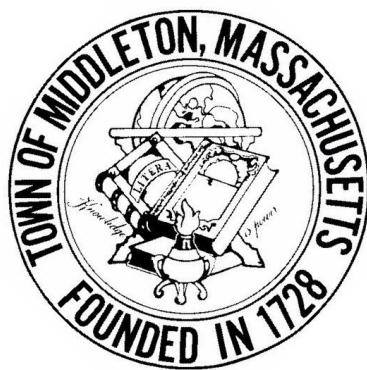


Town of Middleton Massachusetts



Annual Report for Fiscal Year 2022

Table of Contents – Annual Town Report 2022

Item	Page #
Table of Contents	1
General Information for the Town of Middleton	2
Board and Committee Meeting Schedule	3
Transfer Station Information	5
Treasurer/Collector Information	9
Middleton Senators and Representatives 2022	10
Middleton Elected Officials 2022	11
Middleton Appointed Officials FY2022	12
Special Town Meeting November 16, 2021	16
Annual Town Meeting May 10, 2022	21
Management Letter Year End June 30, 2022	37
Town of Middleton Audited Financial Statement FY2022	43
Middleton Electric Light Department Audited Financial Statements 2021 (Calendar Year)	102

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

Business Hours:

8:00 AM – 4:00 PM Monday, Wednesday and Thursday
8:00 AM – 6:00 PM Tuesday
8:00 AM – 1:00 PM Friday

Please visit our 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.

Trash & Recycling

The transfer station is located off River Street at 11 Natsue Way.

You will need to obtain a transfer station sticker for your trash disposal. Stickers can be purchased online <https://unipaygold.unibank.com/customerinfo.aspx>. The cost for residents is \$125.00 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. Bulk items, electronics and recycle only stickers are \$25.00 each. Residents can also contract with a private hauler for curbside solid waste collection. Please see additional sheet from the Public Works Department for further information.

EMERGENCY NUMBERS:

All Emergencies (Ambulance/Fire/Police)

911

Fire Non-Emergency Number

978-774-2466

Police Non-Emergency Number

978-774-4424

Beverly Hospital

978-922-3000

Poison Control

800-222-1222

Cable Providers

Comcast and Verizon FiOS

Public Schools in Middleton

Fuller Meadow Elementary School (K-2)

978-750-4756

143 South Main Street

Howe Manning Elementary School (3-6)

978-739-2800

26 Central Street

Masconomet Regional Middle/High School (7-12)

978-887-2323

District (MASCO)

20 Endicott Road, Topsfield

Local Newspapers

The Salem News

978-922-1234

Wicked Local/Chronicle Transcript

<https://www.wickedlocal.com/chronicletranscript/>

Post Office

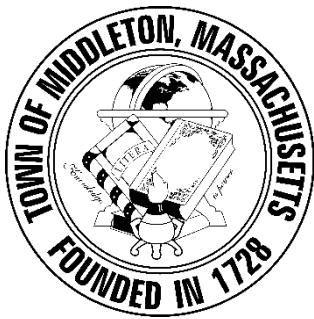
41 South Main Street

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	LOCATION	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			339-206-0785
Annual Town Meeting	2 nd Tuesday in May	7:00 pm	Howe-Manning School	
Annual Town Election	3 rd Tuesday in May	7:00 am - 8:00 pm	Fuller Meadow School	
Board of Appeals Office	Monday - Friday	7:00 am - 3:00 pm	195 North Main Street	978-777-8917
Board of Assessors' Office	Monday, Wednesday, Thursday Tuesday Friday	8:00 am - 4:00 pm 8:00 am - 6:00 pm 8:00 am - 1:00pm	Memorial Hall / 48 South Main Street	978-774-2099
Conservation Commission Office	Monday - Friday	8:00 am - 3:00 pm	195 North Main Street	978-777-1869
Council on Aging Senior Center	Monday - Thursday	9:30 am - 2:30 pm	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 Department Office	Monday – Friday	8:00 am - 4:00 pm	197 North Main Street	978-774-4313
EMERGENCY	Always	24 hours	POLICE, FIRE & AMBULANCE	911
FIRE Department	Always	24 hours	Non-Emergency / 4 Lake Street	978-774-2466
Fuller Meadow School	Monday - Friday	7:30 am - 3:30 pm	143 South Main Street	978-750-4756
Board of Health Office	Monday - Friday	7:00 am - 3:00 pm	195 North Main Street	978-777-1869
Howe-Manning School	Monday - Friday	7:30 am - 4:00 pm	26 Central Street	978-739-2800
Inspections Office	Monday - Friday	7:00 am - 3:00 pm	195 North Main Street	978-777-2850

OFFICE	DAY(S)	TIME	LOCATION	TELEPHONE
Flint Public Library September - June	Monday - Thursday Friday Saturday Sunday	10:00 am - 8:00 pm 10:00 am - 5:00 pm Closed 1:00 pm - 5:00 pm	1 South Main Street	978-774-8132
Flint Public Library July - August	Monday Tuesday - Thursday Friday Saturday Sunday	Closed 10:00 am - 8:00 pm 10:00 am - 2:00 pm Closed 1:00 pm - 5:00 pm	1 South Main Street	978-774-8132
Planning Board Office	Monday - Friday	7:00 am - 3:00 pm	195 North Main Street	978-777-8917
POLICE Department	Always		65 N. Main St./Non-Emergency	978-774-4424
Select Board Meeting	Bi-weekly on Tuesdays	7:00 pm	Fuller Meadow School	978-777-3617
Select Board Office	Monday - Thursday Friday	9:00 am - 5:00 pm 9:00 am - 1:00 pm	Memorial Hall / 48 South Main St	978-777-3617
Town Clerk's Office	Monday, Wednesday, Thursday Tuesday 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	978-774-6927
Transfer Station	Sunday, Wednesday, Saturday	8:00 am - 4:00 pm	Natsue Way	
Treasurer / Collector's Office	Monday, Wednesday, Thursday Tuesday 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			7 Grove Street #202, Topsfield	978-887-6512
Tri-Town School Union	Variable		28 Middleton Rd, Boxford 01921	978-887-0771



TRANSFER STATION STICKER

Available for purchase September 1, 2022

Online, Drop Box or Mail-In Application

Stickers will no longer be sold at Town Hall

EFFECTIVE 10/1/2022: You will be required to have a valid 2022 Transfer Station Sticker to access the property.

Pricing schedule:

Transfer Station Sticker 1 st Vehicle	\$125.00
Additional Vehicle for same household	\$25.00
Recycling Only Sticker	\$25.00

Additional Fees apply to items listed below and may only be purchased if the resident holds a Transfer Station Sticker.

These stickers must be purchased per item.

• Electronic Disposal Sticker	\$25.00
• Bulk Item Disposal Sticker	\$25.00

****Vehicle must be registered in Middleton to obtain stickers.****

To purchase online, please visit:

<https://unipaygold.unibank.com/CustomerInfo.aspx?Customerid=1989>

This link may also be accessed through <https://middletonma.gov/> by clicking on the pay my bill. Credit card or ACH payment accepted. Stickers will be mailed to you with-in 7 business days!

Middleton Transfer Station Rules and Regulations

The Transfer Station is open Wednesdays, Saturdays and Sundays from 8:00 a.m. until 4:00 p.m.

Transfer Station Stickers

- Transfer Station stickers cost \$125 for the first car in the household, and \$25 per each additional car in the same household.
- Transfer Station stickers are available ONLY to owners of vehicles registered in Middleton.
- Stickers may be purchased by visiting our online portal at middletonma.gov. They may also be purchased via regular mail (form also available on the website). This requires a copy of the registration of the car that the sticker will be affixed to.
- The Transfer Station Sticker is **only** valid for the vehicle it was issued.
- Stickers must be permanently attached to the vehicle front window in the lower left corner in such a way as 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 Treasurer's Office for a replacement sticker.

The attendant may stop a vehicle 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.

Electronics Disposal

Electronics (televisions, computer monitors, computer equipment, microwaves, etc.) may be disposed of at the Transfer station for an additional fee of \$25.00 per item. Residents may purchase an Electronics Sticker which should be affixed to each individual item. These stickers can be purchased online at the Town of Middleton website or via regular mail. Once you receive your sticker via mail, you must affix it to the item. The item may then be brought to the Transfer Station and given to the station attendant for disposal.

Bulk Item Disposal

Bulk Items (furniture, mattresses) may be disposed of at the Transfer station for an additional fee of \$25.00 per item. Residents may purchase a Bulk Item sticker which should be affixed to each individual item. These stickers can be purchased online at the Town of Middleton website or via regular mail. Once you receive your sticker via mail, you must affix it to the item. The item may then be brought to the Transfer Station and disposed of properly, notifying attendant of sticker on item.

Examples of Bulk Item would be, but not limited to:

• Sofas	• Head boards	• Foot boards
• Recliners	• Desks	• Mattress/Box springs
• Day beds	• Dressers	• Carpet (up to 10 rolls 4' long)

Unacceptable Waste

The following material **will not** be accepted at the Transfer Station:

- Ammunition or other explosives
- Any barrels or other containers that hold or once held hazardous material unless inspected by the Transfer Station Operator to ensure that they are empty
- Construction and Demolition waste
- Hazardous material including but not limited to gasoline, pesticides and herbicides, chemicals, oil-based paint and mercury containing products such as thermometers and fluorescent bulbs, car batteries. (Many of these materials can be disposed of at Hazardous Waste Days or other periodic events.)
- Infectious or medical wastes
- Recyclable material
- Sealed containers including gas cylinders, animal carcasses, radioactive material, liquid or slurry waste of any kind regardless of packaging or labeling
- Sewage waste or sludge
- Tree stumps, boulders, rocks, stones, dirt or other noncombustible material

Mandatory Recycling

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

- Brush will be accepted on scheduled collection dates
- Container glass separated into clear green and brown items (Note. window glass, drinking glasses, dishes and light bulbs must go in the compactor.)
- CRTs (Cathodes Ray Tubes), computers, monitors and video games.
- Leaves
- Paper including newspapers, magazines, phone books, junk mail, paperboard boxes and cardboard
- Passenger car and light truck tires (Limit two per month)
- Plastic - All seven grades of container plastics
- Rechargeable batteries
- Scrap metal
- Tin and aluminum cans
- Used motor oil
- White goods (appliances), however, Freon bearing appliances are **prohibited** (Freon bearing appliances must be evacuated by a certified vendor before disposal in 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.

TRANSFER STATION STICKER SALES

Drop off or Mail-In Application

Transfer Station Stickers will **NO LONGER be available at the Collectors office.**

Transfer Station stickers are available by mail beginning September 1, 2022! You may visit our website and purchase the sticker online at: <https://unipaygold.unibank.com/transactionInfo.aspx?CustomerID=1989>. You may also complete the form below and return via mail or the drop box located at Town hall located at:

Collector's Office
48 South Main Street
Middleton, MA 01949

1. A valid copy of your registration for each vehicle for which you want to purchase a sticker.
2. Complete the form below and mail it, or drop it off, with your check.
3. A check made payable to the Town of Middleton for corresponding fee below:

Transfer Station Sticker 1 st Vehicle	\$125.00
Additional Vehicle for same household	\$25.00
Recycling Only Sticker	\$25.00

Additional Fees apply to items listed below and may only be purchased if the resident holds a Transfer Station Sticker.

These stickers must be purchased per item.

• Electronic Disposal Sticker	\$25.00
• Bulk Item Disposal Sticker	\$25.00

4. Include a self-addressed, stamped envelope for the Town to mail your sticker(s).
5. We request that you provide a phone number and email address so we may contact you with future renewal notices or other information regarding the use of the Transfer Station.

Phone Number: _____

E-Mail Address (please print neatly): _____

Please note, stickers will be mailed out within 7 business days after receipt of the application and payment.



TOWN OF MIDDLETON _____ Date: _____
Transfer Station Sticker Application/Receipt _____ Sticker # _____
Make Check Payable to Town of Middleton
FOR MAIL-IN or DROP-OFF APPLICATIONS ONLY

Name _____

Address: _____

Reg # _____ Year _____ Make: _____ Model: _____

Phone Number: _____

Email Address: _____

Please Check Sticker(s) You Are Purchasing		
	Transfer Station 1 st Vehicle	\$125.00
	Additional Vehicle	\$25.00
	Recycling Only	\$25.00
	Electronic Disposal	\$25.00
	Bulk Item Disposal	\$25.00

TREASURER/TAX COLLECTOR

PAYMENTS

You can pay your taxes to the Town of Middleton in several ways. Your options are mailing your payment to the lock box at Town of Middleton DEPT 2000, PO BOX 986535 Boston MA, 02298-6535, 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.

Town of Middleton

SENATORS & REPRESENTATIVES

STATE

GOVERNOR

Maura Healey

Lt Governor

Kim Driscoll

<https://www.mass.gov/orgs/office-of-the-governor>

Massachusetts State House
Office of the Governor, Room 280
Boston, MA 02133
617-725-4005
Term Expires- 2026

FEDERAL

STATE SENATOR'S

Elizabeth Warren

www.warren.senate.gov

2400 JFK Federal Building
15 New Sudbury Street
Boston, MA 02203
617-565-3170
Term Expires- 2024

Edward Markey

www.markey.senate.gov

975 JFK Federal Building
15 New Sudbury Street
Boston, MA 02203
617-565-8519
Term Expires- 2026

Senator in General Court

(First Essex & Middlesex District)

Bruce E. Tarr

Bruce.Tarr@masenate.gov

State House
24 Beacon St, Room 308
Boston, MA 02133
617-722-1600
Term Expires- 2024

Representative in General Court

(Twentieth Middlesex District) Precinct 1 & 3*

Bradley H. Jones, Jr.

Bradley.Jones@mahouse.gov

State House
24 Beacon St, Room 124
Boston, MA 02133
617-722-2100
Term Expires- 2024

(Thirteenth Essex District) Precinct 2

Sally Kerans

Sally.Kerans@mahouse.gov

State House
24 Beacon St
Boston, MA 02133
617-722-2800 x7305
Term Expires- 2024

Representative in Congress

(Sixth District)

Seth Moulton

www.moulton.house.gov

21 Front Street
Salem, MA 01970
978-531-1669
Term Expires- 2024

* Precinct 3 as of 12/31/2021 Federal Census

as of 11/8/2022

Town of Middleton

2022

ELECTED OFFICIALS

Moderator

Barbara Piselli

2024

Nicholas Bonugli

2023

Town Clerk

Ilene B. Twiss

2023

Brian J. Carroll

2024

Lisa Marie Sheehan

2025

Anthony M. DeGregorio

2026

Jason Bernhard

2027

The Select Board

Brian M. Cresta

2023

Electric Light Commission

Jeffrey P. Garber

2024

James J. Carbone

2023

Kosta E. Prentakis

2024

Frank W. Twiss

2023

Richard W. Kassiotis

2025

James W. Kelley

2024

Deborah J. Carbone

2025

Timothy P. Houten

2024

Charles S. Clinch, III

2025

Constable

Paul F. Armitage

2025

Trustees of Flint Public Library

Maria J. Paikos-Hantzis

2023

Timothy Houten*

2023

Allison Sloan

2024

Donna Bambury

2024

Erin M. Bennett

2025

Elementary School Committee

Kristina A. Esposito

2023

Douglas LeColst

2024

Michelle D. Aitken

2024

Maria J. Paikos-Hantzis

2025

Jacquelyn J. Dubois

2024

Karen E. McCafferty

2026

Natasha Murphy Bansfield

2025

David Robert DeBonis

2025

Housing Authority

Douglas LeColst

2024

Maria J. Paikos-Hantzis

2025

Karen E. McCafferty

2026

Regional School Committee

Tasha R. Cooper

2023

*Appointed by The Select Board 11/1/2022

Kosta E. Prentakis

2023

Domenic Casamassima

2024

Trevor Currier

2025

As of 5/18/2022

**Town of Middleton
2022
APPOINTED OFFICIALS**

Town Administrator		Director of Veterans' Services	
Andrew Sheehan		Jerome Thomas	2025
Chief Procurement Officer		Building Commissioner	
Andrew Sheehan	2025	Zoning Enforcement Officer	
		Fence Viewer & A.D.A. Officer	
Assistant Town Administrator & HR Director		Scott Fitzpatrick	2025
Jackie Bresnahan	2024	Local Building Inspector	
Town Accountant/Finance Director		Michael Donahue	2023
Sarah Wood	2024	Michael Mercurio	2024
		E. Peter Swindell (Alternate)	2025
Treasurer/Collector		Plumbing and Gas Inspector	
Nick Federico	2024	Gary Paul	2024
		Peter Sakelakos (Alternate)	2023
Assistant Treasurer/Collector		Todd Moreschi (Alternate)	2025
Madison Alley	2023	Inspector of Wires	
Town Counsel		James Carbone	2023
Mead, Talerman and Costa	2024	Mark Fialkowski (Alternate)	2023
Chief Assessor		Superintendent of Public Works	
Bradford W. Swanson	2024	Superintendent of Insect Pest Control	
Deputy Assessor		Paul Goodwin	2025
Theresa A. Fontaine	2023	Kenneth Gibbons -Deputy Superintendent	2025
Assistant Town Clerk		Superintendent of Burials	
Carmelina Fiore	2023	Vacant	2020
Chief of the Fire Department		Public Health Director	
Director of Emergency Management		Public Health Sanitarian	
Thomas J. Martinuk		Conservation Commission Administrator	
Chief of Police		Hazardous Waste Coordinator	
William P. Sampson	2025	Traci Mello	2025
Superintendent of Schools		Assistant Health Agents	
Scott Morrison		Leo Cormier	2023
Library Director		Ronald Beauregard	2025
Loretta Johnson		Animal Control Officer & Inspector of Animals	
		Beverly Milward	2025
		Kevin Nicholas	2025

Town of Middleton
2022
APPOINTED OFFICIALS

Town Planner		Board of Appeals	
Katrina O'Leary	2023	Meghan Walter (Alternate)	2023
Custodian of Town Lands		William Renault	2023
Robert F. Murphy	2023	Anne LeBlanc-Snyder(Alternate)	2023
Local Cable Television Access Director		Richard J. Benevento	2024
Paul A. Pellicelli	2023	Carolyn Damato-McPherson	2025
Election Officers		Craig Hartwell	2026
Warden	Vacant	Anne Cote	2027
Eileen Bakoian-Clerk	2024		
Board Of Registrars		Board of Health	
Ilene B. Twiss (ex officio)	2023	George Demeritt	2023
Justin W. Bingham	2023	Judy Schneider	2023
Sarah George	2023	Raymond Cryan	2024
Richard Cardinale	2025	Paul LeBlanc	2024
		Matthew Greenfield	2025
Executive Director of the Middleton Housing Authority		Bylaw Review Committee	
Cindy Dunn-Danvers Housing Authority		Vacant	2022
Director of the Council on Aging		Ilene B. Twiss -Ex Offico	2022
Jillian Smith	2023	John Dimino	2023
		Jeffrey Garber	2023
Middleton Electric Light		Richard Cardinale	2024
Michael Cloutier - Dept Manger		Meghan Walter	2024
Essex North Shore Regional Agricultural and Technical School District Representative		Justin Bingham	2025
Alexandra Liteplo	12/31/2023		
Metropolitan Area Planning Council - Representative		Charter Review Committee	
Katrina O'Leary	2023	Frank Twiss	2023
Municipal Hearing Officer, Parking Clerk, & Municipal Liaison to the Ethics Commission		George E. Dow, Sr.	2023
Ilene B. Twiss	2023	James Vining	2023
Community Preservation Committee		Naomi Doherty	2023
		Natalie Lovett	2023
		Sarah B. George	2023
		Sharon Bainbridge	2023
Municipal Hearing Officer, Parking Clerk, & Municipal Liaison to the Ethics Commission		Community Preservation Committee	
Ilene B. Twiss	2023	Anne LeBlanc-Snyder- Historical Rep	2023
		Kosta Prentakis- Citizen at Large	2023
		Ilene B. Twiss- Housing Authority Rep	2023
		Anthony DeGregorio-Planning Board Rep	2024
		Mary Ann Erickson- Citizen at Large	2024
		Robert Murphy- Master Plan Comm Rep	2024
		Anthony Pesce-Citizen at Large	2024
		Jeffrey Garber- Select Board Rep	2025
		John Erickson- Finance Rep	2025

