed by a strong majority vote under the Consent Calendar “A”.

ARTICLE 13. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to authorize the spending limits of the following revolving funds established under the Town Bylaw and General Laws Chapter 44, Section 53E ½:

Revolving Fund	Spending Limit
Firearms License and Permits	\$10,000
Council on Aging	\$35,000
Recreation	\$15,000
Recreation Field Use	\$15,000
Stormwater Management	\$5,000

Or take any other action relative thereto.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town authorize the FY21 spending limits for the revolving funds under Massachusetts General Laws Chapter 44, Section 53E ½, for the following amounts:

Revolving Fund	Spending Limit
Firearms License and Permits	\$10,000
Council on Aging	\$35,000
Recreation	\$15,000
Recreation Field Use	\$15,000
Stormwater Management	\$5,000

The motion passed by a strong majority vote under the Consent Calendar "A".

ARTICLE 14.

On petition of the Town Accountant, Board of Selectmen, and Finance Committee, to see if the Town will vote to appropriate a certain sum from the Sewer Enterprise receipts to pay expenses and contractual services required to operate the Sewer Enterprise Fund for Fiscal Year 2022; or take any other action relative thereto.

Direct Costs

SESD Assessment	\$105,436
Expenses	\$100
Extra/Unforeseen	\$1,000
Total Direct Costs:	\$106,536

Indirect Costs *

Salaries and Wages	\$4,438
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Insurance & Benefits	\$370
Total Indirect Costs:	\$4,808

Total FY2022 Budget \$111,344

**(to be raised and appropriated in the General Fund Operating Budget)*

Town shall raise the sum of \$106,536 or any other sum from the Sewer Enterprise Revenues and to approve the sum of \$4,808 of indirect costs appropriated in the general fund under Article 10 to be funded from Sewer Enterprise Revenues.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town appropriate the following sums from the Sewer Enterprise receipts to pay expenses and contractual services required to operate the Sewer Enterprise Fund for FY2022:

Direct Costs

SESD Assessment	\$105,436
Expenses	\$100
Extra/Unforeseen	\$1,000
Total Direct Costs:	\$106,536

Indirect Costs *

Salaries and Wages	\$4,438
Insurance & Benefits	\$370
Total Indirect Costs:	\$4,808

Total FY2022 Budget \$111,344

**(to be raised and appropriated in the General Fund Operating Budget)*

Town shall raise the sum of \$106,536 or any other sum from the Sewer Enterprise Revenues and to approve the sum of \$4,808 of indirect costs appropriated in the general fund under article 10 to be funded from Sewer Enterprise Revenues.

The motion passed by a strong majority vote under the Consent Calendar "A".

ARTICLE 15. On petition of the Town Accountant, Public Works Superintendent, Board of Selectmen, and Finance Committee, to see if the Town will vote to appropriate a certain sum from the Water Enterprise receipts to pay expenses and contractual services required to operate the Water Enterprise Fund for Fiscal Year 2022; or take any other action relative thereto.

Direct Costs

Salaries and Wages	\$117,983
Capital Outlay	\$50,000
Debt Service	\$10,305
Expenses	\$63,600

Extra/Unforeseen	\$50,000
Total Direct Costs:	\$291,888

Indirect Costs *	
Salaries and Wages	\$14,446
Insurance & Benefits	\$35,658
Total Indirect Costs:	\$50,104

Total FY2022 Budget **\$341,992**

****(to be raised and appropriated in the General Fund Operating Budget)***

Town shall raise the sum of \$291,888 or any other sum from the Water Enterprise Revenues \$50,000 from retained earnings and to approve the sum of \$50,104 of indirect costs appropriated in the general fund under Article 10 to be funded from Water Enterprise Revenues.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town vote to appropriate a certain sum from the Water Enterprise receipts to pay expenses and contractual services required to operate the Water Enterprise Fund for Fiscal Year 2022:

Direct Costs

Salaries and Wages	\$117,983
Capital Outlay	\$50,000
Debt Service	\$10,305
Expenses	\$63,600
Extra/Unforeseen	\$50,000
Total Direct Costs:	\$291,888

Indirect Costs *

Salaries and Wages	\$14,446
Insurance & Benefits	\$35,658
Total Indirect Costs:	\$50,104

Total FY2022 Budget **\$341,992**

****(to be raised and appropriated in the General Fund Operating Budget)***

Town shall raise the sum of \$291,888 or any other sum from the Water Enterprise Revenues \$50,000 from retained earnings and to approve the sum of \$50,104 of indirect costs appropriated in the general fund under article 10 to be funded from Water Enterprise Revenues.

The motion passed by a strong majority vote under the Consent Calendar "A".

ARTICLE 16. On petition of the Board of Selectmen and Finance Committee, To see if the Town will vote to supplement each prior vote of the Town that authorizes the borrowing of money to pay costs of capital projects to provide that, in accordance with Chapter 44, Section 20 of the General Laws, the premium received by the Town upon the sale of any bonds or notes thereunder, less any such premium applied to the payment of the costs of issuance of such bond or notes, may be applied to pay project costs and the amount authorized to be borrowed for each such project shall be reduced by the amount of any such premium so applied; or take any other action relative thereto.

Purpose: This article would allow the Town to apply bond premiums to reduce the borrowing for which the premium was offered. This applies to borrowings that have been previously authorized but not yet permanently financed.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town vote to supplement each prior vote of the Town that authorizes the borrowing of money to pay costs of capital projects to provide that, in accordance with Chapter 44, Section 20 of the General Laws, the premium received by the Town upon the sale of any bonds or notes thereunder, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to pay project costs and the amount authorized to be borrowed for each such project shall be reduced by the amount of any such premium so applied.

The motion passed by a strong majority vote under the Consent Calendar "A".

ARTICLE 17. On petition of the Electric Light Commissioners, to see if the Town will vote to accept a sum of money from the earnings of the Electric Light Department, said sum to be used for the reduction of taxes; or take any other action relative thereto.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town accept the sum of **\$243,252.62** from the earnings of the Electric Light Department, said sum to be used to reduce the tax rate.

The motion passed by a strong majority vote under the Consent Calendar "A".

ARTICLE 18. On petition of the Superintendent of Public Works, to see if the Town will vote to raise and appropriate such sums of monies as may be received from the Commonwealth of Massachusetts for the fiscal year commencing July 1, 2021 to install drainage, widen, pave, and otherwise improve any public way in accordance with the provisions of Chapter 90 of the Massachusetts General Laws; or take any other action relative thereto.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town appropriate such sums of monies as may be received from the Commonwealth of Massachusetts for the fiscal year commencing July 1, 2021 to install drainage, widen, pave, and

otherwise improve any public way in accordance with the provisions of Chapter 90 of the Massachusetts General Laws.

The motion passed by a strong majority vote under the Consent Calendar "A".

ARTICLE 19. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to raise and appropriate, borrow, or transfer from available funds a certain sum to fund the Capital expenditures for Fiscal Year 2022; and to authorize the Town Administrator to sell or trade items rendered surplus by such purchases; or take any other action relative thereto.

Department/Location	Project	Expenditure
<u>Dept. of Public Works</u>	Replace 2005 Mower	16,240
	DPW Building improvements	25,000
	Paving to Supplement C. 90	100,000
	Replace 2007 Roll-Off Truck	200,000 *
	<i>Public Works subtotal</i>	<i>341,240</i>
<u>Police Department</u>	Cruiser Radios (2)	8,500
	Radar Guns	5,000
	License Plate Reader	22,050
	Taser Replacement	6,050
	AED Replacement	9,000
	Police Station Upgrades	10,000
	<i>Police subtotal</i>	<i>60,600</i>
<u>Fire Department</u>	Vehicle Repairs: Bucket Truck & Squad 5	7,500
	Radio/Telephone Recorder	17,080
	Replace Engine 1 (Pumper)	710,000 *
	Outfit/Train New Firefighters/Paramedics	25,580
	<i>Fire subtotal</i>	<i>760,160</i>
<u>Information Technology</u>	Exchange Server Upgrade	7,000
	Warranty Renewals	7,500
	Cybersecurity Protection	10,000
	Replace Wireless Access Points	5,000
	VMware Upgrades	2,400
	MUNIS Upgrade	10,000
	<i>Information Technology subtotal</i>	<i>41,900</i>
<u>Facilities</u>	Memorial Hall Handicap Ramp Replacement	25,000
	Town-wide Handicap Improvements	10,000
	<i>Facilities subtotal</i>	<i>35,000</i>
<u>Administration</u>	Digitizing of Inspectional Services Records	45,000
	Consulting Services: Charter Review	15,000
	<i>Administration subtotal</i>	<i>60,000</i>

<u>Assessors</u>	Contractual Services: Utility, Commercial	12,700
	CAI Advanced Query Module	1,300
	Cyclical Inspections	10,000
	Assessors subtotal	24,000
<u>Council On Aging</u>	Building Improvements	5,700
	Council On Aging subtotal	5,700
<u>Essex No. Shore Tech</u>	Capital contribution	12,341
	Essex Tech subtotal	12,341
Capital Projects Total		\$ 1,340,941

* Indicates items for which borrowing is the intended funding source. Requires 2/3 vote.

Purpose: This article requests approval of the capital budget for the coming fiscal year. Capital items are assets that have a useful life of five (5) or more years and a cost of more than \$5,000. Regular capital investment is critical to maintaining the Town's infrastructure, including the vehicle fleet, buildings, equipment, and acquisition of land. Annually, a capital improvement plan (CIP) is developed looking ahead for the next five years. Year one of the CIP is the ensuing year's capital budget. The FY22 Capital Budget is proposed to be funded by \$430,941 from Free Cash and \$910,000 in borrowing over a 7-year term.

Under a motion duly made by John Erickson and duly seconded, the following was voted that the Town appropriate the sum of **\$1,340,941** to fund the capital improvements printed on pages 23-24 of the Town Meeting Warrant and that, to meet this appropriation, it authorize (i) the Treasurer-Collector to borrow the sum of **\$910,000** and that any premium received upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with M.G.L. c. 44, §20, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount; and (ii) the sum of **\$430,941** to be transferred from Free Cash.

The motion passed by a very strong 2/3 Majority vote.

ARTICLE 20. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to raise and appropriate, borrow or transfer from available funds to various reserve and trust funds; or take any other action relative thereto.

Purpose: This article transfers funds from Free Cash to various reserve funds, including stabilization funds and the other post-employment benefits (OPEB) trust fund.

Under a motion made by Timothy Houten and duly seconded, the following was voted that the Town transfer the following sums from Free Cash to the following reserve funds:

- **\$75,000** to the Other Post-Employment Benefits Liability Irrevocable Trust Fund.
- **\$75,000** to the Stabilization Fund
- **\$25,000** to the Retirement Stabilization Fund
- **\$75,000** to the Capital Stabilization Fund
- **\$130,000** to the Special Education Stabilization Fund

The motion passed by a strong majority vote under the Consent Calendar “A”.

ARTICLE 21. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to raise and appropriate, borrow or transfer from available funds the sum of **\$20,000** to fund the acquisition, by purchase, gift, or eminent domain, of two certain parcels of land: Lot 97 on Middleton Assessors Map 25 consisting of 22,709 square feet more or less located off King Street and Lot 119 on Middleton Assessors Map 25 consisting of 30,056 square feet more or less; and to authorize the Board of Selectmen to convey and accept easements related thereto; or take any other action relative thereto.

Purpose: This article will authorize the acquisition of two parcels of unbuildable land that abuts Town land.

Planning Board Recommendation: The Planning Board voted 5-0 to recommend in favor.

Under a motion made by John Erickson and duly seconded, the following was voted that the Town take No Action.

The motion passed unanimously.

ARTICLE 22. On petition of the Master Development Planning Committee, Board of Selectmen, and Finance Committee, to see if the Town will vote to raise and appropriate, transfer from available funds or borrow the sum of **\$61,700,000**, for the design, permitting, construction, and furnishing of a combined Fire and Police Public Safety Building and a combined Community Center and Town Hall on the Town-owned land located at 105 South Main Street, including all costs incidental and related thereto; to determine whether the approval of borrowing for this purpose shall be contingent upon passage of a Proposition 2 ½ Debt Exclusion referendum under Massachusetts General Laws c. 59, s. 21C(k); to determine whether any premium received by the Town upon the sale of any bonds or notes approved, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Massachusetts General Laws c. 44, s. 20, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount; and to authorize the Board of Selectmen and Town Administrator to execute such other documents and contracts as are needed to effectuate the vote taken hereunder; or take any other action relative thereto.

Planning Board Recommendation: The Planning Board will make its recommendation on the floor of Town Meeting.

Master Plan Recommendation: The Master Plan Committee will make its recommendation on the floor of Town Meeting.

Purpose: This article will authorize the design, permitting, construction, and furnishing of a new public facilities complex. The project consists of a Public Safety Building comprising a Fire Station and Police Station and a combined Community Center and Town Hall. Planning for this project began in 2019 and continued through the end of 2020. Approval requires a 2/3 majority vote by a Town Meeting and approval of a debt exclusion override by a majority vote at an election.

Under a motion made by George Dow and duly seconded, the following was voted that the Town appropriate the sum of **\$61,700,000** to fund the design, permitting, construction and furnishing of a combined Fire and Police Public Safety Building and a combined Community Center and Town Hall on the Town-owned land located at 105 South Main Street, including all costs incidental and related thereto; provided, however, that the appropriation authorized hereunder is contingent upon passage of a Proposition 2 ½ Debt Exclusion referendum under Massachusetts General Laws c. 59, s. 21C(k); and that, to meet this appropriation, (i) it authorize the Treasurer-Collector to borrow the sum of \$61,590,000; and any premium received upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with M.G.L. c. 44, §20, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount, and (ii) \$110,000, representing unexpended proceeds of Bonds dated March 16, 2017 issued to fund the Fuller Meadow School roof project, which project is complete and no liability remains, is authorized to be transferred to these projects; and to authorize the Board of Selectmen and Town Administrator to execute such other documents and contracts as are needed to effectuate the vote taken hereunder.

Planning Board Recommendation: The Planning Board voted 4-1 in favor of this Article.

Master Plan Recommendation: The Master Plan Committee voted 4-2 in favor of this Article.

After considerable discussion, a hand count vote was taken. The vote required a two-thirds (2/3) majority vote on Town Meeting floor. The results were as follows: **Article 22: YES 280; NO 48.**

The motion passed with a two-thirds (2/3) majority vote.