As of 7/6/2022

Page 2

Town of Middleton
2022
APPOINTED OFFICIALS

Complete Streets Committee		Historical Commission	
Kristin Kent	2023	Anne LeBlanc-Snyder	2023
Scott Fitzpatrick	2023	Sarah B. George	2023
Derek Fullerton	2023	Shirley Raynard	2024
Katrina O'Leary	2023	Anne Cote	2025
Vacant	2020	Pike Messenger	2025
Vacant	2020		
Conservation Commission		Housing Authority	
Andrea Nelson	2023	Ilene B. Twiss - State Appt	2010
Anthony Pesce	2023	Vacant- Tenant Rep	2026
Gerald Gove	2024		
Kristin Kent (Agent)	2024		
Susan Piccole	2024		
Michael G. Sliney	2025		
Council on Aging		Industrial and Commercial Design Review Committee	
Alice Tierney	2023	Sarah L. Luscomb	2023
Barbara Sanborn	2023	Kenda Petrone	2024
Ellen Strobel	2023	Robert Murphy	2024
Francis J. Leary, Jr	2024	Linda M. Richard	2025
Gerald Gove	2024		
Leah Magnifico	2024		
Linda Cornell	2025		
Joan Shea-Desmond	2025		
Wendy Tirck	2025		
Cultural Council		Masconomet Regional School District Capital Advisory Committee	
Lauren Calabrese	2023	John Erickson	
Dianna Jackson	2023		
Judy Schneider	2023		
George M. Cumming, Jr.	2024		
Meghan Walter	2025		
Michael Givens	2025		
Pamela H. Rosner	2025		
Finance Committee		Master Plan Committee	
John Erickson (co-Chair)	2023	Vacant - Citizen at Large	2021
Richard Gregorio (co-Chair)	2023	Vacant - Citizen at Large	2021
Antonietta C. Mertz	2024	John Erickson- Finance Comm Rep	2023
George E. Dow, Sr	2024	Peter Moon- Citizen at Large	2023
John Mahoney	2024	Karen E. McCafferty -Citizen at Large	2024
Jason Vining	2025	Annette Wilton- Citizen at Large	2024
Michelle Cresta	2025	Brian Carroll- Planning Board Rep	2024
		Brian Cresta - Select Board Rep	2025
		Robert Murphy- Citizen at Large	2025
Memorial Day Committee			
		Vacant	2020
		Robert Wahl	2023
		Jillian Kemp	2024
		Scott Saulnier	2024
		Mira Plante	2025
		Javier Montanez	2025

Town of Middleton
2022
APPOINTED OFFICIALS

Municipal Property Tax Relief Committee		Solid Waste Advisory Committee	
Nick Federico (ex officio)		Carolyn Damato-MacPherson	2024
Kosta Prentakis- Select Bd Rep	2025	Annette Wilton	2024
Vacant -Citizen at Large	2022	John Erickson-Finance Rep	2024
Robert F. Murphy- Citizen at Large	2023	Richard Gregorio-Finance Rep	2024
Deborah Carbone- BOA-Rep	2024	Jeffrey Garber-Select Bd Rep	2024
		Jackie Bresnahan- Ex Officio	2024
		Nick Federico - Ex Officio	2024
		Paul Goodwin - Ex Officio	2024
Planning Board		Town Building Committee	
Alternate Members		Frank Twiss	2024
Jeffrey Gallo- Alternate	2023	George E. Dow, Sr	2024
Ademar Vieira- Alternate	2023	Kyle Smith	2024
Rails to Trails Committee		Nicholas Bonugli	2024
Richard Gilman	2023	Paul F. Armitage	2024
Richard Kassiotis	2023	Roger Bourgeois	2024
Charles Costigan	2024	William Renault	2024
Martin Emmick	2024	William P. Sampson (Ex Officio)	2024
John LeBlanc	2025	Thomas Martinuk (Ex Officio)	2024
Sherri Armitage	2025	Jillian Smith (Ex Officio)	2024
		Andrew Sheehan (Ex Officio)	2024
Recreation Commission		Tri-Town School Union Regional Planning Committee	
Vacant	2022	Michelle Aitken	
Michaela Anderson	2023	Roger Bourgeois	
James DesRocher	2024	Kosta Prentakis	
Michelle Creasi	2025		
Jessica Sollazo	2025		
Scholarship Committee		Water Advisory Committee	
Claudia Johnson	2023	Fire Chief	
Shirley Raynard	2025	Town Administrator	
Ilene B. Twiss	2025	The Select Board Rep	
Rodney Pendleton	2025	Planning Board Representative	
		Supt of DPW	
		Public Health Director	

2021 SPECIAL TOWN MEETING
November 16, 2021

On Tuesday, November 16, 2021, voters of the Town of Middleton met at the Howe Manning School, 26 Central Street, Middleton. At 7:20 P.M. Town Moderator Barbara Piselli welcomed voters to the Special Town Meeting and declared that a quorum was present. (It was later shown that 104 voters were in attendance.) The reading of the Return of Service of the Warrant was waived. Middleton Boy Scout Troop 19 presented the colors and led the Meeting in the Pledge of Allegiance.

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:

No action taken; no reports.

ARTICLE 2. On petition of the Finance Committee and Select Board, 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 supplemental appropriations and/or transfers for FY 2022; or take any other action relative thereto.

Purpose: This article will appropriate or transfer funds for various items in the FY 2022 budget.

Under a motion made by John Erickson and duly seconded, the following was voted that the Town raise and appropriate the sum of **\$21,400**; transfer the sum of **\$41,606.38** from FY 2021 Free Cash; and transfer the sum of **\$43,427.63** from Compensation Reserve for a total of **\$106,434.01** to fund the supplemental appropriations and/or transfers for the FY 2022 Operating Budget as outlined below:

Compensation & Classification Adjustments	\$43,427.63	Transfer from Compensation Reserve
Essex Tech Capital	\$176.00	Transfer from FY 2021 Free Cash
Building Maintenance -Fire Dept.	\$28,410.38	Transfer from FY 2021 Free Cash
Ambulance Supplies	\$13,020	Transfer from FY 2021 Free Cash
Medicare	\$10,000	Be raised and appropriated
Town Clerk Capital	\$11,400	Be raised and appropriated

The motion passed unanimously.

ARTICLE 3. On petition of the Finance Committee and Select Board, 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 collective bargaining agreement with the AFSCME Public Works; or take any other action relative thereto.

Purpose: This article will appropriate \$65,000 to fund the contract with the AFSCME Public Works union running from July 1, 2020 through June 30, 2023.

Under a motion made by Richard Gregorio and duly seconded, the following was voted that the Town transfer from Free Cash the sum of **\$35,000**; and raise and appropriate the sum of **\$30,000** for a total appropriation of **\$65,000** to fund the collective bargaining contract for the AFSCME Public Works Union.

The motion passed unanimously.

ARTICLE 4. On petition of the Finance Committee and Select Board, to see if the Town will vote to raise and appropriate, borrow, or transfer from available funds a certain sum to pay bills of prior fiscal years; or take any other action relative thereto.

Purpose: This article will appropriate \$200 to fund the payment of bills from prior fiscal years and requires a 9/10 majority vote.

Under a motion made by George Dow and duly seconded, the following was voted that the Town transfer from Free Cash the sum of **\$181.22** to pay bills of prior fiscal years.

The motion passed unanimously.

ARTICLE 5. On petition of the Select Board and Finance Committee, to see if the Town will vote to raise and appropriate, borrow or transfer from available funds certain sums of money to the following reserve accounts:

- Stabilization Fund
- Capital Stabilization Fund
- Special Education Stabilization Fund
- Pension Stabilization Fund
- Other Post-Employment Benefits Liability Irrevocable Trust Fund

Or take any other action relative thereto.

Purpose: This article will transfer funds to various reserve accounts.

Under a motion made by George Dow and duly seconded, the following was voted that the Town transfer the total sums of **\$550,000** of FY 2021 Free Cash to the outlined funds:

- **\$150,000** be transferred from Free Cash to the Stabilization Fund
- **\$200,000** be transferred from Free Cash to the Capital Stabilization Fund
- **\$100,000** be transferred from Free Cash to the Pension Stabilization Fund
- **\$100,000** be transferred from Free Cash to the Other Post-Employment Benefits Liability Irrevocable Trust Fund

The motion passed unanimously.

ARTICLE 6. On petition of the Finance Committee and Select Board, to see if the Town will vote to adopt GL c. 40 s. 5B for the purpose of establishing a Facilities Complex Stabilization Fund; or take any other action relative thereto.

Purpose: This article will establish a Stabilization Fund for the Facilities Complex and requires a 2/3 majority vote.

Under a motion made by John Mahoney and duly seconded, the following was voted that the Town vote to adopt GL c. 40, s. 5B for the purpose of establishing a Facilities Complex Stabilization Fund.

The motion passed unanimously.

ARTICLE 7. On petition of the Finance Committee and Select Board, to see if the Town will vote to transfer funds from FY 2021 Free Cash to the Facilities Complex Stabilization Fund; or take any other action relative thereto.

Purpose: This article will transfer funds from FY 2021 Free Cash to the newly created Stabilization Fund for the Facilities Complex.

Under a motion made by John Mahoney and duly seconded, the following was voted that the Town transfer the sum of **\$250,000** of FY 2021 Free Cash to the Facilities Complex Stabilization Fund.

The motion passed unanimously.

ARTICLE 8. On petition of the Finance Committee and Select Board, to see if the Town will vote to transfer funds from FY 2021 Free Cash in the amount of \$158,800 to the Sidewalk & Pedestrian Stabilization Fund; or take any other action relative thereto.

Purpose: This article will transfer funds from FY 2021 Free Cash to the Sidewalk & Pedestrian Stabilization Fund.

Under a motion made by Michelle Cresta and duly seconded, the following was voted that the Town transfer the sum of **\$158,800** of FY 2021 Free Cash to the Sidewalk & Pedestrian Stabilization Fund.

The motion passed unanimously.

ARTICLE 9. On petition of the Finance Committee and Select Board, to see if the Town will vote to raise and appropriate, borrow or transfer from available funds certain sums of money to fund the design of sidewalks on Boston Street from Wildwood Road to the Peabody Town Line; or take any other action relative thereto.

Purpose: This article will appropriate funds for the design work and requires a 2/3 majority.

Under a motion made by Michelle Cresta and duly seconded, the following was voted that the Town transfer the sum of **\$33,000** from the Sidewalk & Pedestrian Stabilization Fund for all incidental and related costs for the sidewalk design on Boston Street from Wildwood Road to the Peabody Town Line.

The motion passed unanimously.

ARTICLE 10. On petition of the Finance Committee and Select Board, to see if the Town will vote to rescind the borrowing authorization approved under Article 31 of the 1997 Annual Town Meeting; or take any other action relative thereto.

Purpose: This article will rescind the borrowing authorization from ATM 1997 for the Septic Loans under Massachusetts Water Pollution Abatement Trust. At the time, this program allowed residential property owners, who were income eligible, to obtain low interest loans repaid over twenty years through a betterment to be billed and paid with property tax bills. There are only 2 parcels still participating in this program and both have their final payments due in FY 2024.

Under a motion made by Jason Vining and duly seconded, the following was voted that the Town vote to rescind the borrowing authorization approved under Article 31 of the 1997 Annual Town Meeting for the Septic Loan Program under the Massachusetts Water Pollution Abatement Trust.

The motion passed unanimously.

ARTICLE 11. On petition of the Finance Committee and Select Board, 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 appropriations for information technology and cyber security upgrades; or take any other action relative thereto.

Purpose: This article will appropriate \$55,000 for needed technology and cybersecurity upgrades through the Regional IT collaborative.

Under a motion made by Jason Vining and duly seconded, the following was voted that the Town transfer the sum of **\$55,000** from FY 2021 Free Cash to fund appropriations for information technology and cyber security upgrades.

The motion passed unanimously.

ARTICLE 12. On petition of the Council on Aging, the Select Board, and the Board of Assessors to see if the Town will vote to amend the adoption of Section 5K of Chapter 59 of the Massachusetts General Laws authorizing the granting of real estate tax abatements to seniors and veterans participating in the Senior and Veteran Tax Work-Off Program. The proposed amendment would allow an approved representative, for persons physically unable, to provide such services to the town. Said Amendment would take effect in Fiscal Year 2023.

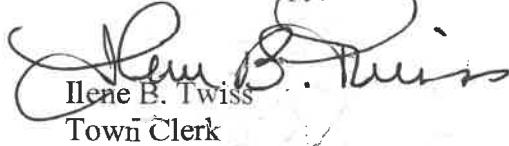
Purpose: The proposed amendment would allow an approved representative, for persons physically unable, to provide such services to the town. Said Amendment would take effect in Fiscal Year 2023. This proxy is already included in the Veterans program and this amendment would allow for a proxy for the Senior Tax Work-Off Program.

Under a motion made by Jeffrey Garber and duly seconded by Kosta Prentakis, the following was voted that the Town vote to amend the adoption of Section 5K of Chapter 59 of the Massachusetts General Laws authorizing the granting of real estate tax abatements to seniors and veterans participating in the Senior and Veteran Tax Work-Off Program which would allow an approved representative, for persons physically unable, to provide such services to the town; and that said Amendment would take effect in Fiscal Year 2023.

The motion passed unanimously.

At 7:39 PM there was a motion and a second from the floor to dissolve the November 16, 2021 Special Town Meeting, and the vote to do so was unanimous.

Attest, a True Copy,


Ilene B. Twiss
Town Clerk

2022 ANNUAL TOWN MEETING
May 10, 2022

On Tuesday, May 10, 2022, voters of the Town of Middleton met at the Howe Manning School, 26 Central Street, Middleton. At 7:06 P.M. Town Moderator Barbara Piselli welcomed voters to the Annual Town Meeting and declared that a quorum was present. (It was later shown that 135 voters were in attendance.) The reading of the Return of Service of the Warrant was waived. Middleton Boy Scout Troop 19 presented the colors and led the Meeting in the Pledge of Allegiance.

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

FY2022 AND PRIOR YEAR FINANCIAL ARTICLES

ARTICLE 1. To hear Committee Reports:

No action taken; no reports.

ARTICLE 2. On petition of the Select Board 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 and Ice budget; or take any other action relative thereto.

Purpose: This article closes 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 funding request is \$25,000. Requires a simple majority vote.

Under a motion duly made by John Mahoney and duly seconded, the following was voted that the Town transfer from Free Cash the sum of **\$24,000** to be used to fund the deficit incurred in the Department of Public Works, Snow and Ice budget.

The motion passed unanimously.

ARTICLE 3. On petition of the Select Board 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. Requires a 4/5 vote.

Under a motion duly made by John Mahoney and duly seconded, the following was voted to take No Action.

The motion passed unanimously.

ARTICLE 4. On petition of the Select Board 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 2022 operating budget; or take any other action relative thereto.

Purpose: This article transfers funds and supplement monies, if necessary, to meet departmental expenses in the current fiscal year ending on June 30, 2022. Requires a simple majority vote.

Under a motion duly made by John Mahoney and duly seconded, the following was voted to take No Action.

The motion passed unanimously.

ARTICLE 5. On petition of the Select Board and Finance Committee, to see if the Town will vote to transfer a sum from the Water Enterprise Fund retained earnings to supplement the FY22 Water Department operating budget; or take any other action relative thereto.

Purpose: This article transfers monies to fund wages for the Water Department. The funds will come from the revenues of the Water Department. Requires a simple majority vote.

Under a motion duly made by John Mahoney and duly seconded, the following was voted to take No Action.

The motion passed unanimously.

ARTICLE 6. On petition of the Select Board 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 funds costs associated with contracts negotiated with collective bargaining groups (public employee unions). At the time of printing the Middleton Benevolent Police Association is the only settled contract. The anticipated amount is \$75,000 to be transferred from Free Cash. Requires a simple majority vote.

Under a motion duly made by John Erickson and duly seconded, the following was voted that the Town transfer from Free Cash the sum of **\$75,000** to fund fiscal years 2021 and 2022 of the collective bargaining contract for the Middleton Police Benevolent Association

The motion passed by a strong majority.

ARTICLE 7. On petition of the Select Board 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 2022 capital budget; or take any other action relative thereto.

Purpose: This article transfers funds and supplement monies to fund capital appropriations in the current fiscal year ending on June 30, 2022. These include additional funds for the Fire Department pumper truck, funds to undertake a needs assessment for the Council on Aging, and bullet proof vests for the Police Department. The total anticipated appropriation is \$63,000 to be transferred from Free Cash. Requires a simple majority vote.

Under a motion duly made by John Erickson and duly seconded, the following was voted that the Town supplement the FY 2022 Capital Budget by transferring from Free Cash the sum of **\$63,000** for the following:

- \$40,000 for the Fire Department pumper truck
- \$18,000 for a needs assessment for the Council on Aging
- \$5,000 for vests for the Police Department

The motion passed unanimously.

FY2023 FINANCIAL ARTICLES

ARTICLE 8. On petition of the Select Board and Finance Committee, 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 schedule of salaries which shows the compensation of employees is located in the back of the warrant book. Requires a simple majority vote.

Under a motion duly made by John Erickson 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 31-33 of the Town Meeting Warrant.

The motion passed by a strong majority.

ARTICLE 9. On petition of the Select Board 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 2023; or take any other action relative thereto.

Purpose: This article requests approval of the Town's operating budget for the coming fiscal year beginning on July 1, 2022 and running through June 30, 2023. Detailed descriptions of revenues and expenditures are presented in the warrant book. Requires a simple majority vote.

Under a motion duly made by John Erickson and duly seconded, the following was voted that the Town appropriate the sum of **\$43,094,112** to fund the Omnibus Budget for Fiscal Year 2023 and that to meet this appropriation:

- **\$42,310,415** be raised and appropriated [taxation, local receipts, State Aid]
- **\$621,821** be transferred from the Ambulance Fund
- **\$161,876** be transferred from the PEG Cable Fund

The motion passed by a very strong majority.

ARTICLE 10. On petition of the Select Board 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, community preservation projects, and other expenses in Fiscal Year 2023 with each item to be considered a separate appropriation; or take any other action relative thereto.

Proposed Fiscal Year 2023 Community Preservation Budget

The Community Preservation Committee recommends that the following amounts be appropriated or reserved from Fiscal Year 2023 Community Preservation Fund Revenues, unless otherwise specified for Fiscal Year 2023 Community Preservation Purposes with each item considered to be a separate appropriation:

<u>Purpose</u>	<u>Recommended Amount</u>	<u>Funding Source</u>
A) Reserves: Open Space	\$39,523.62	FY 2023 Estimated CPA Receipts
Reserves: Historic Resources	\$39,523.62	FY 2023 Estimated CPA Receipts
Reserves: Community Housing	\$39,523.62	FY 2023 Estimated CPA Receipts
B) Flint Library Debt Service	\$82,500.00	\$39,851.36 from Historic Resources Reserve and \$42,648.64 from Fund Balance
C) 11 South Main St. Debt Service	\$40,800.00	\$39,851.37 from Open Space Reserve And \$948.63 from Fund Balance

D) CPA Committee Admin. Expenses	\$1,200.00	From Fund Balance
Community Preservation Total	\$243,070.86	

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 2023 are estimated at \$330,000 and is composed of the estimated receipts from the local surcharge of \$265,000 and monies from the State Trust Fund, which will make its sixteenth payment in October of 2022 providing an additional estimated \$65,000 in matching funds based upon the local share raised in FY 2023. Requires a simple majority vote.

Upon a motion made by Brian Carroll and duly seconded John Erickson, the following was voted that the Town appropriate from Fund Balance of the Community Preservation Fund the sum of **\$25,000** to restore historic monuments and the sum of **\$50,000** for the Rail Trail, with each item to be considered a separate appropriation, for a total of **\$75,000**, all as printed on page 22 of the Town Meeting Warrant.

Passed unanimously under the Consent Agenda “A”.

ARTICLE 11. On petition of the Select Board 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 2023 with each item to be considered a separate appropriation; or take any other action relative thereto.

<u>Purpose</u>	<u>Recommended Amount</u>	<u>Funding Source</u>
Historic Monument Restoration	\$25,000.00	Fund Balance
Rail Trail	\$50,000.00	Fund Balance
Community Preservation Total	\$75,000.00	

Upon a motion made by Brian Carroll and duly seconded John Erickson, the following was voted that the Town appropriate from Fund Balance of the Community Preservation Fund the sum of **\$25,000** to restore historic monuments and the sum of **\$50,000** for the Rail Trail, with each item to be considered a separate appropriation, for a total of **\$75,000**, all as printed on page 22 of the Town Meeting Warrant.

Passed unanimously under the Consent Agenda "A".

ARTICLE 12. On petition of the Select Board 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.

Upon a motion made by Brian Carroll and duly seconded John Erickson, the following was voted that the Town authorize the FY23 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

Passed unanimously under the Consent Agenda "A".

ARTICLE 13.

On petition of the Select Board 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 2023; or take any other action relative thereto.

Direct Costs	
SESD Assessment	\$95,656
Expenses	\$100
<u>Extra/Unforeseen</u>	<u>\$1,000</u>
Total Direct Costs:	\$96,756

Indirect Costs *	
Salaries and Wages	\$5,009
<u>Insurance & Benefits</u>	<u>\$624</u>
Total Indirect Costs:	\$5,633

Total FY2023 Budget \$102,389

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

Town shall raise the sum of \$96,756 or any other sum from the Sewer Enterprise Revenues and to approve the sum of \$5,633 of indirect costs appropriated in the general fund under Article 9 to be funded from Sewer Enterprise Revenues.

Purpose: This article funds the operation of that portion of the Town served by the South Essex Sewer District (SESD). The revenues fully fund the operating costs. Requires a simple majority vote.

Under a motion duly made by Michelle Cresta and duly seconded, the following was voted that the Town raise the sum of **\$104,402** from Sewer Enterprise Revenues and approve the sum of **\$5,633** of indirect costs appropriated in the general fund under Article 9 to be funded from Sewer Enterprise Revenues for a total FY2023 Budget of **\$110,035**.

The motion passed unanimously.

ARTICLE 14. On petition of the Select Board 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 2023; or take any other action relative thereto.

Direct Costs	
Salaries and Wages	\$88,557
Debt Service	\$5,330
Expenses	\$64,100
<u>Extra/Unforeseen</u>	<u>\$50,000</u>
Total Direct Costs:	\$207,987

Indirect Costs *	
Salaries and Wages	\$54,090
<u>Insurance & Benefits</u>	<u>\$34,618</u>

Total Indirect Costs: \$88,708

Total FY2023 Budget \$296,695

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

Town shall raise the sum of \$207,987 or any other sum from the Water Enterprise Revenues and to approve the sum of \$88,708 of indirect costs appropriated in the general fund under Article 9 to be funded from Water Enterprise Revenues.

Purpose: This article funds the operation of the Water Department. The revenues fully fund the operating costs. Requires a simple majority vote.

Upon a motion made by Brian Carroll and duly seconded John Erickson, the following was voted that the Town raise the sum of **\$207,987** from Water Enterprise Revenues and approve the sum of **\$88,708** of indirect costs appropriated in the general fund under Article 9 to be funded from Water Enterprise Revenues for a total FY2023 Budget of **\$296,695**.

Passed unanimously under the Consent Agenda "A".

ARTICLE 15. 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.

Purpose: Each year the Light Commission votes a sum to be used to reduce taxes. The FY2023 amount is expected to be \$262,979. Requires a simple majority vote.

Upon a motion made by Brian Carroll and duly seconded John Erickson, the following was voted that the Town accept the sum of **\$262,979** from the earnings of the Electric Light Department, said sum to be used to reduce the tax rate.

Passed unanimously under the Consent Agenda "A".

ARTICLE 16. 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, 2022 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.

Purpose: Each year the Commonwealth of Massachusetts distributes funds to cities and towns to be used for the maintenance and upkeep of public ways. The usual distribution is approximately \$300,000. Requires a simple majority vote.

Upon a motion made by Brian Carroll and duly seconded John Erickson, 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, 2022 to install drainage, widen, pave, and otherwise improve any public way in accordance with the provisions of Chapter 90 of the Massachusetts General Laws.

Passed unanimously under the Consent Agenda "A".

ARTICLE 17. On petition of the Select Board 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, including the OPEB Trust Fund and the Special Education Stabilization Fund; 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. It is anticipated that \$100,000 will be transferred to the OPEB Trust Fund and \$52,000 transferred to the Special Education Stabilization Fund, both transfers to come from Free Cash. Requires a simple majority vote.

Upon a motion made by Brian Carroll and duly seconded John Erickson, the following was voted that the Town transfer the following sums from Free Cash to the following reserve funds:

- **\$100,000** to the Other Post-Employment Benefits Liability Irrevocable Trust Fund.
- **\$52,000** to the Special Education Stabilization Fund

Passed unanimously under the Consent Agenda "A".

ARTICLE 18. On petition of the Select Board 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 2023; 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
Dept. of Public Works	Replace Truck 12	81,700
	Stand-Up Leaf Blower	13,000
	Signs: Couture Field, Welcome to Middleton	20,000
	Paving	100,000
	Tree Work	20,000
	Pedestrian & Traffic Safety Impl. & Planning	20,000
	Replace Roll-Off Containers	30,000
	Public Works subtotal	\$ 284,700
Police Department	New Police Cruiser	50,000
	AED Replacement	9,000
	Patrol Rifles	5,000
	Radar Gun - Cruiser	5,000
	Police subtotal	\$ 69,000
Fire Department	Replace Marine 1	15,000
	Fire Alarm Materials	15,000
	Ice Rescue Sled	6,000
	Radio Equipment	72,800
	Train New Firefighter	27,303
	Fire subtotal	\$ 136,103
Information Technology	Town Hall Network Storage Replacement	20,000
	Replace 6 Year Old Town Hall Server	27,000
	Replace 5 Year Old DPW Server	4,000
	Replace Police Department Host Server	20,000
	VMware Upgrade Step 2, License/Version	14,000
	Antivirus Next Generation Product Upgrade	4,800
	Information Technology subtotal	\$ 89,800
Administration	DPW Salary Survey	10,000
	Inspectional Services Records Digitization	35,000
	Administration subtotal	\$ 45,000
Elementary Schools	Replace Howe Manning Security	50,000
	Replace Interactive Smart Boards	155,000
	Elementary Schools subtotal	\$ 205,000
Town Clerk/Elections	Election/Polling Equipment	7,200
	Town Clerk/Elections subtotal	\$ 7,200
Assessors	NearMap and PushPin GIS Features	7,740
	Assessors subtotal	\$ 7,740
Essex No. Shore Tech	Capital contribution	9,828
	Essex Tech subtotal	\$ 9,828
Capital Projects Total		\$ 854,371

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 FY23 Capital Budget is proposed to be funded by \$834,371 from Free Cash. Note that capital items funded through the Community Preservation Fund are reflected in that warrant article; capital items funded through outside funds are not subject to appropriation. Requires a simple majority vote.

Upon a motion made by Brian Carroll and duly seconded John Erickson, the following was voted that the Town appropriate the sum of **\$834,371** from Free Cash to fund the capital improvements printed on page 25 of the Town Meeting Warrant.

Passed unanimously under the Consent Agenda "A".

CITIZEN PETITIONS, BYLAW ADOPTIONS, AND REAL PROPERTY

ARTICLE 19. To see if the Town will vote to amend subsection E(3) of Section IV ("Apportionment of Operating Costs") of the Masconomet Regional School District Agreement, as recommended by the Masconomet Regional School District School Committee, by inserting the ***bold, italicized text***:

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 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 three (3) preceding fiscal years bears to the total pupil enrollment from all member towns during the same period.***

Purpose: This article, Amendment 13 of the Masconomet Regional Agreement, amends the Masconomet Regional Agreement by correcting a typographical error that inadvertently left off a clause of Subsection E(3) of Section IV when Amendment 11 was adopted. Requires a simple majority vote.

Upon a motion made by Tasha Cooper and duly seconded, the following was voted that the Town adopt Amendment 13 to the Masconomet Regional School Agreement as shown on page 26 of the Town Meeting warrant.

Passed unanimously under the Consent Calendar "B".

ARTICLE 20. To see if the Town will vote to amend subsection F (“Fiscal Year and Times of Payments of Apportioned Costs”) of Section IV (“Apportionment of Operating Costs”) of the Masconomet Regional School District Agreement, as recommended by the Masconomet Regional School District School Committee, by deleting the text shown in ~~strike~~through, and inserting the ***bold, italicized text***:

F. Fiscal Year and Times of Payments of Apportioned Costs

~~The fiscal year or period of the District shall be the same as the fiscal period of the member towns as provided by law, and the word year or fiscal year or calendar year as it relates in this Agreement to a fiscal or budget year shall mean the fiscal year of the District.~~

~~Each member town shall pay to the District in each fiscal year its proportionate share, certified as provided in subsection V (C), of the capital and operating costs. 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~~

And replacing it with:

F. The fiscal year or period of the District shall be the same as the fiscal period of the member towns as provided by law, and the word year or fiscal year or calendar year as it relates in this Agreement to a fiscal or budget year shall mean the fiscal year of the District.

Each member town shall pay to the District in each fiscal year its proportionate share, certified as provided in subsection V (B), of the capital and operating costs. 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

Purpose: The purpose of this article, Amendment 14 of the Masconomet Regional Agreement, is to correct an error in Amendment 12 from 2021, which incorrectly referenced the removal of the second sentence when the third sentence was actually removed. This amendment also corrects an inaccurate reference to Section V(C), which should be renumbered to “V (B)” due to a previous amendment. Requires a simple majority vote.

Under a motion duly made by John Erickson and seconded by Frank Leary, the following was voted that the Town adopt Amendment 14 to the Masconomet Regional School Agreement as shown on pages 26-27 of the Town Meeting warrant and insert the following section heading:

F. Fiscal Year and Times of Payments of Apportioned Costs

The motion passed unanimously.

ARTICLE 21. To see if the Town will vote to amend subsection (B) ("Final Maintenance and Operating Budget") of Section V ("Budget") of the Masconomet Regional School District Agreement, as recommended by the Masconomet Regional School District School Committee, by deleting the text shown in strikethrough, and inserting the bold, italicized text:

The Committee shall, not later than forty-five (45) days prior to the earliest date on which the business session of the annual town meeting of any member town is to be held (but in any event, not later than March thirty-first (31st) in each year adopt an annual maintenance and operating budget for the ensuing fiscal year, ***by a two-thirds vote of all its members***. Said budget to include debt and interest charges and any other current capital costs as separate items, and shall apportion the amounts necessary to be raised in order to meet the said budget in accordance with the provisions of subsections IV (D) and IV (E). The amounts so apportioned to each member town shall, ***not later than thirty days following adoption of the final annual budget***, be certified by the District treasurer to the treasurers of the ~~such~~ member towns, and each ***member*** town shall be liable for and shall, ***at its next annual town meeting***, appropriate the amounts so certified to it. ***Approval of the budget shall require an affirmative vote of the appropriating authorities of two-thirds of the member towns.***

Purpose: This article, Amendment 15 of the Masconomet Regional Agreement, affirms the statutory requirements that the School Committee must adopt a budget by a 2/3 majority vote of its members and that each town's annual town meeting must vote to appropriate the amounts certified to it by the regional district treasurer. Requires a simple majority vote.

Upon a motion made by Tasha Cooper and duly seconded, the following was voted that the Town adopt Amendment 15 to the Masconomet Regional School Agreement as shown on pages 27-28 of the Town Meeting warrant.

Passed unanimously under the Consent Calendar "B".

ARTICLE 22. To see if the Town will vote to amend subsection B ("Procedure") of Section VII ("Amendments") of the Masconomet Regional School District Agreement, as recommended by the Masconomet Regional School District School Committee, by inserting the ***bold, italicized text:***

A proposal for amendment may be initiated by a majority vote of all the members of the Committee or by a petition signed by 10% of the registered voters of any one of the member towns. In the latter case, said petition shall contain at the end thereof, a certification by the town

clerk of such member town as to the number of registered voters in said town according to the most recent voting list and the number of signatures on the petition which appear to be names on registered voters of said town. Any such proposal for amendment shall be presented to the secretary of the Committee, who shall mail or deliver a notice in writing to the Board of Selectmen of each of the member towns that a proposal to amend this agreement has been received and shall enclose of copy of such proposal (without the signatures in the case of a proposal by petition). The selectmen of each member town shall include in the warrant for the next annual or a special town meeting called for the purpose an article stating the proposal or the substance thereof. Such amendment shall take effect upon its acceptance by all of the member towns, acceptance by each town to be by a majority vote at a town meeting as aforesaid, ***and approval of the Commissioner of Elementary and Secondary Education.***

Purpose: This article, Amendment 16 of the Masconomet Regional Agreement, clarifies that all amendments to the Regional Agreement must be approved by the Commissioner of Elementary and Secondary Education in order to take effect. Requires a simple majority vote.

Upon a motion made by Tasha Cooper and duly seconded, the following was voted that the Town adopt Amendment 16 to the Masconomet Regional School Agreement as shown on page 28 of the Town Meeting warrant.

Passed unanimously under the Consent Calendar "B".

ARTICLE 23. To see if the Town will vote to amend Section VIII ("Admission") of the Masconomet Regional School District Agreement, as recommended by the Masconomet Regional School District School Committee, by inserting the ***bold, italicized text:***

By an amendment of this agreement adopted under and in accordance with Section VII above, any other town or towns may be admitted to the regional school district upon adoption as therein provided of such amendment and upon acceptance by the town or towns seeking admission of the agreement as so amended and also upon compliance with such provisions of law ***and regulations*** as may be applicable, and such terms as may be set forth in such amendment. ***A new member may be admitted to the regional school district as of July 1 of any fiscal year, provided that all requisite approvals for such admission or withdrawal, including the Commissioner's approval, shall be obtained no later than the preceding December 31. The authorizing votes may provide for the deferral of said admission or withdrawal until July 1 of a subsequent fiscal year.***

Purpose: This article, Amendment 17 of the Masconomet Regional Agreement, clarifies the process and timelines through which a new town could be admitted to the Regional School District. Requires a simple majority vote.

Upon a motion made by Tasha Cooper and duly seconded, the following was voted that the Town adopt amendment 17 to the Masconomet Regional School Agreement as shown on pages 28-29 of the Town Meeting warrant.

Passed unanimously under the Consent Calendar "B".

ARTICLE 24. To see if the Town will vote to amend subsection A ("Procedure") of Section IX ("Withdrawal") of the Masconomet Regional School District Agreement, as recommended by the Masconomet Regional School District School Committee, by inserting the ***bold, italicized text***:

A. Procedure

Any member town may withdraw from the regional school district by a majority vote of the voters present and voting on the question at an annual or special town meeting called for the purpose, such withdrawal to become effective on June 30 of the year named in the question, provided: (1) that in pursuance of such vote, the withdrawing town gives the regional school district at least one year's written notice of its intention to withdraw, (2) that the said town has paid over to the District any costs which have been certified by the district treasurer to the treasurer of the withdrawing town, including the entire amount so certified for the year in which such withdrawal takes effect, and (3) that the said town shall remain liable to the District for its share of the indebtedness, ***including but not limited to Other Post-Employment Benefits (OPEB) and other liabilities*** of the District outstanding at the time of such withdrawal, and for interest thereon, to the same extent and in the same manner as if the town had not withdrawn from the District, except that such liability shall be reduced by any amount which such town has paid over at the time of withdrawal and which has been applied to the payment of such indebtedness or interest. ***An existing member may withdraw from the regional school district as of July 1 of any fiscal year, provided that all requisite approvals for such admission or withdrawal, including the Commissioner's approval, shall be obtained no later than the preceding December 31. The authorizing votes may provide for the deferral of said admission or withdrawal until July 1 of a subsequent fiscal year.***

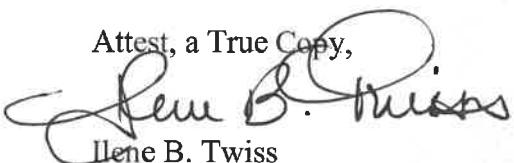
Purpose: This article, Amendment 18 of the Masconomet Regional Agreement, clarifies the process through which a member town may withdraw from the regional district. Requires a simple majority vote.

Upon a motion made by Tasha Cooper and duly seconded, the following was voted that the Town adopt amendment 18 to the Masconomet Regional School Agreement as shown on page 29 of the Town Meeting warrant.

Passed unanimously under the Consent Calendar "B".

At 7:35 PM there was a motion and a second from the floor to dissolve the May 10, 2022 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

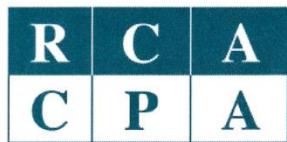
Year Ended June 30, 2022

TOWN OF MIDDLETON, MASSACHUSETTS

**MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2022**

TABLE OF CONTENTS

	<u>Page(s)</u>
Transmittal Letter.....	1
Evaluation of Operations	2
Informational Items.....	3
Observations.....	4



ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073
www.roselliclark.com

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, 2022, 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
November 28, 2022

EVALUATION OF TOWN OPERATIONS

Similar to many communities in this region of Massachusetts, the Town enjoyed another positive financial year. Federal stimulus funds issued during the pandemic served to bolster the economy to trends not seen in decades and the collateral impact of these results were experienced by the Town.