CITIZEN PETITIONS, BYLAW ADOPTIONS, AND REAL PROPERTY

ARTICLE 23. On petition of the Board of Selectmen, To see if the Town will vote to amend Chapter 68 Personnel, of the By-Laws of the Town by deleting the entire chapter and substituting in its place:

Chapter 68 Personnel

§ 68-1 Purpose and Intent.

The purpose of the Personnel Bylaw is to establish fair and equitable personnel policies and to establish a system of personnel administration based on merit principles that ensure a uniform fair and efficient application of personnel policies. The intent of this bylaw is to provide a method of recruitment, selection, development, and retention of a work force that is skilled and effective in accomplishing the service delivery mission of the Town. Personnel actions are to be made without regard to any criteria established and proscribed by any state or federal law or regulations promulgated pursuant thereto, or political affiliation or other non-job related factors, and shall be based on merit and fitness.

§ 68-2 Applicability

All Town departments and positions shall be subject to the provisions of this bylaw, except elected officers, members of boards and commissions, and employees of the School Department or Electric Light Department. To the extent that the provisions of any collective bargaining agreement conflicts with any provisions of this bylaw or personnel policies adopted pursuant to § 68-5, the provisions of the collective bargaining agreement shall prevail. This bylaw is adopted pursuant to the authority granted by Article LXXXIX of the Constitution of the Commonwealth and General Law.

§ 68-3 Responsibility of the Town Administrator.

The Town Administrator shall be responsible for the establishment and maintenance of a personnel system based on merit principles. The Town Administrator shall have all the personnel management powers and duties as provided by the Middleton Town Charter and shall formulate personnel policies pursuant to § 68-5 of this bylaw, subject to the approval of the Board of Selectmen.

§ 68-4 Contents of Personnel Policies.

The personnel policies shall establish a personnel system which shall include, but need not be limited to, the following elements:

- A. A method of administration. A system of administration which assigns specific responsibility for all elements of the personnel system, including: maintaining personnel records; implementing effective recruitment and selection processes; maintaining the

classification and compensation plans; monitoring the application of policies and periodic reviews and evaluation of the personnel system.

- B. A classification and compensation plan.
- C. A recruitment and selection policy.
- D. A centralized personnel record keeping system, and
- E. Other elements of a personnel system as deemed appropriate or necessary.

§ 68-5 Adoption of Policies.

The Town Administrator is empowered and authorized by this bylaw to prepare personnel policies for adoption by the Board of Selectmen defining the rights, benefits, and obligations of employees subject to this bylaw. The Town Administrator shall be responsible for the development of personnel policies. Any Board or Committee, department head, or any single employee or group of employees may recommend personnel policies to the Town Administrator for consideration. Such policies shall become effective in accordance with the following procedure:

- A. The Town Administrator shall prepare proposed personnel policies.
- B. The Town Administrator shall consult with employees that may be affected by proposed changes in personnel policies.
- C. The Town Administrator shall finalize personnel policies and transmit in writing any proposed policies to the Board of Selectmen.
- D. The Board of Selectmen shall review said policies and vote to approve, disapprove, or approve with modifications.
- E. Copies of new or amended policies shall be posted and distributed to department heads and employees.

§ 68-6 Severability.

The provisions of this bylaw and any policies adopted pursuant to this bylaw are severable. If any bylaw provision or policy is held invalid, the remaining provisions of the bylaw or policy shall not be affected thereby.

§ 68-7 Effective Date.

This bylaw shall take effect upon passage.

Purpose: This article proposes changes to the personnel bylaw to make the personnel bylaw consistent with the current and historic practice of personnel management.

Under a motion made by Brian Cresta and duly seconded, the following was voted that the Town adopt amendments to Chapter 68, Personnel Bylaw, all as shown on pages 26-27 of the Town Meeting Warrant.

The motion passed by a strong majority.

ARTICLE 24. On petition of the Board of Selectmen, to see if the Town will vote to authorize the Board of Selectmen to petition the General Court of the Commonwealth of Massachusetts for legislation amending the Town Charter with respect to personnel matters, as set forth below; or take any action relative thereto.

Amending Chapter 6, Section 1, Subsection 6-1-1(b) by inserting “and” before “a Treasurer-Collector” and deleting “, all division and/or department heads”;

Amending Chapter 6, Section 3, Subsection 6-3-1(d) by deleting “Personnel Board, a”;

Amending Chapter 6, Section 4, Subsection 6-4-1 by deleting “such individual Town officers and”;

Amending Chapter 6, Section 7, Subsection 6-7-10 by renumbering existing subsection 6-7-10 to “6-7-11” adding the following new subsection as 6-7-10 “He shall appoint, subject to the provisions of any collective bargaining agreements as may be applicable, all other department heads, officers, and employees for whom no other method of selection is provided by this Charter. Such appointments shall become effective on the fifteenth (15th) day following the day on which such notice of appointment is filed with the Board of Selectmen, unless the Board of Selectmen shall, within that period by a majority of all of its members, vote to reject such appointment, or has sooner voted to affirm it.”

Amending Chapter 9, Section 5, Subsection 9-5-2 by replacing “Personnel Board” with “Town Administrator”, and further by replacing “Town Meeting” with “Board of Selectmen” and further by replacing “except those provided for by General Law” with “except as otherwise provided by law or as may be superseded by collective bargaining agreement(s)”

Provided however, that the General Court may make clerical or editorial changes of form only to the bill, unless the Board of Selectmen approves amendments to the bill before enactment by the General Court, and that the Board of Selectmen is authorized to approve amendments which shall be within the scope of the general public objectives of the petition; or take any action relative thereto.

Purpose: This article would amend the Charter with respect to personnel matters. The changes would make the Charter consistent with the current and historic practice of personnel management and with the changes proposed under Article 18, above. Charter changes require the affirmative vote of Town Meeting followed by approval of the Massachusetts legislature and the Governor.

Under a motion to amend the Article made by George Dow and duly seconded by Nancy Jones, the following was voted that the Town refer the Article for further study and to authorize the Moderator to appoint a committee of seven (7) members to review the Town of Middleton Charter and make recommendations as to any changes that it deems warranted. Said recommendations to be made at the next Special Town Meeting if appropriate or the 2022 Annual Town Meeting.

The motion passed with a strong majority.

ARTICLE 25. To see if the Town will vote to amend the Masconomet Regional School District Agreement by adopting Amendments 9 and 10, as follows:

1. By striking Subsection “B” of Section I, which currently reads:

B. Interim Committee

~~Within 30 days after the passage of this Amendment (refers to 8th Amendment) to the Masconomet Regional School District Agreement by the member towns, an interim Committee will be established which will consist of the four elected members from the Town of Topsfield, the four elected members from the Town of Boxford plus one member from the Town of Boxford appointed by the selectmen of the Town of Boxford and the remaining interim Committee members from Boxford, said appointed member to serve until the next annual election; the three elected members from the Town of Middleton plus one member from the Town of Middleton appointed by the Selectmen of the Town of Middleton and the remaining interim Committee members from Middleton, said appointed member to serve until the next annual election.~~

and re-lettering the remaining subsections to reflect the deletion of Subsection “B”.

2. In Subsection “D” of Section IV, “Apportionment of Capital Costs,” by striking “Essex County Agricultural School” and replacing it with “Essex Northshore Agricultural and Technical School” and by striking the sentence: “~~This amendment shall first take effect with the apportionment for the year 1962.~~”
3. In Subsection “F” of Section IV, “Fiscal Year and Times of Payments of Apportioned Costs,” by striking the following:

~~Provided, however, that for the fiscal period beginning January 1, 1973, and ending June 30, 1974, the dates on or before which the respective percentages of the costs of the District for said period apportioned to each member town shall be paid shall be as follows:~~

April 1, 1973	17%
June 1, 1973	16%
September 1, 1973	17%
December 1, 1973	16%
March 1, 1974	17%
June 1, 1974	17%

~~This section shall be effective only to the extent that Chapter 849 of the Acts of 1969 as amended shall be in effect."~~

4. By striking Subsection "A" of Section V, "Budget," which currently reads:

A. Initial Budget

~~Within sixty days after the original Committee is organized, it shall prepare a reasonably detailed operating and maintenance budget covering expenses, if any, for the balance of the then calendar year. Copies of such proposed budget shall be submitted to the Chairman of the Finance or Advisory Committee of each member town, or if there is no Finance or Advisory Committee in a member town, to the Chairman of the Board of Selectmen of such town, for its consideration. A budget shall be adopted not earlier than fourteen days but within thirty days after the proposed budget has been so submitted. The amount of the said budget shall be apportioned between the member towns according to the provisions in section N hereof. The treasurer shall certify to each member town its respective share of said budget. The sums thus certified shall be payable forthwith by each member town to the Committee but only from funds which may be or may have been appropriated by each member town for such purpose, if any.~~

and re-lettering the remaining subsections to reflect the deletion of Subsection "A".

5. By striking Subsection "C" of Section I, which currently reads:

C. Elected Members

~~In order to comply with the proportional representation requirements mandated by the United States Constitution (also known as "one man, one vote"), the total number of representatives to the Committee from each of the Towns of Boxford~~

~~and Topsfield shall be reduced by one. To accomplish this reduction, one position on the Committee held by a representative of the Town of Topsfield with a term expiring in 2012 shall be abolished upon the expiration of such representative's term in 2012. In addition, one of the two positions on the Committee held by the representatives of the Town of Boxford with a term expiring in 2012, shall be abolished upon the expiration of such representative's term. The Chairman of the Committee shall determine by lot the particular position to be eliminated.~~

and replacing it with the following:

"B. Election of Committee Members

"Members of the Committee from each member town shall be elected by voters in such member town at such member town's annual town election to serve three-year terms on a staggered basis. Thus every third year, two persons shall be elected by the voters in Middleton and two persons shall be elected by the voters in Boxford to serve on the Committee, and otherwise one person shall be elected from each member town every year.

"It is the intent of this agreement, pursuant to G.L. c. 71, § 14E, that Committee members be elected by voters in member towns with each member town's representation apportioned according to population. Accordingly, the Committee will review its apportionment as soon as practicable after each federal census and will recommend such amendments to this agreement as may be necessary to ensure that such apportionment continues to reflect the relative population of the member towns as accurately as possible."

Or take any action relative thereto.

Purpose: This article would amend the Masconomet Regional Agreement by making housekeeping changes and deleting obsolete provisions.

Under a motion made by Kosta Prentakis and duly seconded by Brian Carroll, the following was voted that the Town adopt amendments 9 and 10 to the Masconomet Regional School Agreement as shown on pages 28-31 of the Town Meeting warrant.

The motion passed unanimously under the Consent Calendar "B".

ARTICLE 26. To see if the Town will vote to amend the Masconomet Regional School District Agreement by adopting Amendment 11, as follows:

By striking Subsection “E” of Section IV, “Apportionment of Operating Costs,” which currently reads:

E. Apportionment of Operating Costs

~~Operating costs for the first calendar year next following the establishment of the regional school district and for every calendar year thereafter shall be apportioned to the member towns on the basis of their respective pupil enrollments in the regional school. Each member town's share for each calendar year shall be determined by computing the ratio which that town's pupil enrollment in the regional district school on October 1 of the year in which apportionment is determined bears to the total pupil enrollment from all the member towns in the regional district school on the same date. In the event that enrollment in the regional district school has not been accomplished by October 1 of any year, operating costs shall be apportioned on the basis of enrollment in grades 7 through 12 of pupils residing in each member town and receiving education at such town's expense on October 1 of that year.~~

And replacing it with the following:

E. Apportionment of Operating Costs

“1. Operating costs for fiscal years 2021 through 2022 will be apportioned to member towns using the method outlined in G.L. c. 70 § 6. Operating assessments for each member town shall equal the sum of (i) such member town's required local contribution to the regional school district as determined by the Commissioner of Elementary and Secondary Education, and (ii) the product of (a) that portion of the regional school district's net school spending, as defined by G.L. c. 70, § 2, which exceeds the total required local contribution for all member towns, multiplied by (b) the ratio which such member town's pupil enrollment in the regional school district on October 1 of the year in which apportionment is determined bears to the total pupil enrollment from all member towns on the same date.

“2. For Fiscal Year 2023, operating costs will be apportioned to member towns using the method outlined in G.L. c. 70, § 6. Operating assessments for each member town shall equal the sum of (i) such member town's required local contribution to the regional school district as determined by the Commissioner of Elementary and Secondary Education, and (ii) the product of (a) that portion of the regional school district's net school spending, as defined by G.L. c. 70, § 2, which exceeds the total required local contribution for all member towns, multiplied by (b) the ratio which such member town's October

1 pupil enrollment in the regional school district for the two (2) preceding fiscal years bears to the total pupil enrollment from all member towns during the same period.

“3. For Fiscal Year 2024, operating costs will be apportioned to member towns using the method outlined in G.L. c. 70, § 6. Operating assessments for each member town shall equal the sum of (i) such member town’s required local contribution to the regional school district as determined by the Commissioner of Elementary and Secondary Education, and (ii) the product of (a) that portion of the regional school district’s net school spending, as defined by G.L. c. 70, § 2, which exceeds the three (3) preceding fiscal years bears to the total pupil enrollment from all member towns during the same period.

“4. For Fiscal Year 2025, operating costs will be apportioned to member towns using the method outlined in G.L. c. 70, § 6. Operating assessments for each member town shall equal the sum of (i) such member town’s required local contribution to the regional school district as determined by the Commissioner of Elementary and Secondary Education, and (ii) the product of (a) that portion of the regional school district’s net school spending, as defined by G.L. c. 70, § 2, which exceeds the total required local contribution for all member towns, multiplied by (b) the ratio which such member town’s October 1 pupil enrollment in the regional school district for the four (4) preceding fiscal years bears to the total pupil enrollment from all member towns during the same period.

“5. Beginning in Fiscal Year 2026, operating costs will be apportioned to member towns using the method outlined in G.L. c. 70, § 6. Operating assessments for each member town shall equal the sum of (i) such member town’s required local contribution to the regional school district as determined by the Commissioner of Elementary and Secondary Education, and (ii) the product of (a) that portion of the regional school district’s net school spending, as defined by G.L. c. 70, § 2, which exceeds the total required local contribution for all member towns, multiplied by (b) the ratio which such member town’s October 1 pupil enrollment in the regional school district for the five (5) preceding fiscal years bears to the total pupil enrollment from all member towns during the same period.”

Or take any action relative thereto.

Purpose: This article would amend the Masconomet Regional Agreement by making changes to provisions governing apportionment of operating costs.

Under a motion made by Kosta Prentakis and duly seconded by Brian Carroll, the following was voted that the Town adopt amendment 11 to the Masconomet Regional School Agreement as shown on pages 31-33 of the Town Meeting warrant.

The motion passed unanimously under the Consent Calendar "B".

ARTICLE 27. To see if the Town will vote to amend the Masconomet Regional School District Agreement by adopting Amendment 12, as follows:

By striking the second sentence of Subsection "F" of Section IV, "Fiscal Year and Times of Payments of Apportioned Costs," which currently reads:

~~Except as otherwise provided in subsection V(A), the annual share of each member town shall be paid in four (4) equal installments quarterly due on or before the following dates each year:~~

September 1 25%
December 1 50%
March 1 75%
June 1 100%

and replacing it with the following:

"Except as otherwise provided in subsection V (A), the annual share of each member town shall be paid in four (4) equal installments quarterly due on or before the following dates each year:

August 15
November 15
February 15
May 15"

Or take any action relative thereto.

Purpose: This article would amend the Masconomet Regional Agreement by making changes to provisions governing payment of operating costs.

Under a motion made by Kosta Prentakis and duly seconded, the following was voted that the Town adopt amendment 12 to the Masconomet Regional School Agreement as shown on page 33 of the Town Meeting warrant.

The motion passed unanimously under the Consent Calendar "B".

ARTICLE 28. To see if the Town will vote to amend the Town's General Bylaws to change all gender specific pronouns to gender neutral pronouns in a manner consistent with the examples below:

"Board of Selectmen" changes to "the Select Board"
"Selectmen" changes to "Select Board member" or "member of the Select Board"
"Chairman" changes to "the Chair" or "the Chairperson"
"Vice-Chairman" changes to "Vice-Chair" or "Vice-Chairperson"
"He/She" changes to "they"
"His/Hers" changes to "their"
"Him/Her" changes to "them"

Or take any action relative thereto.

A motion was made by Trevor Currier and duly seconded by Joseph Stornaiuolo the following was voted that the vote on Article 28 be taken by a Secret Ballot Vote. After the Moderator explained the procedure of the Secret Ballot process, a count of the total number of voters present was taken by a show of cards. It was determined that there were 289 voters present that raised their cards. The vote was then taken for Article 28 to be voted on by a Secret Ballot Vote. A hand Count was taken for all of those in favor of a Secret Ballot vote. The total number of voters in favor of the Secret Ballot Vote in the room were 12 Voters. The Motion for a Secret Ballot Vote failed.

Under the initial motion for Article 28, duly made by Brian Cresta and seconded by Tim Houten, the following was voted that the Town amend the Town's General Bylaws to change all gender specific pronouns to gender neutral pronouns in a manner consistent with the examples below:

"Board of Selectmen" changes to "the Select Board"
"Selectmen" changes to "Select Board member" or "member of the Select Board"
"Chairman" changes to "the Chair" or "the Chairperson"
"Vice-Chairman" changes to "Vice-Chair" or "Vice-Chairperson"
"He/She" changes to "they"
"His/Hers" changes to "their"
"Him/Her" changes to "them"

After a Hand Count was taken, the results were as follows: **Article 28: YES 177; NO 100.** The motion passed with a Majority vote.

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ARTICLE 29. On petition of the Planning Board to see if the Town will vote to amend the Middleton Zoning Bylaw and Map by amending Section 2.2 “Overlay Districts” by adding the following new Section 8.7 “Groundwater Protection Overlay District” and to non-substantive changes to the numbering of this bylaw be permitted in order that it be in compliance with the numbering format of the Code of Middleton:

1) Add the following to Section 2.2 “Overlay Districts”:

Groundwater Protection Overlay District (GPOD)

2) Add the following Section 8.7 “Groundwater Protection Overlay District”:

8.7. Groundwater Protection Overlay District

8.7.1. Purpose of District. The purpose of this Groundwater Protection District is to:

1. promote the health, safety, and general welfare of the community by ensuring an adequate quality and quantity of drinking water for the residents, institutions, and business of the Town of Middleton and adjacent towns;
2. preserve and protect existing and potential sources of drinking water;
3. conserve natural resources in the Town of Middleton; and
4. prevent temporary and permanent contamination of the environment.

8.7.2. Scope of authority. The Groundwater Protection District is an overlay district superimposed on the other zoning districts. This overlay district shall apply to all new construction, reconstruction, or expansion of existing buildings and new or expanded uses. Uses prohibited in the underlying zoning districts shall not be permitted in the Groundwater Protection District.

8.7.3. Definitions.

AQUIFER: A geologic formation composed of rock, sand or gravel that contains significant amounts of potentially recoverable water.

CMR: Code of Massachusetts Regulations.

COMMERCIAL FERTILIZER: Any substance containing one or more recognized plant nutrients which is used for its plant nutrient content and which is designed for use, or claimed to have value in promoting plant growth, except un-manipulated animal and vegetable manures, marl, lime, limestone, wood ashes, and gypsum, and other products exempted by state regulations.

DISCHARGE: The accidental or intentional disposal, deposit, injection, dumping, spilling, leaking, pouring, or placing of toxic or hazardous material or hazardous waste upon or into any land or water such that it may enter the surface or ground waters.

DRY WELL: A subsurface pit with open-jointed lining or holes through which storm-water drainage from roofs, basement floors, foundations or other areas seep into the surrounding soil.

GROUNDWATER PROTECTION DISTRICT: The land area consisting of aquifers and Zone II recharge areas as identified on a map and adopted pursuant to this bylaw.

HAZARDOUS MATERIAL: Any substance in any form which because of its quantity, concentration, or its chemical, corrosive, flammable, reactive, toxic, infectious or radioactive characteristics, either separately or in combination with one or more substances, constitutes a present or potential threat to human health, safety, welfare, or to the environment, when improperly stored, treated, transported, disposed of, used, or otherwise managed. Hazardous material includes, without limitation, synthetic organic chemicals, petroleum products, heavy metals, radioactive or infectious materials, and all substances defined as toxic or hazardous under MGL c. 21E. This term shall not include hazardous waste or oil.

HISTORICAL HIGH GROUNDWATER TABLE ELEVATION: A groundwater elevation determined from monitoring wells and historical water table fluctuation data compiled by the United States Geological Survey.

HAZARDOUS WASTE: A substance or combination of substances, which because of quantity, concentration, or physical, chemical or infectious characteristics may cause, or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible illness or pose a substantial present or potential hazard to human health, safety, or welfare or to the environment when improperly treated, stored, transported, used or disposed of, or otherwise managed. This term shall include all substances identified as hazardous pursuant to the Hazardous Waste Regulations, 310 CMR 30.000.

IMPERVIOUS SURFACE: Material or structure on, above, or below the ground that does not allow precipitation or surface water runoff to penetrate into the soil.

LANDFILL: A facility established in accordance with a valid site assignment for the purposes of disposing solid waste into or on the land, pursuant to the Solid Waste Regulations, 310 CMR 19.006.

MassDEP: Massachusetts Department of Environmental Protection.

MGL: Massachusetts General Law.

PETROLEUM PRODUCT: Includes, but not limited to, fuel oil; gasoline; diesel; kerosene; aviation jet fuel; aviation gasoline; lubricating oils; oily sludge; oil refuse; oil mixed with other wastes; crude oils; or other liquid hydrocarbons regardless of specific gravity. Petroleum product shall not include liquefied petroleum gas including, but not limited to, liquefied natural gas, propane or butane.

NON-SANITARY WASTEWATER: Wastewater discharges from industrial and commercial facilities containing wastes from any activity other than collection of sanitary sewage including, but not limited to, activities specified in 310 CMR 15.004(6).

OPEN DUMP: A facility operated or maintained in violation of the Resource Conservation and Recovery Act 42 U.S.C. 4004(a)(b), or state regulations and criteria for solid waste disposal.

RECHARGE AREAS: Land areas, such as a Zone II, where precipitation and surface water infiltrates into the ground to replenish groundwater and aquifers used for public drinking water supplies.

SEPTAGE: The liquid, solid, and semi-solid contents of privies, chemical toilets, cesspools, holding tanks, or other sewage waste receptacles. This term shall not include any material that is a hazardous waste, as defined by 310 CMR 30.000.

SLUDGE: The solid, semi-solid, and liquid residue that results from a process of wastewater treatment or drinking water treatment including wastewater residuals. This term shall not include grit, screening, or grease and oil which are removed at the head-works of a facility.

TREATMENT WORKS: Any and all devices, processes and properties, real or personal, used in the collection, pumping, transmission, storage, treatment, disposal, recycling, reclamation, or reuse of waterborne pollutants, but not including any works receiving a hazardous waste from off the site of the works for the purpose of treatment, storage, or disposal.

UTILITY WORKS: Regulated activities providing for public services, including roads, water, sewer, electricity, gas, telephone, transportation and their associated maintenance activities. This term shall include the installation of detention and retention basins for the purpose of controlling storm water.

VERY SMALL QUANTITY GENERATOR: Any public or private entity, other than residential, which produces less than 27 gallons (100 kilograms) a month of hazardous waste or waste oil, but not including any acutely hazardous waste as defined in 310 CMR 30.136.

WASTE OIL RETENTION FACILITY: A waste oil collection facility for automobile service stations, retail outlets, and marinas which is sheltered and has adequate protection to contain a spill, seepage, or discharge of petroleum waste products in accordance with MGL c.21. s.52A.

ZONE II: The delineated recharge area to a public drinking water well as approved by MassDEP and defined under the Massachusetts Drinking Water Regulations 310 CMR 22.00.

8.7.4. Establishment and delineation of Groundwater Protection Overlay District. For the purposes of this bylaw, there is hereby established within the Town of Middleton, a certain groundwater protection area consisting of aquifers or recharge areas. This area is delineated on the Middleton Zoning Map and is based on the MassDEP Wellhead Protection Areas (Zone II) layer which is maintained in a MassDEP Enterprise Geodatabase as a polygon feature class

named [ZONE2_POLY] and is hereby made part of the Groundwater Protection District Bylaw and is on file in the office of the Town Clerk.

8.7.5. Permitted uses. This overlay district shall apply to all new construction, reconstruction, or expansion of existing buildings and new or expanded uses. All uses permitted in the underlying zoning district and not specifically prohibited hereby are permitted within the Groundwater Protection District, provided that all necessary permits, orders, or approvals required by local, state, or federal law are also obtained.

8.7.6. Prohibited uses. The following land uses and activities are prohibited unless designed in accordance with the specified performance standards:

1. landfills and open dumps;
2. landfills receiving only wastewater residuals and/or septage, including those approved by MassDEP pursuant to MGL c. 21 s.26 through s.53, MGL c.111 s.17, and MGL c.83 s.6 and s.7;
3. automobile graveyards and junkyards as defined in M.G.L. c. 140B, § 1;
4. stockpiling and disposal of snow or ice removed from highways and streets located outside of Zone II that contains sodium chloride, chemically treated abrasives or other chemicals used for snow and ice removal;
5. petroleum, fuel oil, and heating oil bulk stations and terminals including, but not limited to, those listed under North American Industry Classification System (NAICS) Codes 424710 and 454311, except for liquefied petroleum gas.
6. non-sanitary wastewater discharges from industrial and commercial facilities, except for:
 - a. replacement or repair of an existing system that will not result in a design capacity greater than the existing system;
 - b. treatment works approved by MassDEP designed for the treatment of contaminated ground or surface water and operating in compliance with 314 CMR 5.05(3) or 5.05(13); and
 - c. publicly owned treatment works.
7. facilities that generate, treat, store, or dispose of hazardous waste that are subject to MGL c.21C and 310 CMR 30.000, except for:
 - a. very small quantity generators as defined under 310 CMR 30.000;
 - b. household hazardous waste centers and events under 310 CMR 30.390;
 - c. waste oil retention facilities required by MGL c. 21, s.52A;
 - d. treatment works approved by MassDEP for the treatment of contaminated waters.
8. storage of sludge and septage, unless such storage is in compliance with 310 CMR32.30 and 310 CMR 32.31;
9. storage of sodium chloride, chemically treated abrasives or other chemicals used for the removal of ice and snow on roads, unless such storage is within a structure designed to prevent the generation and escape of contaminated runoff or leachate;
10. storage of commercial fertilizers unless such storage is within a structure designed to prevent the generation and escape of contaminated runoff or leachate;

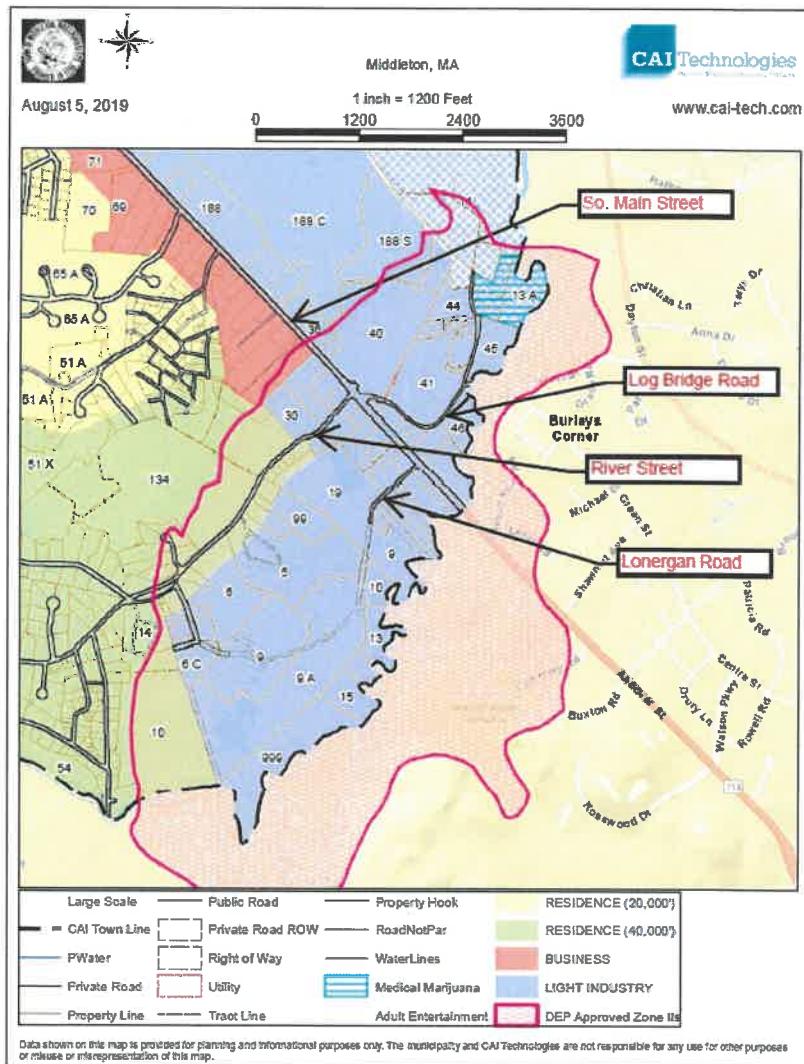
11. storage of animal manure per (310 CMR 22.21(2)(b)(4)), unless such storage is within a structure designed to prevent the generation and escape of contaminated runoff or leachate;
12. storage of liquid hazardous materials and/or liquid petroleum products unless such storage is above ground level and on an impervious surface and either:
 - a. in container(s) or above ground tank(s) within a building; or
 - b. outdoors in covered container(s) or above ground tank(s) in an area that has a containment system designed and operated to hold either; 10% of the total possible storage capacity of all containers or 110% of the largest container's storage capacity, whichever is greater; however, these storage requirements shall not apply to the replacement of existing tanks or systems for the keeping, dispensing or storing of gasoline provided the replacement is performed in a manner consistent with state and local requirements;
13. earth removal, consisting of the removal of soil, loam, sand, gravel, or any other mineral substances within 4 feet of historical high groundwater as determined from monitoring wells and historical water table fluctuation data compiled by the United States Geological Survey, unless the substances removed are redeposited within 45 days of removal on site to achieve a final grading greater than four feet above the historical high water mark and except for excavations for the construction of building foundations, roads, utility works or wetland restoration work conducted in accordance with a valid Order of Condition issued pursuant to MGL c. 131, s.40, and
14. land uses that result in rendering impervious any portion of any lot or parcel located within the GWPOD more than 15% or 2,500 square feet of such area located within such GWPOD, whichever is greater; unless in full compliance with the requirements of the Middleton Stormwater Management Bylaw, Chapter 204 (1) of the Town of Middleton General Bylaws.