The following are some key financial highlights:

1. Unassigned fund balance increased to \$8.1 million.
2. The OPEB fund increased to almost \$2.0 million.
3. Pension funded ratio increase from 59.8% to 67.0%.
4. General stabilization funds increased to over \$4.2 million.
5. ARPA grant – over \$3.0 million – must be obligated by 2024 and spent by 2026.
6. 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.

This was particularly noteworthy in 2022 as the Town borrowed over \$62 million for construction of its new municipal compound. Specifically, the Town borrowed these funds just prior to bond interest rates more than doubling after recent actions by the Federal Open Market Committee. This will save the Town almost \$30 million in interest in the next 30 years and illustrates the importance of a high bond rate together with working with its financial analyst to time the borrowing to perfection.

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

Investment Income (updated for significant moves in interest rates)

At year-end, the Town carried over \$84 million in cash and equivalents. Recent actions by the Federal Oversight Market Committee to raise the rate on borrowings significantly have begun to have a similar impact on investment yields. Many short-term instruments are currently exceeding 4% yields and are liquid and legal borrowings in Massachusetts.

This comment serves as an alert to the Town that investment strategies not available to the Town in at least 20 years are beginning to present themselves, and could be financially beneficial. Each \$1 million invested could return \$40,000, using an effective safe and liquid strategy. In addition, since the Town will be spending its recent \$62 million borrowing over a few years, investing longer term cash needs is strongly encouraged. Particular attention should be made to avoiding arbitrage.

The Town should discuss these options with a financial asset manager.

Network Security (continuing reminder)

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 (continuing reminder)

This comment serves as our annual reminder to emphasize the importance of fraud prevention. Evaluating control in all aspects of local government, especially 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.

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 (update from prior year)

For the second consecutive year the Town was required to undergo a single audit. As we discussed last year, this will become more commonplace, given the increase in Federal grants at the school level and the expected audits necessary as the Town begins to spend down its ARPA grant over the next three years.

In the prior year, we documented one finding associated with the single audit and are happy to report that the Town resolved this finding in fiscal year 2022 with no further findings in the current fiscal year.

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 (update from prior year)

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 (approximately 20 accounts had no activity in fiscal 2022) and now may be a great time to revisit this process.

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants



TOWN OF MIDDLETON, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2022

TOWN OF MIDDLETON, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2022

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4 – 10
<u>BASIC FINANCIAL STATEMENTS:</u>	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position	11
Statement of Activities	12
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	21
Notes to Basic Financial Statements	22 – 51
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of Town's Proportionate Share of the Net Pension Liability	52
Schedule of Town's Contributions to Pension Plan	52
Schedule of the Commonwealth's Collective Share of the Massachusetts Teachers' Retirement System Net Pension Liability	53
Schedule of Changes in Net OPEB Liability and Related Ratios	54
Schedule of Contributions to OPEB Plan	55
Schedule of Investment returns – OPEB Plan	55
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	56
Notes to Required Supplementary Information	57

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Middleton, Massachusetts, (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents, except for the Middleton Electric Light Department "the Light Department" "the Electric Light Department" or "MELD", which is as of December 31, 2021 and is a Town Department reported as an enterprise fund and part of the Town's business-type funds.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 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 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* and should be considered in assessing the results of our audit.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
November 28, 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, 2022 (December 31, 2021 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 \$48.9 million (*total net position*).
- The Town’s total net position increased by approximately \$2.8 million year-over-year. The increase from operations was the result of an increase in governmental activities of approximately \$0.2 million in addition to an approximately \$2.6 million increase in Light Department operations.
- The Town’s total long-term debt in its governmental activities increased by approximately \$61.4 million due to regular scheduled maturities and a \$62.4 million bond issuance.
- As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of nearly \$79.6 million, which was approximately \$68.1 million higher than the prior year, primarily the result of the receipt of nearly \$66.1 million in bond proceeds and bond premiums. Of the ending fund balance, approximately \$8.1 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, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Assets						
Current and other assets	\$ 84,653,832	\$ 20,291,246	\$ 21,694,517	\$ 18,829,907	\$ 106,348,349	\$ 39,121,153
Capital assets, net	55,633,133	57,161,118	12,250,619	12,598,411	67,883,752	69,759,529
Total assets	140,286,965	77,452,364	33,945,136	31,428,318	174,232,101	108,880,682
Deferred outflows of resources	5,353,827	4,140,212	1,326,018	846,426	6,679,845	4,986,638
Liabilities						
Long-term liabilities	110,220,474	48,893,767	4,053,530	4,314,995	114,274,004	53,208,762
Other liabilities	6,155,470	8,515,068	1,796,053	1,165,157	7,951,523	9,680,225
Total liabilities	116,375,944	57,408,835	5,849,583	5,480,152	122,225,527	62,888,987
Deferred inflows of resources	9,062,888	4,143,646	675,951	413,813	9,738,839	4,557,459
Net Position						
Net investment in capital assets	40,318,013	40,991,134	12,250,619	12,598,411	52,568,632	53,589,545
Restricted	7,708,916	6,648,183	-	-	7,708,916	6,648,183
Unrestricted	(27,824,969)	(27,599,222)	16,495,001	13,782,368	(11,329,968)	(13,816,854)
Total Net Position	\$ 20,201,960	\$ 20,040,095	\$ 28,745,620	\$ 26,380,779	\$ 48,947,580	\$ 46,420,874

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 \$48.9 million (*total net position*), which represents an approximate \$2.5 million increase from the prior year’s balance, net of a restatement in the business-type activities.

The largest portion (\$52.6 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 (\$7.7 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 \$11.3 million. Surpluses of nearly \$16.5 million in the business-type activities are offset by a deficit of over \$27.8 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 \$37.5 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, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues						
Program revenues:						
Charges for services	\$ 3,684,224	\$ 3,922,404	\$ 13,680,584	\$ 13,530,640	\$ 17,364,808	\$ 17,453,044
Operating grants and contributions	5,395,949	6,519,884	411,044	131,992	5,806,993	6,651,876
Capital grants and contributions	650,509	1,018,357	-	-	650,509	1,018,357
General revenues:						
Property taxes	32,603,457	31,395,186	-	-	32,603,457	31,395,186
Excise taxes	2,632,168	2,411,786	-	-	2,632,168	2,411,786
Unrestricted investment earnings	19,532	197,529	833,839	821,542	853,371	1,019,071
Other	848,649	865,180	-	-	848,649	865,180
Total Revenues	45,834,488	46,330,326	14,925,467	14,484,174	60,759,955	60,814,500
Expenses						
General government	3,273,982	3,452,632	-	-	3,273,982	3,452,632
Public safety	6,694,317	6,616,110	-	-	6,694,317	6,616,110
Education	29,689,779	30,615,964	-	-	29,689,779	30,615,964
Public works	3,187,738	3,094,782	-	-	3,187,738	3,094,782
Health and human services	744,524	718,381	-	-	744,524	718,381
Culture and recreation	1,097,583	1,050,555	-	-	1,097,583	1,050,555
Debt service	1,227,953	413,550	-	-	1,227,953	413,550
Electric light	-	-	12,090,221	12,357,258	12,090,221	12,357,258
Total Expenses	45,915,876	45,961,974	12,090,221	12,357,258	58,006,097	58,319,232
Change in net position before transfers	(81,388)	368,352	2,835,246	2,126,916	2,753,858	2,495,268
Transfers	243,253	230,000	(243,253)	(230,000)	-	-
Change in net position	161,865	598,352	2,591,993	1,896,916	2,753,858	2,495,268
Net position, beginning of year	20,040,095	19,441,743	26,380,779	24,483,863	46,420,874	43,925,606
Restatement for Electric Light	-	-	(227,152)	-	(227,152)	-
Net position, beginning of year, as restated	<u>20,040,095</u>	<u>19,441,743</u>	<u>26,153,627</u>	<u>24,483,863</u>	<u>46,193,722</u>	<u>43,925,606</u>
Net position, end of year	\$ 20,201,960	\$ 20,040,095	\$ 28,745,620	\$ 26,380,779	\$ 48,947,580	\$ 46,420,874

Governmental Activities – Total revenues in fiscal year 2022 in the Town’s governmental activities decreased nearly \$0.5 million from fiscal year 2021. This decrease was due to lower operating grants and contributions that were approximately \$1.1 million lower than the prior year due to lower on-behalf payments made to the state teachers retirement system by the Commonwealth of Massachusetts and lower capital grants and contributions that were approximately \$0.4 million lower due to state funding for roadway projects. These decreases were offset by increased property taxes which were over \$1.2 million greater than the prior year. 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 71.1% of revenues. The increase was in line with the statutorily allowed increase from year to

year and was expected. Operating grants which represented 11.8% of revenues decreased as noted above. No other revenue sources were greater than 10% of total revenues in fiscal years 2022 or 2021.

Total expenses for the current fiscal year were over \$45.9 million which was virtually unchanged from the prior year. Education represents by far the largest expense category for the Town. In fiscal year 2022, education expenses represented approximately 64.7% of total expenses, down from 66.6% in the prior year. The Town continues to fund education expenses above the minimum state requirements. Public safety expenses represented 14.6% of total fiscal year 2022 expenses; up slightly from 14.4% in the prior year. No other expense types were greater than 10% of total expenses in fiscal years 2022 and 2021.

Business-Type Activities – Revenues were over \$14.9 million, an increase of over \$0.4 million (3.0%). The change in customer sales was materially similar year-to-year with a slight increase of over \$0.1 million; the majority of the remaining revenue increase was generated from non-recurring contribution aid in construction proceeds.

Expenses were nearly \$12.3 million, a decrease of nearly \$0.3 million (2.0%). The primary activity resulting in this change was an increase in power costs. The purchase of power and production costs did increase by an immaterial amount; this trend is in-line with other similar municipal light departments within the Department's area. The cost reduction for other expenses is mostly attributed to a change in the recognized costs associated with pension and OPEB benefits recorded in-line with Generally Accepted Accounting Principles

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 nearly \$79.6 million, which was approximately \$68.1 million higher than the prior year, primarily the result of the receipt of nearly \$66.1 million in bond proceeds and bond premiums. Of the ending fund balance, approximately \$8.1 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 over \$8.1 million, while total general fund balance was over \$10.2 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 20.0% of total general fund expenditures, while total fund balance represents approximately 25.2% of that same amount. Fund balance increased nearly \$0.8 million as positive operations of \$1.8 million were offset by the budgetary use of approximately \$0.9 million of surplus fund balance during the year.

The Town maintains the capital projects major fund to account for its various capital projects. The Town reported a restricted fund balance of nearly \$62.4 million, an increase of approximately \$65.9 million

over the prior year. The increase was primarily the result of \$65.1 million in bond proceeds and premiums offset by \$0.4 million in capital expenditures.

The Town also maintains the ARPA grant major fund to account for the activity of its ARPA federal grant. The fund reported no fund balance as the nearly \$1.5 million in federal funds are reported as unearned revenue which will be expended in subsequent years once allowable activities have been identified. Expenditures in the current year were approximately \$55,000.

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 \$1.4 million from the prior year to a total of over \$6.9 million. The increase was primarily due to increased state and federal pandemic grant funding of nearly \$0.5 million, unspent community preservation act revenues and other one-time grants. The fund reports over \$6.7 million as restricted and the remainder is nonspendable.

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 over \$28.7 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 \$0.1 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 decreased over \$0.1 million from unrealized losses on investments.

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, 2022, amounts to approximately \$67.9 million, net of accumulated depreciation/amortization. This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and infrastructure. The balance decreased approximately \$1.2 million as depreciation/amortization was higher than additions. Additions were primarily related to municipal facilities projects, construction of a rail trail, roadway improvements and departmental 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, 2022, the Town had total debt outstanding of approximately \$73.3 million, all reported in the governmental activities. Debt decreased approximately \$61.4 million due to a debt issuance of \$62.415 million which was offset by regular scheduled maturities.

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 2023 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 as rates throughout the Commonwealth and the nation are return from 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 2023 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 2023 at the June 2022 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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	Assets		
Cash and cash equivalents	\$ 77,604,771	\$ 5,284,650	\$ 82,889,421
Investments	5,000,672	11,462,036	16,462,708
Receivables, net:			
Property taxes	801,087	-	801,087
User charges	52,170	1,631,953	1,684,123
Departmental and other	695,265	-	695,265
Intergovernmental	31,406	-	31,406
Inventory	-	690,534	690,534
Prepaid expenses	-	2,544,972	2,544,972
Tax foreclosures	468,461	-	468,461
Net other postemployment benefits asset	-	80,372	80,372
Capital assets not being depreciated or amortized	11,263,027	2,219,869	13,482,896
Capital assets, net of accumulated depreciation/amortization	<u>44,370,106</u>	<u>10,030,750</u>	<u>54,400,856</u>
Total Assets	<u>140,286,965</u>	<u>33,945,136</u>	<u>174,232,101</u>
Deferred Outflows of Resources			
Related to Pensions	2,690,755	841,592	3,532,347
Related to OPEB	<u>2,663,072</u>	<u>484,426</u>	<u>3,147,498</u>
Total Deferred Outflows of Resources	<u>5,353,827</u>	<u>1,326,018</u>	<u>6,679,845</u>
Liabilities			
Warrants and accounts payable	570,882	978,312	1,549,194
Accrued payroll and withholdings	753,060	-	753,060
Accrued interest	1,080,180	-	1,080,180
Accrued expenses	-	464,248	464,248
Unearned revenue	1,455,817	-	1,455,817
Customer deposits	-	272,421	272,421
Other liabilities	272,456	-	272,456
Noncurrent liabilities:			
Due within one year	2,023,075	81,072	2,104,147
Due in more than one year	<u>110,220,474</u>	<u>4,053,530</u>	<u>114,274,004</u>
Total Liabilities	<u>116,375,944</u>	<u>5,849,583</u>	<u>122,225,527</u>
Deferred Inflows of Resources			
Related to Pensions	4,068,077	370,339	4,438,416
Related to OPEB	<u>4,994,811</u>	<u>305,612</u>	<u>5,300,423</u>
Total Deferred Inflows of Resources	<u>9,062,888</u>	<u>675,951</u>	<u>9,738,839</u>
Net Position			
Net investment in capital assets	40,318,013	12,250,619	52,568,632
Restricted for:			
Nonexpendable permanent funds	195,921	-	195,921
Expendable permanent funds	108,928	-	108,928
Grants and gifts	1,161,248	-	1,161,248
Other specific purposes	6,242,819	-	6,242,819
Unrestricted	<u>(27,824,969)</u>	<u>16,495,001</u>	<u>(11,329,968)</u>
Total Net Position	<u>\$ 20,201,960</u>	<u>\$ 28,745,620</u>	<u>\$ 48,947,580</u>

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,273,982	\$ 551,776	\$ 465,168	\$ 90,000	\$ (2,167,038)		\$ (2,167,038)	
Public safety	6,694,317	1,814,405	11,083	-	(4,868,829)		(4,868,829)	
Education	29,689,779	506,109	4,595,026	-	(24,588,644)		(24,588,644)	
Public works	3,187,738	760,342	13,413	246,831	(2,167,152)		(2,167,152)	
Health and human services	744,524	47,377	282,782	-	(414,365)		(414,365)	
Culture and recreation	1,097,583	2,194	28,477	313,678	(753,234)		(753,234)	
Interest expense	1,227,953	2,021	-	-	(1,225,932)		(1,225,932)	
Total governmental activities	<u>45,915,876</u>	<u>3,684,224</u>	<u>5,395,949</u>	<u>650,509</u>	<u>(36,185,194)</u>		<u>(36,185,194)</u>	
Business-type activities:								
Electric Light	12,090,221	13,680,584	411,044	-	\$ 2,001,407		2,001,407	
Total business-type activities	<u>12,090,221</u>	<u>13,680,584</u>	<u>411,044</u>	<u>-</u>	<u>2,001,407</u>		<u>2,001,407</u>	
Total Primary Government	<u>\$ 58,006,097</u>	<u>\$ 17,364,808</u>	<u>\$ 5,806,993</u>	<u>\$ 650,509</u>	<u>(36,185,194)</u>	<u>2,001,407</u>	<u>(34,183,787)</u>	
General Revenues:								
Property taxes				32,603,457	-		32,603,457	
Motor vehicle and other excise				2,632,168	-		2,632,168	
Payments in lieu of taxes				131,375	-		131,375	
Grants and contributions not restricted								
to specific programs				626,972	-		626,972	
Penalties and interest on taxes				90,302	-		90,302	
Unrestricted investment income				19,532	833,839		853,371	
Transfers (net)				<u>243,253</u>	<u>(243,253)</u>		<u>-</u>	
Total general revenues				<u>36,347,059</u>	<u>590,586</u>		<u>36,937,645</u>	
Change in Net Position								
				161,865	2,591,993		2,753,858	
Net Position:								
Beginning of year, as restated				<u>20,040,095</u>	<u>26,153,627</u>		<u>46,193,722</u>	
End of year				<u>\$ 20,201,960</u>	<u>\$ 28,745,620</u>		<u>\$ 48,947,580</u>	

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

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

	General Fund	Capital Projects	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,264,638	\$ 62,395,817	\$ 1,455,817	\$ 6,488,499	\$ 77,604,771
Investments	4,568,648	-	-	432,024	5,000,672
Receivables, net of allowance for uncollectibles:					
Property taxes	795,160	-	-	5,927	801,087
Intergovernmental	-	-	-	31,406	31,406
User charges	-	-	-	52,170	52,170
Departmental and other	275,138	-	-	420,127	695,265
Tax foreclosures	468,461	-	-	-	468,461
Total Assets	13,372,045	62,395,817	1,455,817	7,430,153	84,653,832
Deferred Outflows of Resources					
Total Assets and Deferred Outflows of Resources	\$ 13,372,045	\$ 62,395,817	\$ 1,455,817	\$ 7,430,153	\$ 84,653,832
Liabilities					
Warrants and accounts payable	\$ 570,882	\$ -	\$ -	\$ -	\$ 570,882
Accrued payroll and withholdings	753,060	-	-	-	753,060
Unearned revenue	-	-	1,455,817	-	1,455,817
Other liabilities	266,935	-	-	5,521	272,456
Total Liabilities	1,590,877	-	1,455,817	5,521	3,052,215
Deferred Inflows of Resources					
Unavailable revenues - property taxes	795,160	-	-	5,927	801,087
Unavailable revenues - other	743,599	-	-	472,297	1,215,896
Total Deferred Inflows of Resources	1,538,759	-	-	478,224	2,016,983
Fund Balances					
Nonspendable	-	-	-	195,921	195,921
Restricted	284,284	62,395,817	-	6,750,487	69,430,588
Committed	686,949	-	-	-	686,949
Assigned	1,134,440	-	-	-	1,134,440
Unassigned	8,136,736	-	-	-	8,136,736
Total Fund Balances	10,242,409	62,395,817	-	6,946,408	79,584,634
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,372,045	\$ 62,395,817	\$ 1,455,817	\$ 7,430,153	\$ 84,653,832