8.7.7. Nonconforming uses and structures. The Groundwater Protection Overlay District Bylaw shall not apply to structures or uses lawfully in existence or lawfully begun. Such prior, lawfully existing nonconforming uses and structures may continue, provided that no modification of the use or structure shall be permitted unless authorized in accordance with Section 3.3 "Nonconforming Uses & Structures" of the Bylaw.

8.7.8. Enforcement. Written notice of any violations of this bylaw shall be given by the Building Commissioner to the responsible person as soon as possible after detection of a violation or a continuing violation. Notice to the assessed owner of the property shall be deemed notice to the responsible person. Such notice shall specify the requirement or restriction violated and the nature of the violation, and may also identify the actions necessary to remove or remedy the violations and preventive measures required for avoiding future violations and a schedule of compliance. A copy of such notice shall be submitted to the Board of Appeals, Conservation Commission, Department of Public Works, Fire Department, and Board of Health. The cost of containment, clean-up, or other action of compliance shall be borne by the owner/operator of the premises.

8.7.9. Severability. If any provision of this bylaw is held invalid by a court of competent jurisdiction, the remainder of the bylaw shall not be affected thereby. The invalidity of any section or sections or parts of any section or sections of this bylaw shall not affect the validity of the remainder of this bylaw.

3) Add a new Groundwater Protection Overlay District to the Middleton Zoning Bylaw Map:



Or take any other action relative thereto.

Purpose: Massachusetts Drinking Water Regulations, 310 CMR 22.00, require public water systems (PWS) to protect Zone II recharge areas with municipal controls (bylaws and/or health regulations). Local controls must meet MassDEP Wellhead Protection Regulations 310 CMR 22.21(2), which forbid certain land uses from being sited within the Zone II public water supply well area. The above proposed overlay district bylaw is based on the MassDEP Model Groundwater Protection Overlay District Bylaw. If the Town does not adopt a bylaw that protects

the Zone II Well area according to 310 CMR 22, it would make the town non-compliant, which could jeopardize the town's Water Management Act permit renewal for withdrawal from the Ipswich River Basin. Part of the Zone II Wellhead area falls within the Town of Danvers. Danvers adopted a Groundwater Protection Overlay District to protect this area in 2001.

Planning Board Recommendation: The Planning Board voted unanimously to recommend in favor of the article.

Master Plan Committee Recommendation: The Master Plan Committee voted 6-0 to recommend in favor of the article.

Under a motion made by Brian Carroll and duly seconded by Tim Houten, the following was voted that the Town amend the Middleton Zoning Bylaw and Map by amending Section 2.2 "Overlay Districts" by adding the following new Section 8.7 "Groundwater Protection Overlay District" and that non-substantive changes to the numbering of this bylaw be permitted in order that it be in compliance with the numbering format of the Code of Middleton, as shown on pages 29-40 of the Town Meeting warrant.

The motion passed by a strong 2/3 Majority vote.

ARTICLE 30. On petition of ten or more residents, to see if the Town will vote to amend Chapter 230, Water, Article I Irrigation/Outside Watering, sections 230-1 Purpose; applicability and 230-3 Restrictions and Article II Water Use Restriction, sections 230-5 Intent; applicability and 230-8 Definitions by inserting the text shown in **bold underline**; or take any other action relative thereto:

§ 230-1 Purpose; applicability.

The undersigned propose the following bylaw in an effort to promote water conservation, reduce seasonal water usage and attain the bench mark water consumption standard of 65 gallons of water per capita as required under the Modified Water Withdrawal Permit Number 9P-3-17-071.01, et al., pursuant to the Water Management Act under MGL c. 21G and governed by the Massachusetts Department of Environmental Protection. All users that are customers of the public water supply or on private wells shall be subject to this bylaw to preserve and maintain the Ipswich Watershed Basin. All lands within the Middleton municipal boundaries drain to the Ipswich Watershed Basin and are thus part of said basin.

§ 230-3 Restrictions.

- A. It is unlawful to undertake outside watering of vegetation between the hours of 8:00 a.m. and 7:00 p.m. using Town water or a private well through a sprinkler or lawn irrigation system.

§ 230-5 Intent; applicability.

The undersigned propose the following bylaw to create a balance between the needs of the environment, the citizens of Middleton and the drinking water supply. The Town is aware of the concerns about lower groundwater levels in the Ipswich River Watershed Basin and the potential demand on its water resources during the dry summer months. The Town also recognizes the therapeutic, esthetic, and environmental benefits that gardening, landscaping and greenery bring to the community. It is the intent of this bylaw to permit residents to maintain their properties, while not overburdening Town water supplies or the water distribution system, and to make a positive contribution to the environment. All Middleton residents that are either customers of the public water supply or private well users shall be subject to this bylaw in order to preserve and maintain the Ipswich Watershed Basin.

§ 230-8 Definitions.

WATER USERS or WATER CONSUMERS

Shall mean all public users of the Town's public water system or private well users and Ipswich River Watershed, irrespective of any person's responsibility for billing purposes for water used at any particular facility.

Or take any other action relative thereto.

Planning Board Recommendation: The Planning Board unanimously made a negative recommendation on the floor of Town Meeting.

A motion to amend Article 30 was made by Kenneth Lisiak and duly seconded by William Renault that Article 30, Section A of the Town Warrant is strike in its entirety. Section A of Article 30 is replaced as follows:

“Middleton Residents using Town Water are required to obey the seasonal restrictions on use of Town Water, as required under contractual obligations of that water source, which is posted by the Town.

Users of water from Private Wells are required to take measures to limit their use of well water, consistent with their needs and according to their own best judgement.

Notwithstanding the interpretation of the other clauses of Chapter 230, Private Well users are not to be subject to any fines, sanctions, harassment, or limitations by third parties for their use of water from a Private Well. The Town shall make available guidelines for how a user of a private well can achieve these goals.”

The motion to amend Article 30 **failed** by a strong majority.

Under the initial motion made by the Petitioner of this Citizens' Petition, Sandy Rubchinuk and duly seconded by Elizabeth Cameron, the following was voted that the Town amend Chapter 230, Water, Article I Irrigation/ Outside Watering, sections 230-1 Purpose; applicability and 230-3 Restrictions and Article II Water Use Restriction, sections 230-5 Intent; applicability and 230-8 Definitions as shown on pages 40-41 of the Town Meeting warrant.

The motion **failed** by a Majority vote.

ARTICLE 31. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to accept the provisions of Massachusetts General Laws Chapter 40, Section 5B establishing a Sidewalk & Pedestrian Improvements Stabilization Fund; or taken any action relative thereto.

Purpose: The Sidewalk & Pedestrian Improvements Stabilization Fund will be a reserve fund to hold funds contributed by developers to be used for the construction of sidewalks and pedestrian improvements. The Sidewalk & Pedestrian Improvements Stabilization Fund will be separate and distinct from other stabilization funds.

Planning Board Recommendation: The Planning Board voted 3-2 to recommend in favor of the article.

Under a motion made by Michelle Cresta and duly seconded, the following was voted that the Town adopt Massachusetts General Law chapter 40, section 5B establishing a Sidewalks & Pedestrian Improvements Stabilization Fund.

The motion passed by a strong Majority.

ARTICLE 32. On petition of the Board of Selectmen and Finance Committee, to see if the Town will vote to accept the fourth paragraph of Massachusetts General Laws Chapter 40, Section 5B, which allows the dedication, without further appropriation, of all or a percentage not less than 25 percent, of particular fees, charges, or receipts to the Sidewalk & Pedestrian Improvements Stabilization Fund established under Massachusetts General Laws Chapter 40, Section 5B, to be effective for the fiscal year beginning on July 1, 2021; or taken any action relative thereto.

Purpose: This article provides that receipts contributed by developers to be used for the construction of sidewalks and pedestrian improvements be directly transferred into the Sidewalk & Pedestrian Improvements Stabilization Fund discussed under the previous warrant article.

Planning Board Recommendation: The Planning Board voted 3-2 to recommend in favor of the article.

Under a motion made by John Erickson and duly seconded, the following was voted that the Town accept the fourth paragraph of Massachusetts General Law chapter 40, section 5B, and that it dedicate 100% of all fees, charges, or receipts from deposits and contributions made by developers for pedestrian improvements to the Sidewalks & Pedestrian Improvements Stabilization Fund established under Massachusetts General Law chapter 40, section 5B, effective for the fiscal year beginning July 1, 2021.

The motion passed unanimously.

ARTICLE 33. On petition of the Middleton School Committee and Superintendent, to see if the Town will vote pursuant to General Law chapter 30B, section 12 to authorize the Superintendent of Schools to solicit and award contracts for transportation and contracts for food service management for terms exceeding three years, but not longer than five years, including any renewal, extension, or option, provided in each instance the longer term is found by vote of the School Committee to be in the best interest of the Town; or take any action relative thereto.

Purpose: This article authorizes the Middleton School Committee to enter into five year contracts for student transportation and food service management. Under Massachusetts General Law chapter 30B, contracts in excess of three years require the approval of Town Meeting.

The Select Board recommended this Article and under a motion made by Brian Cresta, duly seconded by Tim Houten it was voted that the Town, pursuant to General Law chapter 30B, section 12, authorize the School Committee to solicit and award contracts for transportation and contracts for food service management for terms exceeding three years, but not longer than five years, including any renewal, extension, or option, provided in each instance the longer term is found by vote of the School Committee to be in the best interest of the Town.

The motion passed by a strong Majority.

ARTICLE 34. On petition of Frank W. Twiss and ten registered voters to see if the Town will accept the provisions of Massachusetts General Laws, Chapter 41, Section 100B.

Under a motion made by the Petitioner of this Citizens' Petition, Frank Twiss and duly seconded by Frank Leary, it was voted that the Town take no action.

The motion passed unanimously.

ARTICLE 35. On petition of the Middleton Board of Assessors and the Council on Aging Director to see if the Town will vote to adopt Clause 17F of Chapter 59, Section 5 of the Massachusetts General Laws and to increase the amount of the exemption set forth in Clause 17D annually by the cost of living factor as determined by the Consumer Price Index, said acceptance to take effect in Fiscal Year 2022; or take any action relative thereto.

Purpose: The proposed increased exemption will have a minimal impact on the town levy as demonstrated by the charts below. Over the past 20 years, the Board of Assessors has granted an average of two Clause 17D statutory exemptions per year.

The following chart shows how the exemption amounts would have increased annually had Clause 17F been adopted previously:

Year	Exemption Amount (rounded)	Cost of Living Increase Factor	New Exemption Amount (rounded)
FY 2018	175	0.0148	\$178
FY 2019	178	0.025	\$182
FY 2020	182	0.033	\$188
FY 2021	188	0.023	\$192

The following chart shows the actual amounts exempted for the past three fiscal years and the current fiscal year to date, as well as what the total amounts exempted would have been with the COLA increase had Clause 17F been adopted previously:

Year	# of Exemptions	Total Actual Exempted	Cost of Living Increase (COLA)	Exemption Amount with COLA (rounded)
FY 2018	2	\$350	1.48%	\$356
FY 2019	3	\$525	2.5%	\$546
FY 2020	2	\$350	3.3%	\$376
FY 2021	2*	\$350	2.3%	\$384

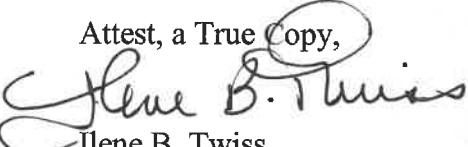
*applications received and granted as of February 18, 2021

There is no increase in state re-imbursement available for the potential exemption increase.

Under a motion made by Jeff Garber and duly seconded by Tim Houten, the following was voted that the Town adopt Clause 17F of Chapter 59, Section 5 of the Massachusetts General Laws and to increase the amount of the exemption set forth in Clause 17D annually by the cost of living factor as determined by the Consumer Price Index, said acceptance to take effect in Fiscal Year 2022.

The motion passed by a strong Majority vote.

At 12:46 PM there was a motion and a second from the floor to dissolve the June 5, 2021 Annual Town Meeting, and the vote to do so was unanimous.

Attest, a True Copy,

Ilene B. Twiss
Town Clerk

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants



TOWN OF MIDDLETON, MASSACHUSETTS

Management Letter

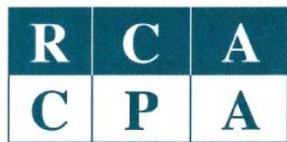
Year Ended June 30, 2021

TOWN OF MIDDLETON, MASSACHUSETTS

**MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2021**

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CERTIFIED PUBLIC ACCOUNTANTS

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Woburn, MA 01801

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TRANSMITTAL LETTER

Honorable Select Board
Town of Middleton
Middleton, Massachusetts

In planning and performing our audit of the financial statements of the governmental 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, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Select Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Roselli, Clark & Associates
Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
February 14, 2022

EVALUATION OF TOWN OPERATIONS

The Town continued to respond well to the financial challenges presented by the COVID-19 pandemic that began during fiscal year 2020. Despite lockdowns, social distancing measures, mask mandates and the State not passing its budget until well into fiscal 2021, the Town was able to complete a positive year of operations and increase or maintain reserves at all levels.

The following are some key financial highlights:

1. Unassigned fund balance increased to \$7.6 million.
2. The OPEB fund increased to almost \$1.9 million.
3. OPEB investments returned 29.33%
4. Pension funded ratio increase from 55.5% to 59.8%.
5. General stabilization funds increased to over \$3.2 million.
6. ARPA grant – over \$3.0 million – must be obligated by 2024 and spent by 2026.
7. The 2022 tax rate was set with over \$0.7 million in levy capacity.

This along with continued strong financial management has enabled the Town to maintain a high bond rating of AA+ which it initially received in fiscal 2020. This is one notch below the highest bond rating a community can receive and enables the Town to reduce its financing costs on future borrowings.

The remainder of this letter addresses items of interest that we are communicating to the Town in the form of “Informational Items”; (these are not considered findings) and a section labeled “Findings and Recommendations”, which are our observations in areas that the Town is encouraged to devote attention to. Improvements in these areas are recommended in an effort to improve internal control and efficiency.

INFORMATIONAL ITEMS

American Rescue Plan Act

Recently, the Town was awarded a significant grant under the American Rescue Plan Act, (ARPA). Because the Town's award is well under the \$10 million annual exemption limit for flexible spending the guidelines supporting this grant allow the Town to spend the funds on essentially any government service.

We are observing few communities using a portion of these funds to balance their budgets as opposed to one-time items such as emergency snow overruns and capital expenditures. Very similar to prudent uses of free cash, we are suggesting that communities use caution when evaluating the use of these funds. Avoiding structural budget deficits by not using non-recurring revenue in its budget process should be strongly considered.

Investment Income

Although interest rates on bank balances are near all-time lows, recent action and near-term future intentions by the Federal Monetary Oversight Committee to raise the rate on borrowing significantly over the next several months also signals that a similar impact on interest income yields is coming. It is important that the Town begin to aggressively monitor market activity relative to investment income and begin to manage yields efficiently once any positive trends are observed.

New GASB pronouncements

The GASB has approved a new pronouncement that will go into effect in fiscal year 2022.

GASB 87 which requires the Town to revise the manner in which it accounts for its operating leases goes into effect in fiscal year 2022. Previously, governmental entities reported their leases similarly to how private entities reported leases under ASC 840.

While finance leases would be capitalized on the balance sheet, operating leases would be reported in the footnotes. However, GASB 87 requires that all operating leases now be accounted for as finance leases.

As a result, leases previously classified as operating leases will not only be capitalized on the statement of net position but also be reported differently in the statement of activities.

Network Security

A few years ago, the Town had an independent security assessment of its electronic operating and network system. This helped the Town strengthen its network security by remedying the vulnerabilities that existed at that time. This discussion serves as a reminder to remain vigilant in the fight against cybercrime. Municipal entities have and continue to be targets for cyber fraud, phishing schemes, ransomware, etc.

This has become very important as the recent pandemic has opened up opportunities to work remotely, and while this is efficient, the equipment used to facilitate these processes could also become targets if not protected adequately.

While the Town has a very strong and robust security system in place, and as discussed has had a security assessment completed, we recommend that the Town continue to monitor the changing cybersecurity landscape and maintain its security systems and employee training accordingly.

Fraud Prevention

With the appointment of a new Treasurer/Collector, its important to once again remind the Town that fraud prevention is an area that should be under ongoing evaluation. Evaluating cash processes of cash handling areas annually through effective risk assessment and proper safeguards is an effective control to protect the Town from threats associated with fraud. We discuss this with management annually and in prior audits have included the evaluation of various cash handling areas as part of our procedures.

Management conducts many of its own internal processes to prevent and detect fraud. Periodically reevaluating departmental cash handling procedures to make sure they are adequate and effective is an ongoing recommendation.

It is important that the new Treasurer/Collector continue to complete these cash handling evaluations with the assistance of the Chief Financial Officer.

OBSERVATIONS

Single Audit

For the first time in many years, the Town was required to have a single audit. This was the result of Federal expenditures exceeding \$750,000 during the fiscal year. This was caused due to the Town being the recipient of a CARES award which when added to the Town's other Federal expenditures pushed them over the limit requirement.

Single audit requirements have changed significantly in the past several years and since the Town has not had a single audit in many years, it was an expectation that the Town would not be fully prepared.

One of the standard requirements for internal control over Federal awards was to maintain and document formal written policies regarding cash management, determination of allowable costs, employee travel, procurement and subrecipient monitoring. The Town did not have such documentation in place during the year and this resulted in a single audit finding.

Because the Town has been awarded over \$3 million in ARPA funds, single audits will be more commonplace in the next few years so it is important to resolve this finding as quickly as possible.

We understand that since this finding was communicated, the Select Board has adopted a policy to meet these requirements.

Municipal Light Department Checking Account (repeated from prior year)

The Municipal Light Department manages two accounts whose activity does not go through the Town's regular operating system. In recent years the Town Treasurer has been added as a signer and statements are sent to the Town Treasurer's Office to monitor. While this has increased control over the accounts it is still not in accordance with proper regulations for banking activity.

Stagnant Accounts

It is inherent in the municipal industry that often, funds are received, and these proceeds exceed the purpose for which they were received. In addition, gifts, donations, mitigation and other special revenue funds are received and sometimes over several years are overlooked and not spent against. This results in stagnant accounts.

Several years ago, the Town Accounting Office did a complete overhaul of all stagnant accounts that existed at that time. As a result, the process ended with the ability to provide department heads with funds they did not know they had in addition to closing a number of accounts back to the general fund, thus, there was an overall great outcome. We observed that the number of accounts that appear stagnant is starting to add up again and now may be a great time to revisit this process.

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**R|C|A
C|P|A**

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:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Assets						
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
Total assets	77,452,364	75,335,205	31,428,318	29,998,642	108,880,682	105,333,847
Deferred outflows of resources	4,140,212	3,559,901	846,426	830,280	4,986,638	4,390,181
Liabilities						
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
Total liabilities	57,408,835	55,460,323	5,480,152	6,272,779	62,888,987	61,733,102
Deferred inflows of resources	4,143,646	3,993,040	413,813	72,280	4,557,459	4,065,320
Net Position						
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)
Total Net Position	\$ 20,040,095	\$ 19,441,743	\$ 26,380,779	\$ 24,483,863	\$ 46,420,874	\$ 43,925,606

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:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues						
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
Total Revenues	46,330,326	43,255,133	14,484,174	14,949,286	60,814,500	58,204,419
Expenses						
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
Total Expenses	45,961,974	44,280,826	12,357,258	12,484,064	58,319,232	56,764,890
Change in net position before transfers	368,352	(1,025,693)	2,126,916	2,465,222	2,495,268	1,439,529
Transfers	230,000	176,100	(230,000)	(176,100)	-	-
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	\$ 20,040,095	\$ 19,441,743	\$ 26,380,779	\$ 24,483,863	\$ 46,420,874	\$ 43,925,606

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 in 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
Assets			
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	<u>45,798,627</u>	<u>10,378,542</u>	<u>56,177,169</u>
Total Assets	<u>77,452,364</u>	<u>31,428,318</u>	<u>108,880,682</u>
Deferred Outflows of Resources			
Related to Pensions	1,727,727	490,870	2,218,597
Related to OPEB	<u>2,412,485</u>	<u>355,556</u>	<u>2,768,041</u>
Total Deferred Outflows of Resources	<u>4,140,212</u>	<u>846,426</u>	<u>4,986,638</u>
Liabilities			
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	<u>48,893,767</u>	<u>4,314,995</u>	<u>53,208,762</u>
Total Liabilities	<u>57,408,835</u>	<u>5,480,152</u>	<u>62,888,987</u>
Deferred Inflows of Resources			
Related to Pensions	1,564,116	280,221	1,844,337
Related to OPEB	<u>2,579,530</u>	<u>133,592</u>	<u>2,713,122</u>
Total Deferred Inflows of Resources	<u>4,143,646</u>	<u>413,813</u>	<u>4,557,459</u>
Net Position			
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	<u>(27,599,222)</u>	<u>13,782,368</u>	<u>(13,816,854)</u>
Total Net Position	<u>\$ 20,040,095</u>	<u>\$ 26,380,779</u>	<u>\$ 46,420,874</u>

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	<u>45,961,974</u>	<u>3,922,404</u>	<u>6,519,884</u>	<u>1,018,357</u>	<u>(34,501,329)</u>		<u>(34,501,329)</u>	
Business-type activities:								
Electric Light	12,357,258	13,530,640	131,992	-	\$ 1,305,374		1,305,374	
Total business-type activities	<u>12,357,258</u>	<u>13,530,640</u>	<u>131,992</u>	<u>-</u>	<u>1,305,374</u>		<u>1,305,374</u>	
Total Primary Government	<u>\$ 58,319,232</u>	<u>\$ 17,453,044</u>	<u>\$ 6,651,876</u>	<u>\$ 1,018,357</u>	<u>(34,501,329)</u>	<u>1,305,374</u>	<u>(33,195,955)</u>	
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				<u>35,099,681</u>	<u>591,542</u>		<u>35,691,223</u>	
Change in Net Position				598,352	1,896,916		2,495,268	
Net Position:								
Beginning of year, as restated				<u>19,441,743</u>	<u>24,483,863</u>		<u>43,925,606</u>	
End of year				<u>\$ 20,040,095</u>	<u>\$ 26,380,779</u>		<u>\$ 46,420,874</u>	

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
Assets				
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
Total Assets	<u>13,529,374</u>	<u>213,194</u>	<u>6,548,678</u>	<u>20,291,246</u>
Deferred Outflows of Resources				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 13,529,374</u>	<u>\$ 213,194</u>	<u>\$ 6,548,678</u>	<u>\$ 20,291,246</u>
Liabilities				
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	-	<u>3,745,000</u>	-	<u>3,745,000</u>
Total Liabilities	<u>2,714,433</u>	<u>3,745,000</u>	<u>534,746</u>	<u>6,994,179</u>
Deferred Inflows of Resources				
Unavailable revenues - property taxes	694,148	-	4,280	698,428
Unavailable revenues - other	<u>673,848</u>	<u>-</u>	<u>430,629</u>	<u>1,104,477</u>
Total Deferred Inflows of Resources	<u>1,367,996</u>	<u>-</u>	<u>434,909</u>	<u>1,802,905</u>
Fund Balances				
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	<u>7,564,335</u>	<u>(3,657,393)</u>	<u>(198,536)</u>	<u>3,708,406</u>
Total Fund Balances	<u>9,446,945</u>	<u>(3,531,806)</u>	<u>5,579,023</u>	<u>11,494,162</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,529,374</u>	<u>\$ 213,194</u>	<u>\$ 6,548,678</u>	<u>\$ 20,291,246</u>

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**

Total Governmental Fund Balances	\$ 11,494,162
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>
Net Position of Governmental Activities	<u>\$ 20,040,095</u>

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	<u>(2,427,254)</u>
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	<u>786,063</u>
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	<u>(1,021,740)</u>
Net effect of reporting long-term liabilities	<u>(1,290,163)</u>

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)
Assets	
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	<u>1,881</u>
	<u>18,744,570</u>
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>
	<u>12,683,748</u>
Total noncurrent assets	<u>12,683,748</u>
Total Assets	<u>31,428,318</u>
Deferred Outflows of Resources	
Related to Pensions	490,870
Related to OPEB	<u>355,556</u>
	<u>846,426</u>
Total Deferred Outflows of Resources	<u>846,426</u>
Liabilities	
Current liabilities:	
Warrants and accounts payable	622,336
Customer deposits	220,469
Other liabilities	<u>322,352</u>
	<u>1,165,157</u>
Total current liabilities	<u>1,165,157</u>
Noncurrent liabilities:	
Compensated absences	86,884
Net pension liability	<u>4,228,111</u>
	<u>4,314,995</u>
Total noncurrent liabilities	<u>4,314,995</u>
Total Liabilities	<u>5,480,152</u>
Deferred Inflows of Resources	
Related to Pensions	280,221
Related to OPEB	<u>133,592</u>
	<u>413,813</u>
Total Deferred Inflows of Resources	<u>413,813</u>
Net Position	
Net investment in capital assets	12,598,411
Restricted	-
Unrestricted	<u>13,782,368</u>
Total Net Position	<u>\$ 26,380,779</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 <u>Electric Light Enterprise (December 31, 2020)</u>
Operating Revenues:	
Charges for services	\$ 13,530,640
Other operating revenues	<u>131,992</u>
	<u>13,662,632</u>
Operating Expenses:	
Purchased power and production	8,139,863
Other operating expenses	3,529,865
Depreciation and bad debts	<u>687,530</u>
	<u>12,357,258</u>
Operating Income (Loss)	<u>1,305,374</u>
Nonoperating Revenues (Expenses):	
Investment income (loss)	<u>821,542</u>
	<u>821,542</u>
Total Nonoperating Revenues (Expenses)	<u>821,542</u>
Income (Loss) Before Transfers	2,126,916
Transfers out	<u>(230,000)</u>
Change in Net Position	1,896,916
Total Net Position - Beginning of the Year	<u>24,483,863</u>
Total Net Position - End of the Year	\$ 26,380,779

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
	<u>Electric Light Enterprise (December 31, 2020)</u>
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	<u>(230,000)</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	<u>(777,599)</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	<u>(1,425,635)</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>\$ 4,101,252</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	<u>235,228</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>\$ 1,160,937</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
Assets				
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	<u>1,864,063</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1,864,063</u>	<u>983,593</u>	<u>723,945</u>	
Liabilities				
Other liabilities	- -	- -	- -	- -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Restricted for other postemployment benefits	1,864,063	983,593	- -	- -
Held in trust for private purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>735,745</u>
Total Net Position	<u>\$ 1,864,063</u>	<u>\$ 983,593</u>	<u>\$ 735,745</u>	

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

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

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

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

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	<u>7,564,335</u>	<u>(3,657,393)</u>	<u>(198,536)</u>	<u>3,708,406</u>
	<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 categories 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	Fair Value Measurements Using		
		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	<u>8,732,763</u>			