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, 2022

Total Governmental Fund Balances	\$ 79,584,634
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	55,633,133
Other long-term assets are unavailable to pay current-period expenditures	2,016,983
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	2,690,755
Deferred outflows related to other postemployment benefits	2,663,072
Deferred inflows related to pensions	(4,068,077)
Deferred inflows related to other postemployment benefits	<u>(4,994,811)</u>
Net effect of reporting deferred outflows and inflows of resources	(3,709,061)
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds interest is not reported until due.	(1,080,180)
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	(73,336,586)
Unamortized premiums on bonds	(4,266,876)
Lease liabilities	(118,861)
Landfill closure	(682,500)
Net pension liability	(15,344,969)
Net other postemployment benefits liability	<u>(18,493,757)</u>
Net effect of reporting long-term liabilities	<u>(112,243,549)</u>
Net Position of Governmental Activities	<u>\$ 20,201,960</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, 2022**

	General Fund	Capital Projects	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 32,229,587	\$ -	\$ -	\$ 271,211	\$ 32,500,798
Intergovernmental	4,237,541	40,000	55,157	2,124,775	6,457,473
Motor vehicle and other excises	2,561,923	-	-	-	2,561,923
Licenses and permits	709,759	-	-	-	709,759
Penalties and interest on taxes	90,302	-	-	-	90,302
Payments in lieu of taxes	131,375	-	-	-	131,375
Fines and forfeitures	9,982	-	-	-	9,982
Charges for services	-	-	-	1,115,731	1,115,731
Departmental and other revenue	605,750	-	-	1,201,828	1,807,578
Investment income	24,917	-	-	(5,385)	19,532
Contributions and donations	-	-	-	215,957	215,957
Total Revenues	40,601,136	40,000	55,157	4,924,117	45,620,410
Expenditures:					
Current:					
General government	2,102,154	159,628	55,157	403,361	2,720,300
Public safety	5,039,505	-	-	370,736	5,410,241
Education	24,347,391	-	-	1,303,985	25,651,376
Public works	1,857,907	197,749	-	679,414	2,735,070
Health and human services	452,102	-	-	89,286	541,388
Culture and recreation	652,752	-	-	48,085	700,837
Pension and employee benefits	4,567,246	-	-	-	4,567,246
State and county assessments	314,519	-	-	-	314,519
Debt service:					
Principal	920,000	-	-	136,186	1,056,186
Interest	441,098	-	-	2,905	444,003
Total Expenditures	40,694,674	357,377	55,157	3,033,958	44,141,166
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,538)	(317,377)	-	1,890,159	1,479,244
Other Financing Sources (Uses):					
Issuance of bonds and notes	-	62,415,000	-	-	62,415,000
Premiums from bonds and notes	-	3,641,500	-	311,475	3,952,975
Transfers in	1,077,502	188,500	-	-	1,266,002
Transfers out	(188,500)	-	-	(834,249)	(1,022,749)
Total Other Financing Sources (Uses)	889,002	66,245,000	-	(522,774)	66,611,228
Net Change in Fund Balances	795,464	65,927,623	-	1,367,385	68,090,472
FUND BALANCES - Beginning of year	9,446,945	(3,531,806)	-	5,579,023	11,494,162
FUND BALANCES - End of year	\$ 10,242,409	\$ 62,395,817	\$ -	\$ 6,946,408	\$ 79,584,634

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, 2022**

Net Change in Fund Balances - Total Governmental Fund Balances \$ **68,090,472**

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	956,094
Depreciation/amortization	<u>(2,484,079)</u>
Net effect of reporting capital assets	(1,527,985)

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	(62,415,000)
Premiums from bonds and notes	(3,952,975)
Amortization of premiums on bonds and notes payable	129,443
Payments of lease liability principal	115,973
Repayments of debt	<u>1,056,186</u>

Net effect of reporting long-term debt (65,066,373)

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.

214,078

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.

(913,393)

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	(108,331)
Other postemployment benefits	<u>(579,103)</u>

Net effect of reporting long-term liabilities (634,934)

Change in Net Position of Governmental Activities \$ **161,865**

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

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

	Business-Type Activities
	Electric Light Enterprise (December 31, 2021)
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,284,650
Investments	11,462,036
Receivables (net):	
User charges	1,631,953
Inventory	690,534
Prepaid expenses	<u>2,544,972</u>
	<u>21,614,145</u>
Total current assets	<u>21,614,145</u>
Noncurrent assets:	
Net other postemployment benefits asset	80,372
Nondepreciable capital assets	2,219,869
Capital assets (net of depreciation/amortization)	<u>10,030,750</u>
	<u>12,330,991</u>
Total noncurrent assets	<u>12,330,991</u>
Total Assets	<u>33,945,136</u>
Deferred Outflows of Resources	
Related to Pensions	841,592
Related to OPEB	<u>484,426</u>
	<u>1,326,018</u>
Total Deferred Outflows of Resources	<u>1,326,018</u>
Liabilities	
Current liabilities:	
Warrants and accounts payable	978,312
Customer deposits	272,421
Accrued expenses	464,248
Accrued compensated absences	<u>81,072</u>
	<u>1,796,053</u>
Total current liabilities	<u>1,796,053</u>
Noncurrent liabilities:	
Accrued compensated absences	81,072
Net pension liability	<u>3,972,458</u>
	<u>4,053,530</u>
Total noncurrent liabilities	<u>4,053,530</u>
Total Liabilities	<u>5,849,583</u>
Deferred Inflows of Resources	
Related to Pensions	370,339
Related to OPEB	<u>305,612</u>
	<u>675,951</u>
Total Deferred Inflows of Resources	<u>675,951</u>
Net Position	
Net investment in capital assets	12,250,619
Unrestricted	<u>16,495,001</u>
	<u>28,745,620</u>
Total Net Position	<u>28,745,620</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, 2022**

	Business-Type Activities <u>Electric Light Enterprise (December 31, 2021)</u>
Operating Revenues:	
Charges for services	\$ 13,680,584
Other operating revenues	<u>411,044</u>
	<u>14,091,628</u>
Operating Expenses:	
Purchased power and production	8,417,328
Other operating expenses	2,957,420
Depreciation/amortization and bad debts	<u>715,473</u>
	<u>12,090,221</u>
Operating Income (Loss)	<u>2,001,407</u>
Nonoperating Revenues (Expenses):	
Investment income (loss)	<u>833,839</u>
	<u>833,839</u>
Income (Loss) Before Transfers	2,835,246
Transfers out	<u>(243,253)</u>
Change in Net Position	2,591,993
Total Net Position - Beginning of the Year, as restated	<u>26,153,627</u>
Total Net Position - End of the Year	\$ 28,745,620

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

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

	Business-Type Activities
	Electric Light Enterprise
	(December 31, 2021)
Cash Flows from Operating Activities:	
Receipts from customers	\$ 14,135,428
Payments to suppliers	(9,512,279)
Payments to employees	(1,894,602)
Operating transfers out	<u>(243,253)</u>
Net Cash Provided by (Used in) Operating Activities	<u>2,485,294</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(788,037)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(788,037)</u>
Cash Flows from Investing Activities:	
Investment income	833,839
Investment of operating cash, net	<u>(1,347,698)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(513,859)</u>
Net Change in Cash and Cash Equivalents	1,183,398
Cash and Cash Equivalents:	
Beginning of the year	<u>4,101,252</u>
End of the year	<u>\$ 5,284,650</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ 2,001,407
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Operating transfers out	(243,253)
Depreciation/amortization, bad debts and reserve	715,473
Changes in assets and liabilities:	
Receivables	(8,152)
Inventory	(32,218)
Prepaid expenses	(298,109)
Net other postemployment benefits asset	4,965
Deferred outflows of resources	(479,592)
Accounts payable	355,976
Accrued expenses	432,627
Customer deposits	51,952
Compensated absences	(22,267)
Net pension liability	(255,653)
Deferred inflows of resources	<u>262,138</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,485,294</u>

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	Other Postemployment Benefits Trust Fund	Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2021	Private Purpose Trust Funds
Assets				
Cash and cash equivalents	\$ -	\$ 6,710	\$ 122,872	
Investments:				
Negotiable certificates of deposit	- -	- -	3,824	
Common stock	- -	- -	12,318	
Corporate fixed income securities	- -	- -	16,639	
U.S. government obligations	- -	- -	17,476	
Equity mutual funds	- -	969,717	370,613	
Fixed income mutual funds	- -	863,632	78,884	
Fixed income ETF funds	- -	- -	3,409	
PRIT	<u>1,961,122</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Total Assets	<u>1,961,122</u>	<u>1,840,059</u>	<u>626,035</u>	
Liabilities				
Other liabilities	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Total Liabilities	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Net Position				
Restricted for other postemployment benefits	1,961,122	1,840,059	- -	
Held in trust for private purposes	<u>- -</u>	<u>- -</u>	<u>626,035</u>	
Total Net Position	<u>\$ 1,961,122</u>	<u>\$ 1,840,059</u>	<u>\$ 626,035</u>	

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022

	(Light Department) December 31, 2021		
	Other Postemployment Benefits Trust Fund	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions			
Contributions:			
Employer	\$ 784,888	\$ 60,407	\$ -
Other	- <hr/>	- <hr/>	2,650 <hr/>
Total contributions	<hr/> 784,888	<hr/> 60,407	<hr/> 2,650
Investment income:			
Interest and dividends	47,706	173,620	9,476
Realized gain (loss) on investments	82,356	-	11,180
Net appreciation in fair value of investments	(197,650)	-	(116,981)
Less - investment management fees	(10,353)	-	-
Net investment earnings	<hr/> (77,941)	<hr/> 173,620	<hr/> (96,325)
Other income	- <hr/>	- <hr/>	- <hr/>
Total Additions	<hr/> 706,947	<hr/> 234,027	<hr/> (93,675)
Deductions			
Education - scholarships	-	-	2,500
Health and human services	-	-	13,535
Retiree benefits	609,888	60,407	-
Total Deductions	<hr/> 609,888	<hr/> 60,407	<hr/> 16,035
CHANGE IN NET POSITION	97,059	173,620	(109,710)
NET POSITION AT BEGINNING OF YEAR	<hr/> 1,864,063	<hr/> 1,666,439	<hr/> 735,745
NET POSITION AT END OF YEAR	<hr/> \$ 1,961,122	<hr/> \$ 1,840,059	<hr/> \$ 626,035

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, 2022

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 2022, the Town’s share of the operating and debt service expenses was \$10,575,567. 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 2022, the Town’s share of the operating and debt service expenses was \$821,973. 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.

ARPA Grant Fund – is used to account for activities of the Town's ARPA federal grant program.

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/amortization. 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 Expenses – 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 expenses in both government-wide and fund financial statements. The Light Department's prepaid

expenses 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 (including leased 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, leased 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, the present value of leased assets 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 or amortized 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/amortization, 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 \$128,069 of encumbrances from normal purchasing activity in the general fund as assigned and \$686,949 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	ARPA Grant	Nonmajor Governmental	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ 195,921	\$ 195,921
Restricted:					
School revolving	-	-	-	1,031,031	1,031,031
Federal and state grants	-	-	-	744,969	744,969
Ambulance services	-	-	-	1,240,265	1,240,265
Gift funds	-	-	-	416,279	416,279
Septic betterments	-	-	-	52,945	52,945
Cable access programming	-	-	-	516,234	516,234
Water services	-	-	-	1,409,838	1,409,838
Community preservation	-	-	-	791,160	791,160
Public facilities project	-	61,605,689	-	-	61,605,689
Departmental equipment	-	727,519	-	-	727,519
Other capital outlay	-	62,609	-	-	62,609
Cemetery trust funds	-	-	-	21,825	21,825
Other trust funds	-	-	-	87,103	87,103
Debt service	284,284	-	-	-	284,284
Other purposes	-	-	-	438,838	438,838
Committed:					
General government	489,813	-	-	-	489,813
Public works	80,666	-	-	-	80,666
Public safety	87,111	-	-	-	87,111
Other purposes	29,359	-	-	-	29,359
Assigned:					
Purchase orders	128,069	-	-	-	128,069
Subsequent years' budget	1,006,371	-	-	-	1,006,371
Unassigned	8,136,736	-	-	-	8,136,736
	<u>\$ 10,242,409</u>	<u>\$ 62,395,817</u>	<u>\$ -</u>	<u>\$ 6,946,408</u>	<u>\$79,584,634</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, 2022, the Town reported a balance in its stabilization fund of \$2,156,823, 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, 2022, the Town reported a balance in its special education stabilization fund of \$354,630, 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, 2022, the Town reported a balance in its capital stabilization fund of \$878,497, 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, 2022, the Town reported a balance in its retirement stabilization fund of \$421,631, which is reported as unassigned in the general fund.

The Town maintains a sidewalk/pedestrian improvements stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for capital sidewalk improvements costs upon a two-thirds vote of the Town Meeting. At June 30, 2022, the Town reported a balance in its retirement stabilization fund of \$127,929, which is reported as unassigned in the general fund.

The Town maintains a facilities complex stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for construction or improvement costs for the Town's facilities complex upon a two-thirds vote of the Town Meeting. At June 30, 2022, the Town reported a balance in its retirement stabilization fund of \$127,929, which is reported as unassigned in the general fund.

E. Excess of Expenditures Over Appropriations and Fund Deficits

During the fiscal year ended, expenditures did not exceed appropriations for any line item in the General Fund, nor did the Town incur individual fund deficits.

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.

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, 2022, the Town, excluding the Light Department, had bank deposits totaling \$73,595,203, with a carrying value of \$72,179,500. Of the bank balance, \$68,081,005 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 \$217,480. The bank balance of these Department segregated funds maintained by the Town Treasurer was \$185,113. In addition to the segregated funds, there was \$5,073,881 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, 2022:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Corporate fixed income securities	\$ 1,567,143	\$ 1,567,143	\$ -	\$ -
U.S. government obligations	1,645,947	1,363,925	282,022	-
Fixed income ETF funds	321,037	-	321,037	-
Negotiable certificates of deposit	360,109	-	360,109	-
Repurchase agreements	3,338,213	-	3,338,213	-
State treasurer's PRIT fund	1,961,122	-	1,961,122	-
Total debt securities	9,193,571	2,931,068	6,262,503	-
Equity securities:				
Common stock	1,160,102	1,160,102	-	-
Equity mutual funds	449,497	449,497	-	-
Total equity securities	1,609,599	1,609,599	-	-
Total investments by fair value level	\$ 10,803,170	\$ 4,540,667	\$ 6,262,503	\$ -
Investments measured at amortized costs				
Massachusetts Municipal Depository Trust	2,209,931			
Total investments	<u>13,013,101</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, fixed income ETF funds and repurchase agreements 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, 2021, the Light Department's investments are categorized as follows: Level 1 - \$949,591 equities and \$25,757 U.S. government obligations; Level 2 - \$12,710 U.S. government obligations, \$231,410 municipal bonds, \$58,015 corporate bonds, \$10,905 fixed income ETF funds, \$7,632,972 bond mutual funds, \$3,951,561 equity mutual funds and \$268,574 negotiable 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, 2022, 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	\$ 1,567,143	\$ 117,498	\$ 1,449,645	\$ -
U.S. government obligations	1,645,947	551,044	1,007,557	87,346
Fixed income ETF funds	321,037	283,212	37,825	-
Negotiable certificates of deposit	360,109	360,109	-	-
Total investments with maturities	<u>\$ 3,894,236</u>	<u>\$ 1,311,863</u>	<u>\$ 2,495,027</u>	<u>\$ 87,346</u>

At December 31, 2021, the Light Department had the following investments with maturities:

Investments	Fair Value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
U.S. government obligations	\$ 38,467	\$ -	\$ 34,926	\$ 3,541
Municipal bonds	231,410	-	231,410	-
Corporate bonds	58,015	8,818	49,197	-
Exchange traded funds - fixed income	10,905	-	10,905	-
Mutual funds - open end	800,000	800,000	-	-
Mutual funds - fixed income	6,832,972	-	5,548,258	1,284,714
Certificates of deposit	268,574	10,332	158,071	100,171
Total investments with maturities	<u>\$ 8,240,343</u>	<u>\$ 819,150</u>	<u>\$ 6,032,767</u>	<u>\$ 1,388,426</u>

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, 2022, Town has 17% of its investments in MMDT, 15% in the PRIT fund and 13% 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, \$281,096 as A1, \$428,614 as A2, \$486,016 as Baa1 and \$371,417 as Baa2. The Town's remaining investments are unrated.

The Light Department's investments in U.S. government obligations, municipal bonds and open end mutual funds are rated as Aaa by Moody's. Corporate bonds are rated \$4,394 as Aaa, \$11,025 as A1, \$9,192 as A2, \$18,980 as Baa1 and \$14,424 as Baa2. The Light Department's remaining investments are unrated.

B. Receivables

Receivables as of year-end for the Town's individual major and non-major 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	\$ 523,556	\$ -	\$ 523,556
Tax liens and deferrals	271,604	-	271,604
Community preservation surcharges	5,927	-	5,927
Motor vehicle and other excise taxes	275,138	-	275,138
User charges	52,170	-	52,170
Ambulance fees	694,351	(277,740)	416,611
Other	3,516	-	3,516
Intergovernmental	31,406	-	31,406
Total	\$ 1,857,668	\$ (277,740)	\$ 1,579,928

Receivables for the Town's Light Plant Enterprise Fund are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Customer accounts receivable	\$ 1,648,419	\$ (165,973)	\$ 1,482,446
Other accounts receivable	149,507	-	149,507
Total	\$ 1,797,926	\$ (165,973)	\$ 1,631,953

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	\$ 523,556	\$ -	\$ 523,556
Tax liens and deferrals	271,604	-	271,604
Motor vehicle and other excise taxes	275,138	-	275,138
Community preservation surcharges	-	5,927	5,927
User charges	-	52,170	52,170
Ambulance fees	-	416,611	416,611
Other	-	3,516	3,516
Tax foreclosures	468,461	-	468,461
Total	\$ 1,538,759	\$ 478,224	\$ 2,016,983

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022 (December 31, 2021 for Electric Light Department) was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated/amortized:				
Land	\$ 10,383,884	\$ -	\$ -	\$ 10,383,884
Construction in process	978,607	319,476	(418,940)	879,143
Total capital assets not being depreciated/amortized	<u>11,362,491</u>	<u>319,476</u>	<u>(418,940)</u>	<u>11,263,027</u>
Capital assets being depreciated/amortized:				
Land improvements	1,975,543	-	-	1,975,543
Buildings and improvements	44,821,719	16,810	-	44,838,529
Machinery and equipment	8,184,480	723,660	(355,816)	8,552,324
Infrastructure	32,536,760	315,088	-	32,851,848
Total capital assets being depreciated/amortized	<u>87,518,502</u>	<u>1,055,558</u>	<u>(355,816)</u>	<u>88,218,244</u>
Less accumulated depreciation/amortization for:				
Land improvements	(1,174,272)	(50,382)	-	(1,224,654)
Buildings and improvements	(18,309,435)	(1,161,533)	-	(19,470,968)
Machinery and equipment	(5,570,100)	(627,521)	355,816	(5,841,805)
Infrastructure	(16,666,068)	(644,643)	-	(17,310,711)
Total accumulated depreciation/amortization	<u>(41,719,875)</u>	<u>(2,484,079)</u>	<u>355,816</u>	<u>(43,848,138)</u>
Total capital assets being depreciated/amortized, net	<u>45,798,627</u>	<u>(1,428,521)</u>	<u>-</u>	<u>44,370,106</u>
Total governmental activities capital assets, net	<u>\$ 57,161,118</u>	<u>\$ (1,109,045)</u>	<u>\$ (418,940)</u>	<u>\$ 55,633,133</u>
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated/amortized:				
Land	\$ 2,219,869	\$ -	\$ -	\$ 2,219,869
Capital assets being depreciated/amortized:				
Buildings and improvements	1,287,808	4,712	(1,500)	1,291,020
Machinery and equipment	3,144,165	31,341	(239,500)	2,936,006
Infrastructure	19,417,114	751,984	(232,999)	19,936,099
Total capital assets being depreciated/amortized	<u>23,849,087</u>	<u>788,037</u>	<u>(473,999)</u>	<u>24,163,125</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	* (1,136,295)	(38,634)	1,500	(1,173,429)
Machinery and equipment	* (928,457)	(94,326)	239,500	(783,283)
Infrastructure	* (11,826,149)	(582,513)	232,999	(12,175,663)
Total accumulated depreciation/amortization	<u>(13,890,901)</u>	<u>(715,473)</u>	<u>473,999</u>	<u>(14,132,375)</u>
Total capital assets being depreciated/amortized, net	<u>9,958,186</u>	<u>72,564</u>	<u>-</u>	<u>10,030,750</u>
Total business-type activities capital assets, net	<u>\$ 12,178,055</u>	<u>\$ 72,564</u>	<u>\$ -</u>	<u>\$ 12,250,619</u>

* As restated; see Note IV.