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	\$ 1,657,306	\$ (165,156)	\$ 1,492,150

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	\$ 1,367,996	\$ 434,909	\$ 1,802,905

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
<i><u>Governmental Activities:</u></i>				
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	<u>10,808,545</u>	<u>572,246</u>	<u>(18,300)</u>	<u>11,362,491</u>
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	<u>86,265,677</u>	<u>1,531,443</u>	<u>(278,618)</u>	<u>87,518,502</u>
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	<u>(39,571,239)</u>	<u>(2,427,254)</u>	<u>278,618</u>	<u>(41,719,875)</u>
Total capital assets being depreciated, net	<u>46,694,438</u>	<u>(895,811)</u>	<u>-</u>	<u>45,798,627</u>
Total governmental activities capital assets, net	<u>\$ 57,502,983</u>	<u>\$ (323,565)</u>	<u>\$ (18,300)</u>	<u>\$ 57,161,118</u>
<i><u>Business-Type Activities:</u></i>				
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	<u>23,169,488</u>	<u>778,474</u>	<u>(98,875)</u>	<u>23,849,087</u>
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	<u>(12,881,015)</u>	<u>(687,530)</u>	<u>98,000</u>	<u>(13,470,545)</u>
Total capital assets being depreciated, net	<u>10,288,473</u>	<u>90,944</u>	<u>(875)</u>	<u>10,378,542</u>
Total business-type activities capital assets, net	<u>\$ 12,508,342</u>	<u>\$ 90,944</u>	<u>\$ (875)</u>	<u>\$ 12,598,411</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
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	<u>198,087</u>		
	<u>\$ 2,427,254</u>		

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

	<u>Transfers In</u>
Transfers Out	<u>General</u> <u>Fund</u>
Capital Projects Fund	\$ 47,627 (1)
Nonmajor Governmental Funds	927,968 (2)
Electric Light Enterprise Fund	<u>230,000 (2)</u>
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	-
Total Governmental Activities	\$ 49,023,457	\$ 11,124,973	\$ (9,900,561)	\$ 50,247,869	\$ 1,354,102
<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	-
Total Business-Type Activities	\$ 4,300,898	\$ 14,097	\$ -	\$ 4,314,995	\$ -

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	-
Total	\$ 356,655

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
 Total minimum lease payments		243,642
Less: amounts representing interest		(8,808)
Present value of minimum lease payments		\$ 234,834

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
Total Governmental Activities		12,903,835	1,500,000	(2,426,063)	11,977,772
Add: Unamortized bond premium		247,571	232,269	(36,496)	443,344
Total Governmental Activities, net		\$ 13,151,406	\$ 1,732,269	\$ (2,462,559)	\$ 12,421,116

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	<u>1,825,000</u>	<u>55,125</u>	<u>-</u>	<u>-</u>
Total	\$ 11,945,000	\$ 2,192,393	\$ 32,772	\$ 1,174

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

Project	Amount
<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><u>\$ 66,439,969</u></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><u>5,076</u></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
	<hr/>	<hr/>
	\$ 1,727,727	\$ 1,564,116

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

Year Ended June 30,	Amount
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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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:

Year Ended December 31,	Amount
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 Mortaility Table projected generationally with Scale MP 2019
Disabled Mortality	RP-2014 Healthy Annuitant Mortaility 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>	<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:

	Discount Rate			
	Current 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	84
Total	<u>309</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>\$ 20,079,348</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
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	<u>205,268</u>
	<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 issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting

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

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

In June 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)

	2021	2020	2019	2018	2017	2016	Year Ended June 30,
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)

	2021	2020	2019	2018	2017	2016	Year Ended June 30,
Actuarially determined contribution	\$ 2,032	\$ 1,820	\$ 1,743	\$ 1,628	\$ 1,467	\$ 1,258	
Contributions in relation to the actuarially determined contribution	2,034	1,822	1,745	1,630	1,468	1,258	
Contribution deficiency (excess)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (1)	\$ -	
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

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

	2020	2019	2018	2017	2016	2015
	Year Ended June 30,					
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	<u>(632,585)</u>	<u>(534,676)</u>	<u>(684,902)</u>	<u>(615,578)</u>	<u>(610,717)</u>
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 Budgetary Amounts	Encumbrances and continuing appropriations	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget			
REVENUES					
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
EXPENDITURES					
General government	2,742,971	2,765,186	2,047,212	353,368	2,400,580
Public safety	4,691,087	4,856,908	4,713,630	85,626	4,799,256
Education	24,822,471	24,822,471	23,893,515	766,256	24,659,771
Public works	1,982,355	1,982,355	1,773,018	76,639	1,849,657
Health and human services	557,592	560,321	452,385	7,907	460,292
Culture and recreation	664,519	665,060	599,158	10,362	609,520
Pension and employee benefits	2,783,684	2,630,981	2,537,359	2,441	2,539,800
State and county tax assessments	317,264	317,264	343,596	-	343,596
Debt service	1,398,618	1,403,116	1,348,778	-	1,348,778
Total Expenditures	39,960,561	40,003,662	37,708,651	1,302,599	39,011,250
OTHER FINANCING SOURCES (USES)					
Transfers in	1,157,981	1,157,981	1,205,595	-	1,205,595
Total Other Financing Sources (Uses)	1,157,981	1,157,981	1,205,595	\$ -	\$ 1,205,595
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE					
	(1,856,131)	(1,899,232)	\$ 1,623,306		\$2,219,939
Other Budgetary Items:					
Undesignated surplus (free cash)	637,267	680,368			
Overlay surplus	170,000	170,000			
Prior year encumbrances	1,048,864	1,048,864			
Net Budget	\$ -	\$ -			

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.

BF

Bill Fraher, CPA

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Financial Statements
and Required Supplementary Information

For the Year Ended December 31, 2020

(With Independent Auditor's Report Thereon)

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT
Financial Statements and Required Supplementary Information

Years Ended December 31, 2020
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Independent Auditor's Report

The Board of Light Commissioners
Town of Middleton, Massachusetts

Report on the Financial Statements

I have audited the accompanying financial statements of the Middleton Electric Light Department an enterprise fund of the Town of Middleton, Massachusetts, as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of a 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 Department'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 Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middleton Electric Light Department of the Town of Middleton, Massachusetts,

as of December 31, 2020, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

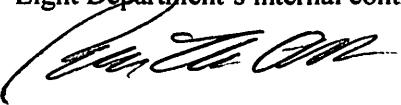
As discussed in Note 1, the financial statements present only the Middleton Municipal Light Plant and do not purport to, and do not, present fairly the financial position of the Town of Middleton, Massachusetts as of December 31, 2020, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 7 and the pension and OPEB schedules on pages 27 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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. I 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 regarding 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 obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2021 on my consideration of the Middleton Electric Light Department's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Middleton Electric Light Department's internal control over financial reporting and compliance.



Bill Fraher, CPA
June 22, 2021



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

The Board of Light Commissioners
Town of Middleton, Massachusetts

I have audited, 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, the financial statements of the Middleton Electric Light Department (the Department), an enterprise fund of the Town of Middleton, Massachusetts, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued my report thereon dated June 22, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Middleton Electric Light Department's internal control. Accordingly, I do not express an opinion on the effectiveness of the Middleton Electric Light Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Middleton Electric Light Department's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards.

I noted certain matters that I reported to management and Board of the Middleton Electric Light Department in a separate letter dated June 22, 2021.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Bill Fraher, CPA
June 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the financial statements, the management of the Middleton Electric Light Department (the Department) provides a narrative discussion of the amounts that appear in the Department's Statement of Net Position, Statement of Revenues, Expense and Changes in Net Position and Statement of Cash Flows. This discussion is provided to present an overview of the Department's year end financial position for December 31, 2020 and the results of operations for the year then ended.

Overview of the Financial Statements

The Department's basic financial statements include two fund types, a proprietary fund type for all Department activity except for the Other Post-Employment Benefits (OPEB) trust fund, which is considered a fiduciary fund type. For both fund types, the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The proprietary fund includes a Statement of Net Position, Statement of Revenues, Expense and Changes in Net Position and Statement of Cash Flows. The fiduciary fund type presents a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Notes follow these financial statements to present additional information on some of the amounts in the financial statements. Financial highlights from these statements are presented below.

- The Statement of Net Position is designated to indicate our financial position as of a specific point in time. At December 31, 2020, our net position is \$26,380,779, which is an increase of \$1,896,916 (7.7%) from the prior year amount of \$24,483,863. Of the total net position at December 31, 2020, \$12.6 million is the net investment in capital assets (\$12.5 million last year) and \$13.78 million is unrestricted (\$11.98 million last year).
- The Statement of Revenues, Expenses and Changes in Net Position shows our operating results and reveals how much, if any, profit was made for the year. This statement shows a total increase in net position (net income) of \$1,896,916 for the year ended December 31, 2020, compared with net income of \$2,289,122 for the year ended December 31, 2019. This slightly lower amount of income compared to last year was mostly due to a decrease in investment income due to market factors.
- The Statement of Cash Flows provides information about the cash receipts and cash payments during the year. A review of our Statement of Cash Flows indicates that cash receipts from operating activities adequately cover our operating expenses.
- The total OPEB liability at December 31, 2020 is \$1,581,102 and the net OPEB asset is \$85,337. At December 31, 2020, the Department has fully funded this liability. The OPEB trust balance at December 31, 2020 is \$1,666,439.
- The total Net Pension Liability (NPL) in the financial statements is \$4,228,111. The NPL is being amortized through increased assessments from the Essex Regional Retirement System with a target date of 2035 for full liability amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary financial information is presented below.

Summary of Net Position

	<u>2019</u>	<u>2020</u>
Current Assets	\$17,490,300	\$18,744,570
Noncurrent Assets	<u>12,508,342</u>	<u>12,683,748</u>
Total Assets	<u>29,998,642</u>	<u>31,428,318</u>
Deferred Outflows	<u>830,280</u>	<u>846,426</u>
Current Liabilities	1,490,502	1,165,157
Noncurrent Liabilities	<u>4,782,277</u>	<u>4,314,995</u>
Total Liabilities	<u>6,272,779</u>	<u>5,480,152</u>
Deferred Inflows	<u>72,280</u>	<u>413,813</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	12,508,342	12,598,411
Unrestricted	<u>11,975,521</u>	<u>13,782,368</u>
Total Net Position	<u>\$24,483,863</u>	<u>\$26,380,779</u>

Larger changes are: 1) an increase in cash and investments due to net income; 2) a decrease in accounts payable due to year end timing; 3) a decrease in the net OPEB liability (now a net OPEB asset) due to current year contributions and 4) increase in net position due to current year results.

Summary of Changes in Net Position

	<u>2019</u>	<u>2020</u>
Operating Revenues	\$13,772,857	\$13,662,632
Operating Expenses	<u>12,484,064</u>	<u>12,357,258</u>
Operating Income	1,288,793	1,305,374
Nonoperating Revenues (Expenses)	<u>1,000,329</u>	<u>591,542</u>
Changes in Net Position	2,289,122	1,896,916
Beginning Net Position	<u>22,194,741</u>	<u>24,483,863</u>
Ending Net Position	<u>\$24,483,863</u>	<u>\$26,380,779</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

Operating revenues decreased, totaling \$13,772,857 for 2019 and \$13,662,632 for 2020, a decrease of 0.8%. Actual customer kilowatt hour sales to customers increased approximately 1.4% and overall revenue from customer charges increased 0.2%. The difference between the change in customer sales and the change in customer revenues is the year end unbilled revenue adjustment which decreased due to timing and year end weather changes. There were no rate changes in 2020. Other operating revenues decreased due to more outside project work performed by Department in 2019 than in 2020.

Operating expenses decreased from \$12,484,064 in 2019 to \$12,357,258 in 2020, a decrease of 1.0%. Most of this was due to a decrease in purchased power costs due to market prices offset by an increase in other expenses due to the OPEB trust contribution.

The Department saw its investment income decrease from \$1,176,429 in 2019 to \$821,542 in 2020 due to more favorable investment returns in 2019 (market factors).

Capital Assets & Debt Administration

Total net capital assets were \$12,508,342 at December 31, 2019 and \$12,598,411 at December 31, 2020, an increase of 0.7%. Capital assets include land, buildings, structures and improvements, equipment and furnishings and infrastructure. There were approximately \$800,000 in capital additions in 2020, the largest line improvements. Additions, net of retirements, were more than depreciation for the year resulting in the increase in net capital assets.

The Department has no outstanding debt at December 31, 2020 nor was any debt outstanding during the year.