Depreciation/amortization was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 93,231	Light Department	\$ 715,473
Public safety	380,405		<u>\$ 715,473</u>
Education	928,269		
Public works	863,274		
Health and human services	20,386		
Culture and recreation	<u>198,514</u>		
	<u>\$ 2,484,079</u>		

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2022, are summarized as follows:

Transfers Out	Transfers In		
	General Fund	Capital Projects Fund	Total
General Fund	\$ -	\$ 188,500	\$ 188,500 (1)
Nonmajor Governmental Funds	834,249	-	834,249 (2)
Electric Light Enterprise Fund	243,253	-	243,253 (2)
Total	<u>\$ 1,077,502</u>	<u>\$ 188,500</u>	<u>\$ 1,266,002</u>

(1) Transfers to capital projects fund for BAN paydown.

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

E. Temporary Debt

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

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of 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 paid off a \$3,745,000 BAN issued in the prior year at 1.13% for the South Main land acquisition and master plan projects using \$188,500 of available funds and \$3,556,500 of proceeds from a long-term bond issuance.

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, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 11,945,000	\$ 62,415,000	\$ (1,040,000)	\$ 73,320,000	\$ 1,360,000
Unamortized bond premium	443,344	3,952,975	(129,443)	4,266,876	480,128
Direct borrowings and placements	32,772	-	(16,186)	16,586	11,586
Lease liabilities	234,834	-	(115,973)	118,861	118,861
Landfill closure	735,000	-	(52,500)	682,500	52,500
Net pension liability	16,777,571	2,799,085	(4,231,687)	15,344,969	-
Net other postemployment benefits liability	20,079,348	3,409,220	(4,994,811)	18,493,757	-
Total Governmental Activities	\$ 50,247,869	\$ 72,576,280	\$ (10,580,600)	\$ 112,243,549	\$ 2,023,075
<i>Business-Type Activities - MELD:</i>					
Compensated absences	* \$ 184,411	\$ 23,836	\$ (46,103)	\$ 162,144	\$ 81,072
Net pension liability	4,228,111	1,424,560	(1,680,213)	3,972,458	-
Total Business-Type Activities	\$ 4,412,522	\$ 1,448,396	\$ (1,726,316)	\$ 4,134,602	\$ 81,072

* As restated; see Note IV.

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.

Lease Liabilities – The Town has entered into a non-cancelable lease for the purchase of an ambulance. This lease qualifies as a 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 presently in use by the Town having been acquired through leases are as follows:

Description	Amount
Ambulance	\$ 356,655
Less: accumulated amortization	(35,666)
Total	\$ 320,989

Payments on lease liabilities due in future years consists of the following at June 30, 2022:

Year Ended	Principal	Interest	Total
June 30,			
2023	\$ 118,861	\$ 2,960	\$ 121,821

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, 2022:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	2.30 - 5.00%	\$ 10,725,000	\$ 62,415,000	\$ (865,000)	\$ 72,275,000
General Obligation Refunding Bonds	5.00%	1,220,000	-	(175,000)	1,045,000
Federal Home Loan Bonds	5.00%	15,000	-	(9,800)	5,200
Massachusetts Clean Water Trust Notes	3.00 - 5.25%	17,772	-	(6,386)	11,386
Total Governmental Activities		11,977,772	62,415,000	(1,056,186)	73,336,586
Add: Unamortized bond premium		443,344	3,952,975	(129,443)	4,266,876
Total Governmental Activities, net		<u>\$ 12,421,116</u>	<u>\$ 66,367,975</u>	<u>\$ (1,185,629)</u>	<u>\$ 77,603,462</u>

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

Year Ending June 30,	<i>Governmental Activities</i>			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 1,360,000	\$ 2,975,943	\$ 11,586	\$ 265
2024	1,960,000	2,020,080	1,000	-
2025	2,075,000	1,935,178	1,000	-
2026	2,195,000	1,850,225	1,000	-
2027	2,380,000	1,754,975	1,000	-
2028 - 2032	13,070,000	7,155,050	1,000	-
2033 - 2037	14,895,000	4,732,900	-	-
2038 - 2042	14,525,000	3,167,831	-	-
2043 - 2047	11,195,000	1,785,853	-	-
2048 - 2052	9,665,000	534,197	-	-
Total	<u>\$ 73,320,000</u>	<u>\$ 27,912,232</u>	<u>\$ 16,586</u>	<u>\$ 265</u>

On December 15, 2021, the Town issued \$62,415,000 of general obligation bonds paying interest at 2%-5% per annum and maturing at various dates through December 15, 2051. The bonds were issued for a public facilities project (\$58,307,000), land acquisition (\$3,086,400), master planning (\$239,550) and departmental equipment (\$782,050).

The following table summarizes authorized but unissued debt at June 30, 2022:

Project	Amount
<i>Governmental:</i>	
Septic loans	\$ 84,969
Total Authorized and Unissued	<u>\$ 84,969</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2021, 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, 2021, was as follows:

Retired participants and beneficiaries	
receiving benefits	2,039
Inactive participants entitled to a return	
of their employee contributions	972
Active members	<u>3,118</u>
Total	<u>6,129</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 \$2,282,051 to the System in fiscal year 2022, which equaled the actuarially determined contribution requirement for the year.

Net Pension Liability – As of June 30, 2022, the Town reported a liability of \$19,317,427 for its proportionate share of the net pension liability. The net pension liability reported by the System at December 31, 2021 (used for fiscal year end June 30, 2022) is \$19,109,550. 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. These figures were updated by the independent actuary as of December 31, 2021. The Light Department's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. These figures were updated by the independent actuary as of December 31, 2021. The discount rate decreased from 7.3% to 7.0% since the previous actuarial valuation. There were no 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 5.503% as of December 31, 2021.

Pension Expense – The Town (excluding the Light Department) recognized \$1,940,817 in pension expense in the statement of activities in fiscal year 2022; and the Light Department recognized \$256,563.

Deferred Outflows of Resources and Deferred Inflows of Resources – As of June 30, 2022, 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	\$ -	\$ 3,401,571
Changes in assumptions	1,699,783	-
Changes in proportion differences	989,693	-
Differences between expected and actual experience	1,279	469,536
Changes in proportion differences	-	196,970
	<hr/> <u>\$ 2,690,755</u>	<hr/> <u>\$ 4,068,077</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ (124,194)
2024	(516,284)
2025	(408,643)
2026	<u>(328,200)</u>
Total	<u>\$ (1,377,321)</u>

As of December 31, 2021, the Light Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual earnings	\$ -	\$ 295,553
Changes in assumptions	265,750	-
Changes in proportion differences	142,893	71,380
Differences between expected and actual experience	434	3,406
Contributions made subsequent to measurement date	<u>432,515</u>	<u>-</u>
	<u>\$ 841,592</u>	<u>\$ 370,339</u>

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2022	\$ 484,048
2023	46,409
2024	(42,267)
2025	<u>(16,937)</u>
Total	<u>\$ 471,253</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, 2022. The significant actuarial assumptions used in the January 1, 2022 actuarial valuation included:

Net Investment Return/Discount Rate	7.00% (previously 7.30%)
Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Cost of Living Adjustment	3% of first \$14,000
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP -2021
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortaility Table projected generationally with Scale MP-2021
Disabled Mortality	RP-2014 Healthy Annuitant Mortaility Table set forward two years projected generationally with Scale MP-2021

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	22.00%	6.11%
International Equity	11.50%	6.49%
International Emerging Markets	4.50%	8.12%
Core fixed income	15.00%	0.38%
High Yield Fixed Income	8.00%	2.48%
Real Estate	10.00%	3.72%
Timberland	4.00%	3.44%
Hedge funds, PCS	10.00%	2.63%
Private Equity	15.00%	9.93%
	<u>100.00%</u>	<u> </u>

Discount Rate – The discount rate used to measure the Town’s and Light Department’s pension liability was 7.00%, which was decreased from 7.3% in the previous actuarial valuation. 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	7.00%	\$ 20,752,064	\$ 15,344,969	\$ 10,804,275
Light Department	7.30%	\$ 5,086,569	\$ 3,972,458	\$ 3,036,038

B. Massachusetts Teachers’ Retirement System

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, 2022, (measured as of June 30, 2021) the Commonwealth contributed \$1,612,873 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 0.092244%, 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):

	Paid (or assumed)		
	Commonwealth Portion	On Behalf of the Town	Town Portion
Net pension liability	\$ 20,945,749	\$ (20,945,759)	\$ —
Pension expense	1,680,810	(1,680,810)	—

The Town recognized \$1,680,810 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, 2022:

Active employees	206
Inactive employees	84
Total	<u>290</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, 2022 using an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the Town as of June 30, 2022 were as follows:

Total OPEB Liability	\$ 20,454,879
Plan fiduciary net position	<u>(1,961,122)</u>
Net OPEB liability	<u>\$ 18,493,757</u>
Plan fiduciary net position as	
a percentage of the total	
OPEB liability	9.59%

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	6.41%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	4.09% as of June 30, 2022
Discount Rate	5.60%, net of OPEB plan investment expense, including inflation.
Inflation	2.50% annually as of June 30, 2022 and for future periods
Health Care Trend Rate	8.00% trending to 3.63% in 2060. Rates developed using the SOA Getzen Model of Long-Run Medical Cost Trends.
Salary Increases	3.00% annually as of July 1, 2021 and for future periods
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for 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. Set forward 1 year for 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 5.60%. The only key change in assumptions from the prior year was the increase of this discount rate from 4.25% to 5.60%.

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%	4.42%
Domestic Equity - Small/Mid Cap	3.50%	4.81%
International Equity - Developed Market	16.00%	4.91%
International Equity - Emerging Market	6.00%	5.58%
Domestic Fixed Income	20.00%	1.00%
International Fixed Income	3.00%	1.04%
Alternatives	23.00%	5.98%
Real Estate	14.00%	6.25%
Cash	0.00%	0.00%
	<u>100.00%</u>	
Real rate of return		4.41%
Inflation assumption		2.50%
Total nominal rate of return		6.91%
Investment expense		<u>-0.50%</u>
Net investment return		<u>6.41%</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	5.60%	\$ 21,648,869	\$ 18,493,757	\$ 15,963,680
Health Care Trend Rate				
Net OPEB liability	Current Rate 8.00% > 3.63%	1% Decrease	At Current Rate	1% Increase
		\$ 15,665,385	\$ 18,493,757	\$ 22,039,242

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 21,943,411	\$ 1,864,063	\$ 20,079,348
Changes for the year:			
Service cost	950,245	-	950,245
Interest	960,155	-	960,155
Change in assumptions	932,942	-	932,942
Difference between expected and actual experience	(3,721,986)	-	(3,721,986)
Net investment income	-	(77,941)	77,941
Employer contributions	-	784,888	(784,888)
Benefit payments withdrawn from trust	-	(609,888)	609,888
Benefit payments	(609,888)	-	(609,888)
Net changes	<u>(1,488,532)</u>	<u>97,059</u>	<u>(1,585,591)</u>
Balances at June 30, 2022	<u>\$ 20,454,879</u>	<u>\$ 1,961,122</u>	<u>\$ 18,493,757</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$1,363,991. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ 1,933	\$ -
Changes of Assumptions	2,661,139	-
Differences between actual and expected experience	-	4,994,811
	<u>\$ 2,663,072</u>	<u>\$ 4,994,811</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,	
2023	\$ (404,286)
2024	(390,575)
2025	(593,760)
2026	(601,342)
2027	(243,132)
thereafter	<u>(98,644)</u>
	<u>\$ (2,331,739)</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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -4.15%. 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, 2022, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

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).

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.

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 (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act through the end of 2025.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses discussed above) associated with MELD's Project Capability of the Projects in which it participates was \$33,693,036 for the year ended December 31, 2021.

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 Department 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, \$682,500, 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 June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

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

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

Future Implementations –

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

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to

improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

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

IV. Restatement

As of December 31, 2020, the Department has begun recognizing an additional accrued expense for the annual pension assessment (which is calculated on a fiscal year ending June 30th annually). Additionally, the Department optioned to begin utilizing the pension reporting as of December 31, 2019, as its base measurement date for December 31, 2020, as allowed under Governmental Auditing Standards; this resulted in a restatement of the deferred outflows of resources relative to an additional contribution after measurement date relative to the fiscal year 2020 pension assessment. Additionally, the Department has modified its methodology with regards to calculating annual depreciation/amortization of capital assets to be similar to its statutorily required depreciation/amortization methodology which is in-line with the model utilized within the industry for financial statement reporting.

The following table illustrates the effect of the net position restatement:

Prior year Net Position as presented	\$ 26,380,779
Restate: Change in depreciation model calculation	(420,357)
Restate: Additional accrual of pension assessment expense	(193,205)
Restate: Deferred outflow of resources - additional pension contribution after measurement date	386,410
Net Position as restated	<u><u>\$ 26,153,627</u></u>

TOWN OF MIDDLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

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

	Year Ended June 30,						
	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability (asset)	5.50%	5.26%	5.07%	5.22%	5.23%	5.06%	4.93%
Town's proportionate share of the net pension liability (asset)	* \$ 19,110	\$ 20,893	\$ 21,354	\$ 22,036	\$ 19,679	\$ 19,507	\$ 17,900
Town's covered payroll	\$ 8,942	\$ 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	213.7%	262.6%	279.1%	286.4%	266.4%	276.3%	292.1%
Plan fiduciary net position as a percentage of the total pension liability	67.0%	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)

	Year Ended June 30,						
	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 2,280	\$ 2,032	\$ 1,820	\$ 1,743	\$ 1,628	\$ 1,467	\$ 1,258
Contributions in relation to the actuarially determined contribution	2,282	2,034	1,822	1,745	1,630	1,468	1,258
Contribution deficiency (excess)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (2)	\$ (1)	\$ -
Town's covered payroll	\$ 8,942	\$ 7,957	\$ 7,652	\$ 7,695	\$ 7,388	\$ 7,060	\$ 6,129
Contributions as a percentage of covered payroll	25.5%	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, 2022

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM

	June 30						
	2021	2020	2019	2018	2017	2016	2015
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,706,876	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643
Commonwealth's actuarially determined contribution	\$ 1,748,483	\$ 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, 2022

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

	June 30					
	2022	2021	2020	2019	2018	2017
Service cost	\$ 950,245	\$ 814,764	\$ 785,898	\$ 1,055,101	\$ 883,961	\$ 845,336
Interest	960,155	942,679	962,580	1,048,772	1,087,561	1,012,331
Difference between expected and actual plan experience	(3,721,986)	-	(3,226,197)	-	302,431	-
Changes of assumptions	932,942	1,436,876	424,641	1,682,663	-	-
Benefit payments	(609,888)	(557,585)	(484,676)	(609,902)	(565,578)	(510,717)
Net change in total OPEB liability	(1,488,532)	2,636,734	(1,537,754)	3,176,634	1,708,375	1,346,950
Total OPEB liability - beginning of year	21,943,411	19,306,677	20,844,431	17,667,797	15,959,422	14,612,472
Total OPEB liability - end of year (a)	<u>\$ 20,454,879</u>	<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	\$ 784,888	\$ 632,585	\$ 534,676	\$ 684,902	\$ 615,578	\$ 610,717
Net investment income	(77,941)	419,599	26,543	72,264	96,789	109,117
Benefit payments	(609,888)	(557,585)	(484,676)	(609,902)	(565,578)	(510,717)
Net change in Plan fiduciary net position	97,059	494,599	76,543	147,264	146,789	209,117
Plan fiduciary net position - beginning of year	1,864,063	1,369,464	1,292,921	1,145,657	998,868	789,751
Plan fiduciary net position - end of year (b)	<u>\$ 1,961,122</u>	<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>\$ 18,493,757</u>	<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	9.59%	8.49%	7.09%	6.20%	6.48%	6.26%
Covered payroll	\$ 16,716,013	\$ 14,679,968	\$ 14,252,396	\$ 11,055,578	\$ 10,733,570	\$ 10,700,000
Net OPEB liability as a percentage of covered payroll	110.63%	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, 2022

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	June 30					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 1,814,870	\$ 1,607,679	\$ 1,868,286	\$ 2,490,680	\$ 2,189,164	\$ 2,033,068
Contributions in relation to the actuarially-determined contribution	(784,888)	(632,585)	(534,676)	(684,902)	(615,578)	(610,717)
Contribution deficiency (excess)	<u>\$ 1,029,982</u>	<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	\$16,716,013	\$14,679,968	\$14,252,396	\$11,055,578	\$10,733,570	\$10,700,000
Contribution as a percentage of covered payroll	4.70%	4.31%	3.75%	6.20%	5.74%	5.71%
Valuation Date	July 1, 2021					
Amortization Period	30 years					
Investment rate of return	6.41%					
Municipal Bond Rate	4.09%					
Single Equivalent Discount Rate	5.60%					
Inflation	2.50%					
Healthcare cost trend rates	8.00% => 3.63% in 2060					
Salary increases	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,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-4.15%	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, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Real estate and personal property taxes, net	\$ 32,103,623	\$ 32,155,023	\$ 32,229,587		\$ 32,229,587	\$ 74,564
Intergovernmental	2,425,972	2,425,972	2,556,731		2,556,731	130,759
Motor vehicle and other excises	2,260,000	2,260,000	2,561,923		2,561,923	301,923
Payments in lieu of taxes	130,000	130,000	131,375		131,375	1,375
License and permits	480,000	480,000	709,759		709,759	229,759
Departmental and other revenue	561,844	561,844	605,750		605,750	43,906
Penalties and interest on taxes	80,000	80,000	90,302		90,302	10,302
Fines and forfeitures	5,000	5,000	9,982		9,982	4,982
Investment income	40,000	40,000	48,481		48,481	8,481
 Total Revenues	 38,086,439	 38,137,839	 38,943,890	 \$ -	 38,943,890	 806,051
 EXPENDITURES						
General government	2,822,002	2,952,423	2,102,154	502,919	2,605,073	347,350
Public safety	4,777,419	5,160,464	5,039,505	105,542	5,145,047	15,417
Education	25,318,211	25,318,386	24,368,954	604,746	24,973,700	344,686
Public works	2,024,442	2,114,513	1,857,907	97,840	1,955,747	158,766
Health and human services	520,559	540,709	452,102	22,726	474,828	65,881
Culture and recreation	687,259	687,259	652,752	740	653,492	33,767
Pension and employee benefits	2,931,041	2,907,262	2,886,436	-	2,886,436	20,826
State and county tax assessments	326,229	326,229	314,519	-	314,519	11,710
Debt service	1,481,994	1,361,098	1,361,098	-	1,361,098	-
 Total Expenditures	 40,889,156	 41,368,343	 39,035,427	 1,334,513	 40,369,940	 998,403
 OTHER FINANCING SOURCES (USES)						
Transfers in	1,182,677	1,215,677	1,215,677		1,215,677	-
Transfers out	(493,500)	(1,352,300)	(1,352,300)		(1,352,300)	-
 Total Other Financing Sources (Uses)	 689,177	 (136,623)	 (136,623)	 \$ -	 \$ (136,623)	 -
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	 (2,113,540)	 (3,367,127)	 \$ (228,160)		 \$ 1,804,454	
 Other Budgetary Items:						
Undesignated surplus (free cash)	810,941	2,064,528				
Prior year encumbrances	1,302,599	1,302,599				
 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, 2022

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 \$1.3 million, which were primarily used for stabilization funds (\$891,800), OPEB trust funding (\$100,000), capital improvements (\$118,000).

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, 2022, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 38,943,890
Stabilization revenue	\$ -	\$ (23,564)	(23,564)
On behalf payments	1,680,810	-	1,680,810
Revenues on a GAAP basis	\$ 1,680,810	\$ (23,564)	\$ 40,601,136
Expenditures on a budgetary basis			\$ 39,035,427
Change in expenditure recognition	\$ (21,563)	\$ -	(21,563)
On behalf payments	1,680,810	-	1,680,810
Expenditures on a GAAP basis	\$ 1,659,247	\$ -	\$ 40,694,674
Other financing sources (uses) on a budgetary basis			\$ (136,623)
Stabilization transfers, net	\$ -	\$ 1,025,625	1,025,625
Other financing sources (uses) on a GAAP basis	\$ -	\$ 1,025,625	\$ 889,002

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**TOWN OF MIDDLETON
ELECTRIC LIGHT DEPARTMENT**

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended December 31, 2021

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

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

TABLE OF CONTENTS **YEAR ENDED DECEMBER 31, 2021**

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4 – 7
<u>BASIC FINANCIAL STATEMENTS:</u>	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Statement of Fiduciary Net Position	11
Statement of Changes in Fiduciary Net Position	12
Notes to Basic Financial Statements	13 – 32
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the Department's Proportionate Share of Net Pension Liability	33
Schedule of the Department's Contributions to Pension Plan	33
Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios	34
Schedule of Contributions – OPEB Plan	35
Schedule of Investment Returns – OPEB Plan	35



ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801
Telephone: (781) 933-0073
www.roselliclark.com

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Commissioners
Town of Middleton Electric Light Department
Middleton, Massachusetts

Opinion

We have audited the accompanying financial statements of the Middleton Electric Light Department (the "Department"), of the Town of Middleton, Massachusetts, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Department as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Roselli, Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
September 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the financial statements, the management of the Town of 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, 2021, and the results of operations for the year then ended.

Financial Highlights

- The Department's 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 approximately \$28.7 million (*total net position*).
- The Department's total net position increased by approximately \$2.6 million. Positive operations were primarily the result of investment income significantly exceeding anticipated budget amounts, unbudgeted contribution aid in construction, and actual operational expenses being significantly lower than budgeted appropriations.
- The total unrestricted net position at December 31, 2021, represents approximately 74.7% of the total combined operating and nonoperating expenses for 2021.

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 Postemployment 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.

Proprietary: Business-Type Fund – This is the singular fund maintained by the Department that accounts for and reports on the operations. The following statements and their applicable purposes are reported:

- The Statement of Net Position is designated to indicate our financial position as of a specific point in time.
- 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.
- 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 whether cash receipts from operating activities covered our operating expenses.

Fiduciary Fund – This consists solely of the Department’s OPEB Trust Fund. As of December 31, 2021, the Department had an accumulated OPEB net position held in trust balance of over \$1.84 million; this balance consisted solely of cash and investment assets.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided within these financial statements.

Other Information – In addition, this report also presents certain required supplementary information which includes the schedules of the Department’s proportionate share of the net pension liability, contributions to its pension plan, and the funding progress and contribution funding of its obligation to provide other postemployment benefits to its employees.

Financial Analysis

The condensed and comparative statement of net position is as follows:

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current and other assets	\$ 21,614,145	\$ 18,744,570
Noncurrent assets	<u>12,330,991</u>	<u>12,683,748</u>
Total assets	33,945,136	31,428,318
<u>Deferred Outflows of Resources</u>	<u>1,326,018</u>	<u>846,426</u>
<u>Liabilities</u>		
Current liabilities	1,796,053	1,165,157
Long-term liabilities	<u>4,053,530</u>	<u>4,314,995</u>
Total liabilities	5,849,583	5,480,152
<u>Deferred Inflows of Resources</u>	<u>675,951</u>	<u>413,813</u>
<u>Net Position</u>		
Net investment in capital assets	12,250,619	12,598,411
Unrestricted	<u>16,495,001</u>	<u>13,782,368</u>
Net Position	<u>\$ 28,745,620</u>	<u>\$ 26,380,779</u>

Net position may serve over time as a useful indicator of the Department’s financial positions. 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 approximately \$2.7 million (*total net position*).

This statement shows a total increase in net position of over \$2.6 million for the year ended December 31, 2021, compared with an increase of approximately \$1.9 million for the year ended December 31, 2020.

The Department is reporting annual pension expenses on an actuarially determined basis and recognize its share of the Essex Regional Retirement System’s unfunded liability in the financial statements. The Department is reporting a net pension liability of about \$4.0 million (compared to nearly \$4.2 million last year), deferred outflows of resources related to pensions of over \$0.8 million and deferred inflows of resources related to pensions of nearly \$0.4 million.

The Department recognizes annual OPEB financial activities on an actuarially determined basis and recognize the net OPEB asset in the financial statements. The Department is reporting a net OPEB asset of nearly \$0.08 million (compared to the \$0.08 million last year), deferred outflows of resources related to OPEB of over \$0.2 million and deferred inflows of resources related to OPEB of over \$0.4 million.

By far the largest portion (nearly \$12.3 million) of the Department's overall net position reflects its net investment in capital assets (e.g. land, buildings, infrastructure, vehicles, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Department uses these capital assets to provide services to users; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt.

The condensed and comparative statement of revenues, expenses and changes in net position is as follows:

	<u>2021</u>	<u>2020</u>
<u>Revenues</u>		
Charges for services	\$ 13,680,584	\$ 13,530,640
Other revenues	411,044	131,992
Interest income	833,839	821,542
Total revenues	14,925,467	14,484,174
<u>Expenses</u>		
Purchase power and production	8,417,328	8,139,863
Other expenses	3,200,673	3,759,865
Depreciation	715,473	687,530
Total expenses	12,333,474	12,587,258
 Increase (decrease) in net position	 2,591,993	 1,896,916
 Net position, beginning of year - as restated	 26,153,627	 24,483,863
 Net position, end of year	 \$ 28,745,620	 \$ 26,380,779

Revenues for 2021 were over \$14.9 million, an increase of over \$0.4 million (3.0%). The change in customer sales was materially similar year-to-year with a slight increase of over \$0.1 million; the majority of the remaining revenue increase was generated from non-recurring contribution aid in construction proceeds.

Expenses for 2021 were nearly \$12.3 million, a decrease of nearly \$0.3 million (2.0%). The primary activity resulting in this change was an increase in power costs. The purchase of power and production costs did increase by an immaterial amount; this trend is in-line with other similar municipal light departments within the Department's area. The cost reduction for other expenses is mostly attributed to a change the recognized costs associated with pension and OPEB benefits recorded in-line with Generally Accepted Accounting Principles.

Capital Assets & Debt Administration

Capital Assets – Total net capital assets were nearly \$12.3 million at December 31, 2021 and nearly \$12.2 million at December 31, 2020, a increase of nearly 0.6%. Capital assets include land, buildings, structures and improvements, equipment and furnishings and infrastructure. There were several additions in 2021, so additions were more than depreciation for the year resulting in the increase in net capital assets.

Long-Term Debt – The Department has no outstanding debt at December 31, 2021 nor was any debt outstanding during the year.

Economic Factors and Next Year's Budgets and Rates

- Unemployment rates across the Commonwealth have improved significantly and are now trending at pre-pandemic rates in some industries.
- The Department has established an appropriation budget of \$13.6 million for 2022 which is slightly less than the \$12.8 million budgeted for 2021.
- The Department did increase the rates for 2022 as follows:
 - PPAC for businesses by \$0.012/kWh (\$0.006 in July and \$0.006 in August).
 - Rate A Residential Rate in August:
 - Transmission Charge by \$0.0011/kWh
 - Distribution Charge by \$0.0012/kWh
 - Energy Charge by \$0.0103/kWh

Requests for Information

This financial report is designed to provide a general overview of the Town of 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:

Town of Middleton Electric Light Department
Attn: General Manager
197 North Main Street
Middleton, MA 01949

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

STATEMENT OF NET POSITION
DECEMBER 31, 2021

Assets	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 5,011,541
Cash and cash equivalents - restricted	273,109
Investments	11,462,036
User charges receivable, net	1,631,953
Inventory	690,534
Prepaid expenses	<u>2,544,972</u>
	<u>21,614,145</u>
Total current assets	<u>21,614,145</u>
Noncurrent assets:	
Net OPEB asset	80,372
Capital assets, net	<u>12,250,619</u>
	<u>12,330,991</u>
Total noncurrent assets	<u>12,330,991</u>
Total Assets	<u>33,945,136</u>
Deferred Outflows of Resources	
Deferred outflows related to OPEB	484,426
Deferred outflows related to pensions	<u>841,592</u>
Total Deferred Outflows of Resources	<u>1,326,018</u>
Liabilities	
Current liabilities:	
Accounts payable	978,312
Customer deposits	272,421
Accrued expenses	464,248
Accrued compensated absences	<u>81,072</u>
	<u>1,796,053</u>
Noncurrent liabilities:	
Accrued compensated absences	81,072
Net pension liability	<u>3,972,458</u>
	<u>4,053,530</u>
Total Liabilities	<u>5,849,583</u>
Deferred Inflows of Resources	
Deferred inflows related to OPEB	305,612
Deferred inflows related to pensions	<u>370,339</u>
Total Deferred Inflows of Resources	<u>675,951</u>
Net Position	
Net investment in capital assets	12,250,619
Unrestricted	<u>16,495,001</u>
Total Net Position	<u>\$ 28,745,620</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
YEAR ENDED DECEMBER 31, 2021

Operating Revenues

Charges for services	\$ 13,680,584
Other operating revenues	<u>411,044</u>
	<u>14,091,628</u>

Operating Expenditures

Purchased power and production	8,417,328
Other operating expenses	2,957,420
Depreciation	<u>715,473</u>
	<u>12,090,221</u>

Operating Income (Loss)	<u>2,001,407</u>
--------------------------------	------------------

Nonoperating Revenues (Expenses)

Investment income	833,839
Payment in lieu of taxes	<u>(243,253)</u>
	<u>590,586</u>

Total nonoperating revenues (expenses)	<u>590,586</u>
---	----------------

Change in Net Position	2,591,993
-------------------------------	-----------

Net Position, Beginning of Year - as restated	<u>26,153,627</u>
--	-------------------

Net Position, End of Year	<u>\$ 28,745,620</u>
----------------------------------	----------------------

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

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities	
Cash received from customers	\$ 14,135,428
Cash paid to suppliers	(9,512,279)
Cash paid to employees	<u>(1,894,602)</u>
Net Cash Provided by Operating Activities	<u>2,728,547</u>
Cash Flows from Noncapital Financing Activities	
Payment in lieu of taxes	<u>(243,253)</u>
Net Cash Provided by Noncapital Financing Activities	<u>(243,253)</u>
Cash Flows from Investing Activities	
Interest on deposits and investments	833,839
Purchase and sales of investments (net)	<u>(1,347,698)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(513,859)</u>
Cash Flows from Capital and Related Financing Activities	
Capital expenditures	<u>(788,037)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(788,037)</u>
Net Change in Cash and Cash Equivalents	1,183,398
Cash and Cash Equivalents, Beginning of Year	<u>4,101,252</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,284,650</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Operating Income	\$ 2,001,407
Adjustments to reconcile Operating Income to net cash provided by (used in) operating activities:	
Depreciation	715,473
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables	(8,152)
Prepaid expenses	(298,109)
Inventory	(32,218)
Net OPEB asset	4,965
Deferred outflows of resources	(479,592)
Accounts payable	355,976
Accrued expenses	432,627
Customer deposits	51,952
Compensated absences	(22,267)
Net pension liability	(255,653)
Deferred inflows of resources	<u>262,138</u>
Net Cash Provided by Operating Activities	<u>\$ 2,728,547</u>

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

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

	Other Postemployment Benefits Trust Fund
Assets	
Cash and cash equivalents	\$ 6,710
Mutual funds - fixed income	969,717
Mutual funds - equities	<u>863,632</u>
Total Assets	<u>1,840,059</u>
Liabilities	-
Total Liabilities	-
Net Position	
Held in trust for other postemployment benefits	<u>1,840,059</u>
Total Net Position	<u>\$ 1,840,059</u>

See accompanying notes to basic financial statements.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021

	Other Postemployment Benefits Trust Fund
Additions	
Contributions:	
Employer	\$ 60,407
Total contributions	<u>60,407</u>
Investment income:	
Investment income	<u>173,620</u>
Total investment income	<u>173,620</u>
Total Additions	<u>234,027</u>
Deductions	
Benefits paid	<u>60,407</u>
Total Deductions	<u>60,407</u>
Change in Net Position	173,620
Net Position - Beginning of Year	<u>1,666,439</u>
Net Position - End of Year	<u>\$ 1,840,059</u>

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

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

I. Summary of Significant Accounting Policies

The basic financial statements of the Department 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 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.

The following is a summary of the more significant policies and practices used by the Department:

A. Reporting Entity and Regulation

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 five-person Board of Light Commissioners. The Department is presented as an enterprise fund in the Town of Middleton, Massachusetts' financial statements; however, they do not purport to, and do not, present fairly the financial position of the Town of Middleton, Massachusetts as of December 31, 2021, 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 provides electric light services for the territory within its boundaries. These services are funded almost entirely with user charges. 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.

B. Fund Financial Statements

All of the non-fiduciary activities of the Department are reported in proprietary fund type financial statements and include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. The OPEB trust fund is presented as a fiduciary fund and includes a statement of net position, a statement of revenues, expenses and changes in net position.

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

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

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 Department reports the following fiduciary funds:

Other Postemployment Benefits (OPEB) Trust Fund – is used to accumulate funds for future payments of other post-employment benefits for retirees such as health and life insurance.

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

Deposits and Investments – The Department's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investment Income – All investment income is part of the Department's proprietary fund except for fiduciary fund investment income which is retained in the trust fund.

Receivables – The Department bills its customers for electric usage on a monthly basis. These are recorded as accounts receivable and revenue when billed.

Inventories – Inventories are considered to be expenditures at the time of purchase. The Department has recorded an estimated amount of its materials and supplies inventory on hand at the end of the year in its financial statements.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Most of the prepaid expense amount represents deposit used to facilitate timely payments of power supply invoices.

Other Postemployment Benefits – The Department has contributed and earned sufficient investment income to accumulate an actuarially determined surplus based on estimated future needs for providing such benefits to employees. Accordingly, the surplus is categorized as noncurrent assets on the statement of net position.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g., transformers, poles and other utility plant), are reported as noncurrent assets on the statement of net position.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, 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.

The DPU requires that the Department depreciate its capital assets at a rate of up to 3%, with a rate up to 5% allowed with prior year DPU approval. The Department utilized a 3% rate for 2021. This depreciation method approximated GAAP.

Customer Deposits – The Department retains a deposit from certain customers based on the ownership status of the customer’s property. Deposits are returned, with interest, once the customer no longer requires electric service and had fully paid its charges to the Department.

Compensated Absences – Employees can carry over two weeks of vacation unless otherwise approved and the Department will buy back 25% of their accumulated sick leave over 150 days. Compensated absence liabilities are accrued when incurred.

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 amortized over the life of the bonds using the effective interest method. There was no such bond or notes payable items outstanding in 2021. The Department does report long-term obligations for employee compensated absences and net pension liability.

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 Department only has two types of items that qualify for reporting as deferred outflows of resources reported on the statement of net position that relates to outflows from changes in the net pension and net other postemployment benefits liabilities. These outflows will be recognized in pension and benefits expense in future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Department has two types of items which qualify for reporting in this category. These relate to inflows from changes in the net pension and net other postemployment benefits liabilities which will be recognized in pension and benefits expense in future years.

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

Net position is reported as restricted when amounts are legally restricted by outside parties for a specific use. The Department has no restricted net position.

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, 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

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, 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.

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. If the 15th day falls on a non-business day, this discount is extended to the next business day.

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, Massachusetts based on an agreed predetermined calculation. During the year, the Department paid to the Town an amount of \$243,253 under this payment in lieu of tax agreement.

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**

A. **Deposits and Investments**

State laws and regulations require the Department 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 Department did not enter into any repurchase agreements.

Separate accounts are maintained for the Department's depreciation fund and OPEB trust which are designations allowed per DPU regulations and state statutes. The depreciation fund is recorded as restricted cash and investments in the financial statements as it is available only to finance capital asset (utility Department) additions. Operating cash is pooled with Town funds in various Town bank accounts.

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. At year-end, the carrying amount of the Department's segregated bank deposits was \$217,480 and the bank balance was 185,113. Of the Department's bank balance, all \$185,113 was covered by either federal depository insurance or by the depositors' insurance fund. In addition to segregated bank deposits, the Department had \$5,073,881 pooled with Town cash in Town bank accounts, which was considered uninsured.

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 Department may not be able to recover the full amount of its principal investment and/or investment earnings.