Requests for Information

This financial report is designed to provide a general overview of the Middleton Electric Light Department's finances for all those interested in the Department's financial operations. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

Manager
Middleton Electric Light Department
Middleton, MA 01949

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Statement of Net Position

December 31, 2020

Assets

Current assets:

Cash and cash equivalents - unrestricted	\$ 3,880,814
Cash and cash equivalents - restricted	220,438
Investments	10,114,338
User charges receivable, net	1,430,924
Other accounts receivable	61,226
Unbilled revenue	131,651
Inventory	658,316
Prepaid expenses	2,244,982
Other current assets	<u>1,881</u>

Total current assets 18,744,570

Noncurrent assets:

Other post-employment benefits	85,337
Capital assets, net	<u>12,598,411</u>
Total noncurrent assets	<u>12,683,748</u>
Total assets	\$ <u>31,428,318</u>

Deferred Outflows

Deferred outflows related to OPEB	355,556
Deferred outflows related to pensions	<u>490,870</u>
Total deferred outflows	<u>846,426</u>

Liabilities

Current Liabilities:

Accounts payable	\$ 622,336
Customer deposits	220,469
Other current liabilities	<u>322,352</u>
Total current liabilities	<u>1,165,157</u>

Noncurrent liabilities:

Accrued compensated absences	86,884
Other post-employment benefits	0
Net pension liability	<u>4,228,111</u>
Total noncurrent liabilities	<u>4,314,995</u>

Total liabilities 5,480,152

Deferred Inflows

Deferred inflows related to OPEB	133,592
Deferred inflows related to pensions	<u>280,221</u>
Total deferred inflows	<u>413,813</u>

Net Position

Net investment in capital assets	12,598,411
Restricted	0
Unrestricted	<u>13,782,368</u>
Total net position	\$ <u>26,380,779</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

**Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020**

Operating revenues:		
Charges for services	\$	13,530,640
Other operating revenues		<u>131,992</u>
 Total operating revenues		 <u>13,662,632</u>
Operating expenditures:		
Purchased power and production		8,139,863
Other operating expenses		3,529,865
Depreciation		<u>687,530</u>
 Total operating expenditures		 <u>12,357,258</u>
Operating income		<u>1,305,374</u>
Nonoperating revenues (expenses):		
Investment income		821,542
Payment in lieu of taxes		<u>(230,000)</u>
 Total nonoperating revenues (expenses)		 <u>591,542</u>
 Changes in net position		 1,896,916
Net position, beginning of year		<u>24,483,863</u>
Net position, end of year	\$	<u>26,380,779</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT**Statement of Cash Flows****For the Year Ended December 31, 2020****Cash flows from operating activities:**

Cash received from customers	\$ 13,846,639
Cash paid to suppliers	(10,606,058)
Cash paid to employees	(1,849,644)
Payment in lieu of taxes (operating transfer)	<u>(230,000)</u>
Net cash provided by operating activities	<u>1,160,937</u>

Cash flows from investing activities:

Interest on deposits and investments	821,542
Purchase and sales of investments (net)	<u>(1,425,635)</u>
Net cash provided by capital and related financing activities:	<u>(604,093)</u>

Cash flows from capital and related financing activities:

Capital expenditures and adjustment	<u>(777,599)</u>
Net cash provided by capital and related financing activities:	<u>(777,599)</u>
Net increase in cash and cash equivalents	(220,755)
Cash and cash equivalents, beginning of year	<u>4,322,007</u>
Cash and cash equivalents, end of year	<u>\$ 4,101,252</u>

Reconciliation of operating income to net cash provided**By operating activities:**

Operating income (loss)	\$ 1,305,374
Depreciation, bad debts & other	671,385
Payment in lieu of taxes (operating transfer)	<u>(230,000)</u>
(Increase)/Decrease in accounts receivable	44,208
(Increase)/Decrease in unbilled revenue	99,967
(Increase)/Decrease in inventory	(97,244)
(Increase)/Decrease in prepaid expenses	(96,322)
(Increase)/Decrease in net OPEB asset	(85,337)
Increase/(Decrease) in accounts payable	(414,241)
Increase/(Decrease) in customer deposits	39,832
Increase/(Decrease) in other current liabilities	49,065
Increase/(Decrease) in OPEB liability & related deferrals	(366,894)
Increase/(Decrease) in net pension liability & related deferrals	235,228
Increase/(Decrease) in other liabilities	<u>5,916</u>
Net cash provided by operating activities	<u>\$ 1,160,937</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT**Fiduciary Fund****Statement of Fiduciary Net Position****Year Ended December 31, 2020**

	OPEB Trust
Assets	
Current assets:	
Cash and cash equivalents	152,577
Investments	<u>\$ 1,513,862</u>
Total assets	<u>1,666,439</u>
Liabilities	
Current Liabilities:	
Other Liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
Net Position	
Held in trust for retiree insurance benefits	<u>1,666,439</u>
Total net position	<u>\$ 1,666,439</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT**Fiduciary Fund****Statement of Changes in Fiduciary Net Position****Year Ended December 31, 2020****OPEB
Trust Fund****Additions****Contributions:**

From Middleton Electric Light Department	\$ <u>647,083</u>
 Total contributions	 <u>647,083</u>

Investment income:

Investment income	<u>82,846</u>
 Total investment income	 <u>82,846</u>
 Total additions	 <u>729,929</u>

Deductions

Benefits	<u>47,083</u>
 Total deductions	 <u>47,083</u>
 Change in net position	 682,846
 Net position - beginning of year	 <u>983,593</u>
 Net position - end of year	 \$ <u>1,666,439</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

1. Summary of Significant Accounting Policies

A. Introduction

The Town of Middleton Electric Light Department (the Department) was incorporated in 1912. The Department operates under the provisions of Chapter 164 of the Massachusetts General Laws with an elected Board of Light Commissioners.

The Department complies with accounting principles generally accepted in the United States of America (GAAP). The Department's accounting records are required to conform to the accounting standards set by the Commonwealth of Massachusetts Department of Public Utilities (DPU), which differ from GAAP. Certain adjustments have been made to present the Department's financial statements in accordance with GAAP.

B. Reporting Entity

The financial statements present information only on activities of Town of Middleton Electric Light Department and do not purport to, and do not, present fairly the financial position of the Town of Middleton, Massachusetts as of December 31, 2020, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. The Department is presented as an enterprise fund in the Town of Middleton, Massachusetts' financial statements.

C. Regulation and Operation

Under Massachusetts law, electric rates of the Department are set by the Board of Commissioners and may be changed once every three months. Rate schedules are filed with the DPU. While the DPU exercises general supervisory authority over the Department, rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of utility Department, unless prior year losses are being recaptured.

D. Basis of Accounting

I. Basis of Presentation

The financial condition and results of operations of the Department are presented as of and for the year ended December 31, 2020.

II. Basis of Accounting

The Department is considered a proprietary fund type. As such, the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The Department also distinguishes between operating and nonoperating revenues and expenses, based on whether the items relate to the primary operation of providing electric service. The Department's OPEB trust is considered a fiduciary fund type and uses the accrual basis of accounting.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

III. Cash Equivalents

For purposes of the statement of cash flows, the Department considers investments with original maturities of three months or less when purchased to be cash equivalents.

IV. Inventory

Inventory is carried at cost, calculated on an average cost basis.

V. Utility Department in Service

Utility Department in service is recorded at historical cost. Depreciation is calculated on a straight-line basis. Depreciation rates are as follows: buildings and structures - 50 years; utility Department infrastructure (poles, meters, transformers, etc.) - 20 to 33 years; other capital assets - 10 to 20 years.

If depreciation is greater than capital additions for the year, this amount is transferred by the Department from unrestricted cash to a segregated depreciation cash fund. This fund is utilized in accordance with DPU regulations for certain additions to utility Department in service. The Department charges maintenance costs to expense when incurred. Replacements and betterments are charged to utility Department when purchased or when placed in service, according to DPU requirements. At the time Department is retired, the cost of Department, less accumulated depreciation and any salvage value, is recorded as a reduction of the related accounts.

VI. Accrued Vacation and Sick Leave

Vacation time for Department employees varies from one to six weeks, based on years of service. In addition, employees are eligible to "buy back" a percentage of accrued sick time, subject to certain restrictions, at retirement. The total amount of accrued vacation and sick leave payable at December 31, 2020 is presented in the financial statements.

VII. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, proprietary and fiduciary fund statements may present deferred outflow and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will be recognized as an outflow (expense/ expenditure) at that time. Deferred inflows of resources represent acquisition of net position that applies to a future period and will be recognized as an inflow (revenue) at that time. In the financial statements, certain items related to the OPEB and net pension liability, if applicable, are presented as deferred inflows and outflows of resources.

VIII. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Essex Regional Retirement System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose,

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements

Years Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

VIII. Pensions (continued)

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

IX. Other Post-Employment Benefits

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Department's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

X. Operating Revenues

Revenues are based on rates established by the Department and are applied to customers' consumption of electricity. The Department utilizes a fuel cost adjustment, whereby fluctuations in the cost of power can be adjusted monthly on customer bills without a change to the basic rate structure. All customers are allowed a discount on a portion of their electric bill if paid within fifteen days which is recorded as revenue when forfeited.

XI. Taxes

The Department is exempt from state and federal income taxes and local property taxes. The Department pays an in lieu of tax payment to the Town of Middleton based on an annual vote by the Board of Commissioners.

XII. Use of Estimates

In preparing the Department's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Cash of the Department is in control of the Town Treasurer, as required by state law. State and local statutes place certain limitations on the nature of deposits and investments available to the Department. Cash and cash equivalents in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Separate accounts are maintained for the Department's depreciation fund, stabilization fund and customer meter deposits fund. Operating cash is pooled with Town funds in various Town bank accounts.

The Department also maintains depreciation, stabilization and OPEB funds, which are allowed per DPU regulations. Subject to certain restrictions, these amounts are available for general Department operations

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

2. Cash and Investments (continued)

and are included in the financial statements as unrestricted cash and cash equivalents. Customer meter deposits are presented as restricted cash and cash equivalents, as these amounts are available to the Department only if a customer account is terminated with an outstanding balance.

At year-end, the 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 Town accounts. Bank deposits are pooled with, or in the same financial institution as, Town operating funds and, therefore, specific collateralization information on these amounts is not available. In addition to bank deposits, \$1,482 was invested with the Municipal Light Departments of Massachusetts Reserve Trust, an investment pool authorized under state statutes. This is considered part of cash equivalents in the financial statements.

At year-end, the investment balances for the Department were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
Equities	633,279
Certificates of deposit	436,555
Municipal bonds	492,563
Corporate bonds	986,834
Mutual funds	9,078,969
Money market funds (cash equivalents)	<u>298,960</u>
Total investments	<u>\$11,927,160</u>

Of the above amounts, maturities are as follows: 1) for certificates of deposit \$381,295 less than one year, and \$55,260 between two and five years; 2) for municipal bonds \$257,083 between one and two years, and \$235,481 between two and five years; 3) for corporate bonds \$656,865 between two and five years, and \$329,969 beyond five years.

The Municipal bonds are rated \$235,481 as AAA and \$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.

The Department holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Department's mission, the Department determines that disclosures related to these investments only need to be disaggregated by major type. The Department chooses a narrative format for the fair value disclosures. The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At December 31, 2020, US government securities, equities and mutual funds are categorized as Level 1 while certificates of deposit and bonds are categorized as Level 2.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

3. Accounts Receivable

The following is a summary of accounts receivable as of December 31, 2020.

	<u>2020</u>
Customer accounts receivable	\$1,596,080
Other accounts receivable	61,226
Purchased power credits receivable	-
Allowance for uncollectible accounts	<u>(165,156)</u>
 Total accounts receivable, net	 <u>\$1,492,150</u>

Of the total customer accounts receivable at December 31, 2020 of \$1,596,080, \$1,241,483 relates to the December 2020 power bills due from customers (due in January, 2021). The Department also has \$131,651 of unbilled charges at December 31, 2020.

4. Prepaid Expenses

At December 31, 2020, the Department has total prepaid expenses of \$2,244,982. Most of the prepaid expense amount represents deposits used to facilitate timely payments of certain monthly power invoices.

5. Capital Assets

The following is a summary of the Department's capital assets for the year ended December 31, 2020.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land improvements	<u>\$2,219,869</u>	=	1	<u>2,219,868</u>
Total capital assets not being depreciated	<u>2,219,869</u>	=	1	<u>2,219,868</u>
Capital assets being depreciated:				
Buildings and improvements	1,285,958	4,350	2,500	1,287,808
Equipment	3,116,676	31,989	4,500	3,144,165
Infrastructure	<u>18,766,854</u>	<u>742,135</u>	<u>91,875</u>	<u>19,417,114</u>
Total capital assets being depreciated	<u>23,169,488</u>	<u>788,474</u>	<u>98,875</u>	<u>23,849,087</u>
Less accumulated depreciation for:				
Buildings and improvements	(657,114)	(25,746)	(2,500)	(680,360)
Equipment	(1,829,306)	(131,944)	(4,500)	(1,956,750)
Infrastructure	<u>(10,394,593)</u>	<u>(529,840)</u>	<u>(91,000)</u>	<u>(10,833,433)</u>
Total accumulated depreciation	<u>(12,881,013)</u>	<u>(687,530)</u>	<u>(98,000)</u>	<u>(13,470,543)</u>
Capital assets being depreciated, net	<u>10,288,475</u>	<u>90,944</u>	<u>875</u>	<u>10,378,544</u>
Total capital assets, net	<u>\$12,508,344</u>	<u>90,944</u>	<u>875</u>	<u>12,598,412</u>

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

6. Notes and Bonds Payable

The Department did not have any outstanding short or long-term debt during 2020. At December 31, 2020, the Department has no unauthorized and unissued debt.

7. Pension Plans

Plan Description: Department employees are provided with pensions through the Essex Regional Retirement System, a cost sharing, multiple employer defined benefit plans administered by the Essex Regional Retirement Board and regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). Chapter 32 of the Massachusetts General Laws (MGL) grants the authority to establish and amend benefit terms. The System issues an annual public report and audited financial statements that can be obtained at essexregional.com.

Benefits Terms: Membership in the System is mandatory for all full-time employees and non-seasonal employees who, in general, regularly work more than twenty hours per week.

The System provides retirement, disability and death benefits. Benefit payments are based on a member's age, length of creditable service, level of compensation and group classification. Retirement benefits are determined as follows. For employees hired prior to April 2, 2012, the system provides for retirement benefits up to a maximum of 80% of a member's highest three-year average annual rate of compensation. For employees hired on or after April 2, 2012, it is a maximum of 80% of a member's highest consecutive five-year average or, if greater, during the last five years (consecutive or not) preceding retirement. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 (age 60 if hired on or after April 2, 2012) with 10 years eligible service.

System members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. Disability benefits are based on several factors, including the member's age, compensation, veteran status, years of service and whether or not the disability is work related. In addition, certain death benefits exist for beneficiaries who die in active service.

Cost of living adjustments (COLAs) granted between 1981 and 1997 are the responsibility of the Commonwealth. Beginning in 1998, funding COLAs became the responsibility of the System.

Contributions: Chapter 32 of MGL governs the contributions of plan members and member employers. Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. The Department's contribution reflects its share of the system-wide actuarial determined contribution, in accordance with Chapter 32 Section 22D of MGL, apportioned among all System employers based on an annual employer normal cost and amortization payments to pay the unfunded net pension liability in full by fiscal year 2035. Contributions to the System by the Department for the year ended December 31, 2020 were \$373,377.

Return of Contributions: Employee contributions may be returned to the participants upon leaving Department employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements

Years Ended December 31, 2020

7. Pension Plans (continued)

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the Department reported a liability of \$4,228,111 for its proportionate share of the net pension liability. The net pension liability was measured at December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 rolled back to December 31, 2019. There were no material changes made in this update to the actuarial assumptions or to the retirement terms since the last actuarial valuation. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Department's proportion was 1.003464%.