The Department's investments are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

Fair Value of Investments – The Department reports its investments at fair value. When actively quoted observable prices are not available, the Department 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 Department categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

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

The following table presents the Department's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2021:

	Total	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt securities:					
U.S. Government obligations	\$ 38,467	\$ 25,757	\$ 12,710	\$ -	
Municipal bonds	231,410	-	231,410	-	
Corporate bonds	58,015	-	58,015	-	
Exchange traded funds - fixed income	10,905	-	10,905	-	
Mutual funds - open end	800,000	-	800,000	-	
Mutual funds - fixed income	6,832,972	-	6,832,972	-	
Negotiable certificates of deposit	268,574	-	268,574	-	
Total debt securities	8,240,343	25,757	8,214,586	-	
Equity securities:					
Common stock	949,591	949,591	-	-	
Mutual funds - equity	3,951,561	-	3,951,561	-	
Total equity securities	4,901,152	949,591	3,951,561	-	
Total investments by fair value level	13,141,495	\$ 975,348	\$ 12,166,147	\$ -	
Mutual funds - money market	153,890				
Total investments measured at fair value	<u>\$ 13,295,385</u>				

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Bonds are classified in Level 2 and are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. Bond and equity mutual funds are classified in Level 2 and are valued at the published fair value per share for each fund.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Such securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments, through fair value losses arising from increasing interest rates. The Department 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.

At December 31, 2021, the Department's investments had the following maturities:

Investments	Total	Time Until Maturity (Years)		
		<1	1 - 5	6 - 10
U.S. government obligations	\$ 38,467	\$ -	\$ 34,926	\$ 3,541
Municipal bonds	231,410	-	231,410	-
Corporate bonds	58,015	8,818	49,197	-
Exchange traded funds - fixed income	10,905	-	10,905	-
Mutual funds - open end	800,000	800,000	-	-
Mutual funds - fixed income	6,832,972	-	5,548,258	1,284,714
Certificates of deposit	268,574	10,332	158,071	100,171
Total investments with maturities	8,240,343	\$ 819,150	\$ 6,032,767	\$ 1,388,426
<u>Other Investments</u>				
Equities	949,591			
Mutual funds - equity	3,951,561			
Mutual funds - money market	153,890			
Total other investments	5,055,042			
Total investments	<u>\$ 13,295,385</u>			

Concentration of Credit Risk – The Department does not place a limit on the amount that may be invested in any one issuer. The Department does not maintain balances in any single investment that would represent more than 5% of the Department’s total investments.

Risk – The Department has not adopted a formal policy related to credit risk.

At December 31, 2021, the credit quality ratings of the Department’s investments were as follows:

Bond Ratings	Investments						Certificate of Deposit
	Government Obligations	Municipal Bonds	Corporate Bonds	Mutual Funds Open End	Mutual Funds Fixed Income		
Aaa	\$ 38,467	\$ 231,410	\$ 4,394	\$ 800,000	\$ -	\$ -	
A1	-	-	11,025	-	-	-	
A2	-	-	9,192	-	-	-	
Baa1	-	-	18,980	-	-	-	
Baa2	-	-	14,424	-	-	-	
Not rated	-	-	-	-	6,832,972	268,574	
Totals	\$ 38,467	\$ 231,410	\$ 58,015	\$ 800,000	\$ 6,832,972	\$ 268,574	

B. Receivables

Department receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Customer user charges	\$ 1,648,419	\$ (165,973)	\$ 1,482,446
Other accounts receivable	149,507	-	149,507
Total	\$ 1,797,926	\$ (165,973)	\$ 1,631,953

The Department also records amounts related to power used by customers but not billed at year end. Total unbilled revenue was \$188,886 as of December 31, 2021. This is recorded on a GAAP basis only and not by the Department in its internal records.

C. Prepaid Expenses

The Department reports amounts paid in advance to power providers as prepaid expenses. Most of these represent payments to facilitate timely payment of power invoices. At December 31, 2021, prepaid expenses totaled \$2,543,091.

D. Capital Assets

Capital assets for the year ended December 31, 2021, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,219,868	\$ -	\$ -	\$ 2,219,868
Total capital assets not being depreciated	2,219,868	-	-	2,219,868
Capital assets being depreciated:				
Buildings	1,287,808	4,712	(1,500)	1,291,020
Infrastructure	19,417,114	751,984	(232,999)	19,936,099
Vehicles, machinery and equipment	3,144,165	31,341	(239,500)	2,936,006
Total capital assets being depreciated	23,849,087	788,037	(473,999)	24,163,125
Less accumulated depreciation for:				
Buildings	(1,136,294)	(38,634)	1,498	(1,173,430)
Infrastructure	(11,826,149)	(582,513)	233,001	(12,175,661)
Vehicles, machinery and equipment	(928,457)	(94,326)	239,500	(783,283)
Total accumulated depreciation	(13,890,900)	(715,473)	473,999	(14,132,374)
Total capital assets being depreciated, net	9,958,187	72,564	-	10,030,751
Governmental activities capital assets, net	\$ 12,178,055	\$ 72,564	\$ -	\$ 12,250,619

E. Temporary Debt

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

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.

There was no temporary debt outstanding during 2021.

F. Long-Term Obligations

The Department issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the Town. Additionally, the Department incurs various other long-term obligations relative to associated personnel costs.

The following reflects the current year activity in the long-term liability accounts:

<u>Long-Term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 184,411	\$ 23,836	\$ (46,103)	\$ 162,144	\$ 81,072
Net pension liability	<u>4,228,111</u>	<u>1,424,560</u>	<u>(1,680,213)</u>	<u>3,972,458</u>	<u>-</u>
Total	<u><u>\$ 4,412,522</u></u>	<u><u>\$ 1,448,396</u></u>	<u><u>\$ (1,726,316)</u></u>	<u><u>\$ 4,134,602</u></u>	<u><u>\$ 81,072</u></u>

The Department had no debt outstanding during 2021.

III. Other Information

A. Retirement System

Plan Description – The MELD 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 with a vested right	
to retirement benefits or entitled to a return of their employee contributions	1,146
Active participants	2,420
Total	5,076

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 MELD contributed \$386,410 to the System in fiscal year 2021, which was the actuarially determined contribution requirement for the year. The MELD's contributions as a percentage of covered payroll was approximately 25.5%.

Net Pension Liability – At December 31, 2021, the MELD reported a liability of \$2,408,703 for its proportionate share of the net pension liability. The 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, 2020. 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 MELD's proportion of the net pension liability is based on a projection of the MELD's long-term share of contributions to the System relative to the projected contributions of all employers. The MELD's proportion was approximately 1.00082% at December 31, 2021.

Pension Expense – The MELD recognized \$256,563 in pension expense in the statement of revenues, expenses and changes in net position in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2021, the MELD 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
Contributions made subsequent to measurement date	\$ 432,515	\$ -
Changes in assumptions	265,750	-
Differences between expected and actual earnings	-	295,553
Changes in proportion differences	142,893	71,380
Differences between expected and actual experience	<u>434</u>	<u>3,406</u>
Totals	<u>\$ 841,592</u>	<u>\$ 370,339</u>

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

Year Ended December 31,	Amount
2022	\$ 484,048
2023	46,409
2024	(42,267)
2025	<u>(16,937)</u>
Total	<u>\$ 471,253</u>

Discount Rate – The discount rate used to measure the total 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.

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, 2020, and used the following significant actuarial assumptions:

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

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

The target allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	23.10%	6.40%
International Developed Markets Equity	14.40%	6.60%
International Emerging Markets Equity	5.80%	8.40%
Core Fixed Income	15.80%	2.70%
High Yield Fixed Income	7.40%	6.20%
Private Equity	12.40%	10.20%
Real Estate	8.30%	6.00%
Timberland	3.30%	6.60%
Hedge Fund, GTAA, Risk Parity	8.80%	5.20%
Other	0.70%	0.00%
	100.00%	

Sensitivity Analysis – The following presents the MELD’s proportionate share 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
Net Pension Liability	7.30%	\$ 5,086,569	\$ 3,972,458	\$ 3,036,038

B. Risk Financing

The Department 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 Department carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Department participates in a health insurance risk pool administered by the Southeastern Massachusetts Health Group (the Group). The Group offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. In the event the Group is terminated, the Department would be obligated to pay its proportionate share of a deficit, should one exist.

C. Other Postemployment 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 ordinances. All benefits are provided through Department’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 Department’s financial statements.

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

Active employees	13
Inactive employees	8
Total	<u>21</u>

Contributions – The contribution requirements of OPEB Plan members and the Department are established and may be amended by the Department. Retirees contribute 40% of the set premium for medical insurance depending on the plan chosen. Additionally, they contribute 25% to dental insurance and 50% to life insurance. The remainder of the cost is funded by general revenues of the Department.

The Department currently contributes enough money to the Plan to exceed the annual required contribution. The costs of administering the OPEB Plan are paid by the Department. For the year ended December 31, 2021, the Department's average contribution rate was approximately 3.26% of covered payroll.

Net OPEB Liability (Asset) – The Department's net OPEB liability (asset) was measured as of December 31, 2021, using an actuarial valuation as of January 1, 2020. The components of the net OPEB liability (asset) of the Department as of December 31, 2021, were as follows:

Total OPEB Liability	\$ 1,759,687
Plan fiduciary net position	<u>(1,840,059)</u>
Net OPEB liability (asset)	<u>\$ (80,372)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	104.57%

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	5.14%, net of OPEB plan investment expense, including inflation
Municipal Bond Rate	2.25%
Single Equivalent Discount Rate	5.25%, net of OPEB plan investment expense, including inflation
Inflation	2.50% as of December 31, 2021 and for future periods
Health Care Trend Rate	4.50%
Salary Increases	3.00% annually as of December 31, 2021 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 generational with scale MP-2016 for males and females, set forward 1 year for females
Disability Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generational with scale MP-2016 for males and females, set forward 1 year
Actuarial Cost Method	Individual entry age normal

Key assumption changes effective fiscal year ending December 31, 2021 –

The single equivalent discount rate was lowered from 5.50% to 5.25%, which resulted in an increase to the disclosed liability by \$130 thousand.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.25% which remained unchanged from the previous year.

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	21.50%	4.42%
Domestic Equity - Small/Mid Cap	10.25%	4.81%
International Equity - Developed Market	0.00%	4.91%
International Equity - Emerging Market	5.00%	5.58%
Domestic Fixed Income	28.50%	1.00%
International Fixed Income	24.00%	1.04%
Alternatives	10.50%	5.98%
Real Estate	0.00%	6.25%
Cash and Cash Equivalents	0.25%	0.00%
	<u>100.00%</u>	
Real rate of return		2.89%
Inflation assumption		<u>2.50%</u>
Total nominal rate of return		5.39%
Investment expense		<u>-0.25%</u>
Net investment return		<u>5.14%</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:

	Healthcare Trend Rate			
	Current	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Asset)	4.50%	\$ (300,673)	\$ (80,372)	\$ 199,563
	Discount Rate			
	Current	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Asset)	5.25%	\$ 202,414	\$ (80,372)	\$ (306,894)

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, 2021:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at December 31, 2020	\$ 1,581,102	\$ 1,666,439	\$ (85,337)
Changes for the year:			
Service cost	26,288	-	26,288
Interest	86,767	-	86,767
Expected and actual experience	-	-	-
Change in assumptions	125,937	-	125,937
Employer contributions	-	60,407	(60,407)
Net investment earnings	-	173,620	(173,620)
Benefit payments withdrawn	-	(60,407)	60,407
Benefit payments	(60,407)	-	(60,407)
Net changes	178,585	173,620	4,965
Balances at December 31, 2021	<u>\$ 1,759,687</u>	<u>\$ 1,840,059</u>	<u>\$ (80,372)</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the Department recognized OPEB expense of \$108,522. Deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2021, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 97,494	\$ 182,413
Change of assumptions	364,244	-
Differences between expected and actual earnings	22,688	123,199
Totals	<u>\$ 484,426</u>	<u>\$ 305,612</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:

December 31,	Amount
2022	\$ 79,591
2023	56,904
2024	33,890
2025	7,427
2026	1,002
Total	<u>\$ 178,814</u>

Investment Custody – In accordance with Massachusetts General Laws, the Department Treasurer is the custodian of the OPEB Plan and since the Department has not designated a Board of Trustees, the Department 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 Department.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Department 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 December 31, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 10.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Commitments and Contingencies

The Department 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 December 31, 2021, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Department at December 31, 2021.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Department expects such amounts, if any, to be immaterial.

The Department 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 amount of penalties, if any, cannot be determined at this time, although the Department expects such amounts, if any, to be immaterial.

MMWEC

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.

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 (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act through the end of 2025.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

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 \$33,693,036 for the year ended December 31, 2021.

Other

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.

IV. Implementation of New GASB Pronouncements

Current Year Implementations –

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 2021). The Department is currently evaluating whether adoption will have a material impact on the financial statements.

Future Year Implementations –

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Department 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 2022). The Department 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 was to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. This Statement eliminates the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Department is currently evaluation adoption will have an impact on the financial statements.

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

IV. Restatement

As of December 31, 2020, the Department has begun recognizing an additional accrued expense for the annual pension assessment (which is calculated on a fiscal year ending June 30th annually). Additionally, the Department optioned to begin utilizing the pension reporting as of December 31, 2019, as its base measurement date for December 31, 2020, as allowed under Governmental Auditing Standards; this resulted in a restatement of the deferred outflows of resources relative to an additional contribution after measurement date relative to the fiscal year 2020 pension assessment. Additionally, the Department has modified its methodology with regards to calculating annual depreciation of capital assets to be similar to its statutorily required depreciation methodology which is in-line with the model utilized within the industry for financial statement reporting.

The following table illustrates the effect of the net position restatement:

Prior year Net Position as presented	\$ 26,380,779
Restate: Change in depreciation model calculation	(420,357)
Restate: Additional accrual of pension assessment expense	(193,205)
Restate: Deferred outflow of resources - additional pension contribution after measurement date	386,410
Net Position as restated	<u><u>\$ 26,153,627</u></u>

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED DECEMBER 31, 2021

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

	Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	1.001%	1.003%	0.999%	1.054%	0.997%	0.997%	0.966%
Proportionate share of the net pension liability	\$ 3,972,458	\$ 4,228,111	\$ 4,219,930	\$ 3,965,220	\$ 3,842,901	\$ 3,842,901	\$ 3,278,215
Covered payroll	1,512,850	1,515,049	1,473,686	1,488,658	1,390,838	\$ 1,390,838	\$ 1,153,368
Proportionate share of the net pension liability as a percentage of its covered payroll	262.6%	279.1%	286.4%	266.4%	276.3%	276.3%	284.2%
Plan fiduciary net position as a percentage of the total pension liability	59.73%	55.46%	51.87%	55.40%	51.12%	51.01%	52.27%

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS TO PENSION PLAN

	Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 386,410	\$ 360,430	\$ 338,807	\$ 328,501	\$ 288,945	\$ 288,945	\$ 251,202
Contributions in relation to the actuarially determined contribution	386,410	360,715	334,089	328,501	289,291	289,291	251,202
Contribution deficiency (excess)	\$ -	\$ (285)	\$ 4,718	\$ -	\$ (346)	\$ (346)	\$ -
Covered payroll	1,512,850	1,515,049	1,473,686	1,488,658	1,390,838	1,390,838	1,153,368
Contributions as a percentage of covered payroll	25.5%	23.8%	22.7%	22.1%	20.8%	20.8%	21.8%

These schedules are 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 auditors' report.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB - UNAUDITED
YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF CHANGES IN NET OPEB (ASSET) LIABILITY AND RELATED RATIOS

	December 31,				
	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	\$ 26,288	\$ 22,119	\$ 23,581	\$ 20,324	\$ 21,903
Interest	86,767	98,816	94,533	64,136	60,911
Difference between expected and actual plan experience	-	(302,421)	-	265,582	-
Change in assumptions	125,937	344,699	-	150,859	-
Benefit payments	(60,407)	(47,083)	(59,143)	(48,656)	(18,784)
Net change in total OPEB liability	<u>178,585</u>	<u>116,130</u>	<u>58,971</u>	<u>452,245</u>	<u>64,030</u>
Total OPEB liability - beginning of year	<u>1,581,102</u>	<u>1,464,972</u>	<u>1,406,001</u>	<u>953,756</u>	<u>889,726</u>
Total OPEB liability - end of year (a)	<u><u>\$ 1,759,687</u></u>	<u><u>\$ 1,581,102</u></u>	<u><u>\$ 1,464,972</u></u>	<u><u>\$ 1,406,001</u></u>	<u><u>\$ 953,756</u></u>
 Plan fiduciary net position:					
Contributions - employer	\$ 60,407	\$ 647,083	\$ 59,143	\$ 348,656	\$ 268,784
Net investment income	173,620	82,846	164,033	(63,804)	72,781
Benefit payments	(60,407)	(47,083)	(59,143)	(48,656)	(18,784)
Net change in Plan fiduciary net position	<u>173,620</u>	<u>682,846</u>	<u>164,033</u>	<u>236,196</u>	<u>322,781</u>
Plan fiduciary net position - beginning of year	<u>1,666,439</u>	<u>983,593</u>	<u>819,560</u>	<u>583,364</u>	<u>260,583</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 1,840,059</u></u>	<u><u>\$ 1,666,439</u></u>	<u><u>\$ 983,593</u></u>	<u><u>\$ 819,560</u></u>	<u><u>\$ 583,364</u></u>
Net OPEB (asset) liability - end of year (a) - (b)	<u><u>\$ (80,372)</u></u>	<u><u>\$ (85,337)</u></u>	<u><u>\$ 481,379</u></u>	<u><u>\$ 586,441</u></u>	<u><u>\$ 370,392</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	104.57%	105.40%	67.14%	58.29%	61.16%
Covered-employee payroll	\$ 1,853,267	\$ 1,799,288	\$ 1,338,309	\$ 1,299,329	\$ 1,598,393
Net OPEB liability as a percentage of covered- employee payroll	-4.34%	-4.74%	35.97%	45.13%	23.17%

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.

See independent auditors' report.

TOWN OF MIDDLETON ELECTRIC LIGHT DEPARTMENT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB - UNAUDITED
YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF CONTRIBUTIONS - OPEB PLAN

	December 31,								
	2021	2020	2019	2018	2017				
Actuarially-determined contribution	\$ 26,288	\$ 18,177	\$ 59,012	\$ 63,488	\$ 68,210				
Contributions in relation to the actuarially-determined contribution	<u>60,407</u>	<u>647,083</u>	<u>59,143</u>	<u>348,656</u>	<u>268,784</u>				
Contribution deficiency (excess)	<u><u>\$ (34,119)</u></u>	<u><u>\$ (628,906)</u></u>	<u><u>\$ (131)</u></u>	<u><u>\$ (285,168)</u></u>	<u><u>\$ (200,574)</u></u>				
Covered-employee payroll	\$ 1,853,267	\$ 1,799,288	\$ 1,338,309	\$ 1,299,329	\$ 1,598,393				
Contribution as a percentage of covered-employee payroll	3.26%	35.96%	4.42%	26.83%	16.82%				
Valuation date	January 1, 2020								
Investment rate of return	5.14%	Net of OPEB plan investment expense, including inflation							
Municipal bond rate	2.25%								
Single equivalent discount rate	5.25%	Net of OPEB plan investment expense, including inflation							
Inflation	2.20%	As of December 31, 2021 and for future periods							
Healthcare cost trend rates	4.50%								
Salary increases	3.00%	As of December 31, 2021 and for future periods							
Actuarial cost method	Individual Entry Age Normal								
Asset valuation method	Market Value of Assets as of Reporting Date								

SCHEDULE OF INVESTMENT RETURNS - OPEB PLAN

	December 31,				
	2021	2020	2019	2018	2017
Annual money-weighted average rate of return	10.42%	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 independent auditors' report.