For the year ended December 31, 2020, the Department recognized pension expense of \$524,175. At December 31, 2020 the Department reported deferred outflows as follows: \$580 for difference between expected and actual experience, \$422,589 for changes in assumptions and \$67,701 for changes in proportion and differences between employer contributions and proportionate share of contributions and reported deferred inflows as follows: \$157,644 difference between actual and projected investment earnings \$20,094 for the difference between expected and actual experience and \$102,483 for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount will be recognized in pension expense as follows:

Fiscal year ended December 31:	
2021	\$105,668
2022	\$68,665
2023	\$62,562
2024	(\$26,246)

Actuarial Assumptions: The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Actuarial cost method	Entry Age Normal Cost Method
	Inflation rate	2.75%
	COLA adjustments	2% of the first \$14,000 of a member's retirement allowance is assumed for 2020, 3% thereafter
	Investment rate of return	7.3% per annum
	Salary increases	Based on years of service, ranging from 7.5% at zero years of service decreasing to 3.75% after 5 years of service

Mortality rates were based on the following: for pre-retirement, the RP-2014 Mortality Table projected generationally with scale MP-2019; for healthy retiree, RP-2014 Healthy Annuitant Mortality Table projected generationally with scale MP-2019; and disabled retiree RP-2014 Healthy Annuitant Mortality Table, set forward two years, projected generationally with scale MP-2019.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

7. Pension Plans (continued)

The long-term rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	21.0%	6.15%
International developed equities	13.0%	6.78%
International emerging equities	5.0%	8.65%
Core fixed income	15.0%	1.11%
High yield fixed income	8.0%	3.51%
Private equity	13.0%	9.99%
Real estate	10.0%	4.33%
Commodities	4.0%	4.13%
Hedge funds/other	<u>11.0%</u>	3.68%
Total	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.3%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that contributions will be made at the actuarially determined contribution rate. Based on those assumptions, the 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 of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Department's proportionate share of the net pension liability of the System calculated using the discount rate of 7.3%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.3%) or 1-percentage-point higher (8.3%) than the current rate:

<u>1% Decrease (6.3%)</u>	<u>Current Discount Rate (7.3%)</u>	<u>1% Increase (8.3%)</u>
\$5,317,109	\$4,228,111	\$3,312,740

8. Other Post-Employment Benefits (OPEB)

The Department 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 Department ordinance. All benefits are provided through the Department's premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Department's financial statements.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

8. Other Post-Employment Benefits (OPEB) (continued)

With respect to OPEB plan reporting, GASB issued GASB Statement No.'s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability (asset) required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the same measurement date is used for both GASB 74 and GASB 75. When different measurement dates are used, differences in assumptions and calculations will result.

OPEB Plan disclosures that impact the Department's net OPEB liability (asset) using a measurement date of December 31, 2020 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of December 31, 2020:

Active employees	13
Inactive employees	8
Total	21

Contributions – The contribution requirements of OPEB Plan members and the Department are established and may be amended by the Department. Currently, members receiving these benefits contribute at a 40% of the cost of the plan. The remainder of the cost is funded by general revenues of the Department. The Department currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Department. For the year ended December 31, 2020, the Department's average contribution rate was approximately 35.96% of covered-employee payroll.

Net OPEB Liability (Asset) – The Department's net OPEB liability (asset) was measured as of December 31, 2020 using an actuarial valuation as of January 1, 2020. The components of the net OPEB liability (asset) of the Department at December 31, 2020 were as follows:

Total OPEB Liability	\$ 1,581,102
Plan fiduciary net position	<u>(1,666,439)</u>
 Net OPEB liability (asset)	 <u>(85,337)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	105.40%

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

8. Other Post-Employment Benefits (OPEB) (continued)

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	5.43%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	1.93% as of December 31, 2020
Discount Rate	5.5%, net of OPEB plan investment expense including inflation.
Inflation	2.5% annually as of December 31, 2020 and for future periods
Health Care Trend Rate	4.5%
Salary Increases	3.00% annually as of December 31, 2020 and for future periods
Pre-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females set forward 1 year for females
Post-Retirement Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females set forward 1 year for females
Disabled Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females set forward 1 year
Actuarial Cost Method	Individual entry age normal

Discount Rate – The discount rate used to measure the total OPEB liability was 5.5%. The major changes in assumptions from the prior year were a change in the discount rate from 6.75% to 5.5%, the health care trend rate was updated to 4.5% and the mortality tables were updated.

Investment Custody - In accordance with the Department's irrevocable trust, the Trust is administered by a five-member Board of Trustees consisting of the five members of the Board of Commissioners. Per state statutes, the Town Treasurer is the custodian of the OPEB Plan assets. The Trustees are responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Department.

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:

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

8. Other Post-Employment Benefits (OPEB) (continued)

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	24.00%	4.90%
Domestic Equity - Small/Mid Cap	12.50%	5.40%
International Equity - Developed Market	0.00%	5.32%
International Equity - Emerging Market	0.00%	6.26%
Domestic Fixed Income	38.00%	1.40%
International Fixed Income	4.50%	1.30%
Alternatives	11.75%	6.32%
Real Estate	0.00%	6.25%
Cash	9.25%	0.00%
	<u>100.00%</u>	
Real rate of return		3.18%
Inflation assumption		2.50%
Total nominal rate of return		5.68%
Investment expense		-0.25%
Net investment return		<u>5.43%</u>

Sensitivity Analyses – The following presents the Department's net OPEB liability (asset) as well as what the Department's net OPEB liability (asset) 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:

	Discount Rate		
	1% Decrease (4.5%)	Trend Rate (5.5%)	1% Increase (6.5%)
Net OPEB Liability (Asset)	\$ 226,167	\$ (85,337)	\$ (231,645)
Health Care Rate			
Net OPEB Liability (Asset)	\$ (279,872)	\$ (85,337)	\$ 160,741

Changes in the Net OPEB Liability (Asset) – The following table summarizes the changes in the net OPEB liability (asset) for the year ended December 31, 2020:

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

8. Other Post-Employment Benefits (OPEB) (continued)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at January 1, 2020	\$ 1,464,972	\$ 983,593	\$ 481,379
Changes for the year:			
Service cost	22,119	-	22,119
Interest	98,816	-	98,816
Difference between expected and actual experience	(302,421)	-	(302,421)
Changes in assumptions	344,699		344,699
Net investment income	-	82,846	(82,846)
Employer contributions	-	647,083	(647,083)
Benefit payments withdrawn from trust	-	(47,083)	47,083
Benefit payments	(47,083)	-	(47,083)
Net changes	116,130	682,846	(566,716)
Balances at December 31, 2020	\$ 1,581,102	\$ 1,666,439	\$ (85,337)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the Department recognized OPEB expense of \$76,870. Deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2020 were reported as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Changes of assumptions	\$ -	\$ 355,556
Differences between projected and actual investment earnings	30,691	-
Differences between actual and expected experience	102,901	-
	\$ 133,592	\$ 355,556

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (net outflow of \$221,964) will be recognized in OPEB expense (benefit) as follows:

December 31	
2021	\$ 72,502
2022	72,504
2023	49,817
2024	26,803
2025	338
	\$ 221,964

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

9. Commitments

The Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests 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 Departments. 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 the W.F. Wyman Unit No. 4 plane, 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, the 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 payment when due, other Projects Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension and 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 through 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 adverse 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.

10. Power Contracts

The Department 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 Department anticipates some stability to its power cost expenses over the next few years.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Notes to Financial Statements
Years Ended December 31, 2020

11. Contingencies

Numerous lawsuits may be pending or threatened against the Department, which arose from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Department's attorney estimates that potential claims, not covered by insurance, resulting from such litigation, would not materially affect the financial statements.

12. Implementation of new GASB Statements

During fiscal year 2020, the Department implemented the following GASB pronouncements:

- GASB Statement #95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was required to be implemented in fiscal year 2020. Due to COVID-19 restrictions, this Statement delayed the implementation date requirements of various GASB Statements and other guidance.

In future fiscal years, the Department will implement the following GASB pronouncements:

- GASB Statement #84 – *Fiduciary Activities*, which is required to be implemented in fiscal year 2021. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #87 – *Leases*, which is required to be implemented in fiscal year 2023. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in fiscal year 2022. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented in fiscal year 2021. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #91 – *Conduit Debt Obligations*, which is required to be implemented in fiscal year 2023. The Department is currently evaluating the impact of this will have on its financial statements.
- GASB Statement #92 – *Omnibus 2020*, which is required to be implemented in fiscal year 2021 or 2023, depending on the provision. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #93 – *Replacement of Interbank Offered Rates*, which is required to be implemented in fiscal year 2023. The Department is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #94 – *Public-Private and Public-Public Partnerships of Availability Payment Arrangements*, which is required to be implemented in fiscal year 2024. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #96 – *Subscription-Based Information Technology Arrangements*, which is required to be implemented in fiscal year 2024. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #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*, which is required to be implemented in fiscal year 2023. The Town is currently evaluating the possible impact of this will have on its financial statements.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Required Supplementary Information

Department's Participation in the Essex Regional Retirement System

Town of Middleton Electric Light Department's Proportionate Share of the System's Net Pension Liability

	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2019	1.003%	\$4,228,111	\$1,515,049	286.3%	55.46%
December 31, 2018	0.999%	\$4,219,930	\$1,473,686	286.3%	51.87%
December 31, 2017	1.054%	\$3,965,220	\$1,488,658	266.4%	55.40%
December 31, 2016	0.997%	\$3,842,901	\$1,390,838	276.3%	51.12%
December 31, 2015	0.997%	\$3,842,901	\$1,390,838	276.3%	51.01%
December 31, 2014	0.966%	\$3,278,215	\$1,153,368	284.3%	52.27%

Town of Middleton Electric Light Department's Schedule of Contributions

	<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
December 31, 2020	\$360,430	\$360,715	(\$285.00)	\$1,515,049	23.81%
December 31, 2019	\$338,807	\$334,089	\$4,718.00	\$1,473,686	22.67%
December 31, 2018	\$328,501	\$328,501	\$0.00	\$1,488,658	22.07%
December 31, 2017	\$288,945	\$289,291	(\$346.00)	\$1,390,838	20.80%
December 31, 2016	\$288,945	\$289,291	(\$346.00)	\$1,390,838	20.80%
December 31, 2015	\$251,202	\$251,202	\$0.00	\$1,153,368	21.78%

The above schedules are required for ten years. Additional years will be presented as they become available.

See notes to the required supplementary information

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Required Supplementary Information

Schedules of Changes in Net OPEB Liability and Related Ratios

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 22,119	23,581	20,324	21,903
Interest on total OPEB liability	98,816	94,533	64,136	60,911
Changes of assumptions	344,699	-	150,859	-
Difference between expected and actual plan experience	(302,421)	-	265,582	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of member contributions	(47,083)	(59,143)	(48,656)	(18,784)
Net change in total OPEB liability	116,130	58,971	452,245	64,030
Total OPEB liability - beginning of year	<u>1,464,972</u>	<u>1,406,001</u>	<u>953,756</u>	<u>889,726</u>
Total OPEB liability - end of year	<u>\$ 1,581,102</u>	<u>1,464,972</u>	<u>1,406,001</u>	<u>953,756</u>
Plan Fiduciary Net Position				
Earnings from plan investments	82,846	164,033	(63,804)	72,781
Net investment income (loss)	82,846	164,033	(63,804)	72,781
Employer contributions	647,083	59,143	348,656	268,784
Benefit payments	(47,083)	(59,143)	(48,656)	(18,784)
Administrative expense	-	-	-	-
Net change in fiduciary plan net position	682,846	164,033	236,196	322,781
Plan fiduciary net position - beginning of year	<u>983,593</u>	<u>819,560</u>	<u>583,364</u>	<u>260,583</u>
Plan fiduciary net position - end of year	<u>\$ 1,666,439</u>	<u>983,593</u>	<u>819,560</u>	<u>583,364</u>
Net OPEB liability (asset)	<u>\$ (85,337)</u>	<u>481,379</u>	<u>586,441</u>	<u>370,392</u>
Plan fiduciary net position as% of total OPEB liability (asset)	105.40%	67.14%	58.29%	61.16%
Department's Employee Covered Payroll	\$ 1,799,288	\$ 1,338,309	\$ 1,299,329	\$ 1,598,393
Plan net OPEB liability (asset) as a percentage of covered payroll	(4.74%)	35.97%	45.13%	23.17%
Single discount rate to calculate plan liabilities	5.50%	6.75%	6.75%	6.75%

These schedules are required for ten years. Additional years will be presented as they become available.

See notes to the Department's financial statements and required supplementary information for a summary of significant actuarial methods and assumptions.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS

	2020	2019	2018	2017
Actuarially-determined contribution	\$ 18,177	\$ 59,012	\$ 63,488	\$ 68,210
Contributions in relation to the actuarially-determined contribution	<u>(647,083)</u>	<u>(59,143)</u>	<u>(348,656)</u>	<u>(268,784)</u>
Contribution deficiency (excess)	<u>\$ (628,906)</u>	<u>\$ (131)</u>	<u>\$ (285,168)</u>	<u>\$ (200,574)</u>
Covered-employee payroll	<u>\$ 1,799,288</u>	<u>\$ 1,338,309</u>	<u>\$ 1,299,329</u>	<u>\$ 1,598,393</u>
Contribution as a percentage of covered-employee payroll	<u>35.96%</u>	<u>4.42%</u>	<u>26.83%</u>	<u>16.82%</u>

SCHEDULE OF INVESTMENT RETURNS

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	8.42%	20.01%	(8.66%)	6.79%

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 notes to the Department's financial statements and required supplementary information for a summary of significant actuarial methods and assumptions.

Town of Middleton Municipal Light Department
Notes to the Required Supplementary Information
June 30, 2020

Note A – Pension Plan Schedules

A. Schedule of the Department’s Proportionate Share of the Net Pension Liability

The Schedule of the Department’s Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Department’s Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Department may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the “total appropriation”. The pension fund appropriation is allocated to the Department based on covered payroll.

C. Changes in Assumptions

The following assumption changes were reflected in the January 1, 2020 actuarial valuation:

- Investment rate of return changed from 7.5% to 7.3%.
- Mortality tables were updated.

E. Changes in Plan Provisions

There were no plan provision changes in the January 1, 2020 actuarial valuation.

Town of Middleton Municipal Light Department
Notes to the Required Supplementary Information
June 30, 2020

Note B – Other Post-Employment Schedules

The Department administers a single-employer defined benefit healthcare plan (“The OPEB Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Department’s group health insurance plan, which covers both active and retired members.

A. Schedule of Changes - Department’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Department’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability (asset). It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

B. Schedule of the Department’s Contributions

The Schedule of the Department’s Contributions includes the Department’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Department is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

C. Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

D. Changes in Assumptions

The following assumption changes were reflected in the January 1, 2020 actuarial valuation:

- Investment rate of return changed from 6.75% to 5.5%.
- Mortality tables were updated.
- The expected long-term medical trend was updated to 4.5.%.

E. Changes in Plan Provisions

There were no plan provision changes in the January 1, 2020 actuarial valuation.