

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WALPOLE, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information

Year Ended June 30, 2021



TOWN OF WALPOLE, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of Selectmen
Town of Walpole, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Walpole, Massachusetts, (the Town) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund

and the aggregate remaining fund information of the Town as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement of Prior Year Ending Balances

As more fully described in Note IV, a restatement of prior year ending net position balances was made to the Town's governmental activities and nonmajor governmental funds. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
March 1, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by over \$141.7 million (*total net position*).
- The government's total net position increased by nearly \$15.2 million. The governmental activities increased net position by about \$12.5 million, while the business - type activities increased net position by nearly \$2.7 million.
- The Town's unassigned fund balance reported in the General Fund was over \$19.1 million (17.3% of General Fund expenditures). Total fund balance in the General Fund was over \$23.8 million (21.6% of General Fund expenditures).
- The Town reported a Restricted fund balance in its Capital Project Fund of approximately \$2.4 million.
- The Town reported fund balances of nearly \$12.6 million in the combined Nonmajor Governmental Funds. This amount is comprised of about \$12.3 million in Restricted fund balances, combined with nearly \$0.3 million in Nonspendable fund balances made up this amount.
- The Town's total bonded debt increased by approximately \$1.3 million during the fiscal year as bond issuances of nearly \$5.0 million were offset by regular scheduled maturities of principal of almost \$3.7 million.

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 and liabilities and deferred inflows, 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 and vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways

and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town include water and sewer enterprise funds.

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 distinguishes 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:

- 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 balance is in deficit

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.

Reconciliations are provided in the financial statements to facilitate this comparison.

The Town maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation under the heading of Nonmajor governmental funds.

The Town adopts an annual appropriated budget for its general fund and its enterprise funds. 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 after the footnotes to the financial statements.

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, inly in more detail. The proprietary fund financial statements provide separate information for enterprise funds of the water and sewer activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s proportionate share of its net pension liability and contributions to its pension plan, the Commonwealth’s share of the net pension liability of the Massachusetts Teacher’s Retirement System, and various other postemployment benefit information; as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-wide Financial Analysis

The condensed statement of net position is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<u>Assets</u>						
Current and other assets	\$ 50,300,696	\$ 43,468,506	\$ 17,154,707	\$ 17,267,684	\$ 67,455,403	\$ 60,736,190
Capital assets, net	151,450,041	148,508,549	64,264,893	63,158,298	215,714,934	211,666,847
Total assets	201,750,737	191,977,055	81,419,600	80,425,982	283,170,337	272,403,037
Deferred Outflows of Resources	8,016,835	12,225,745	627,570	1,045,097	8,644,405	13,270,842
<u>Liabilities</u>						
Long-term liabilities	6,110,385	6,450,068	235,859	211,973	6,346,244	6,662,041
Other liabilities	115,291,309	120,879,922	17,996,444	20,046,338	133,287,753	140,926,260
Total liabilities	121,401,694	127,329,990	18,232,303	20,258,311	139,633,997	147,588,301
Deferred Inflows of Resources	9,623,360	10,490,510	830,846	908,991	10,454,206	11,399,501
<u>Net Position</u>						
Net investment in capital assets	118,391,683	112,354,176	51,374,893	48,900,517	169,766,576	161,254,693
Restricted	12,555,256	10,162,289	-	-	12,555,256	10,162,289
Unrestricted	(52,204,421)	(56,134,165)	11,609,128	11,403,260	(40,595,293)	(44,730,905)
Net position	\$ 78,742,518	\$ 66,382,300	\$ 62,984,021	\$ 60,303,777	\$ 141,726,539	\$ 126,686,077

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$141.7 million (*total net position*).

By far, the largest portion of the Town’s net position (approximately \$169.8 million) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less related debt used to acquire those assets that is still outstanding, net of unexpended portions. The Town uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$12.6 million) represents resources that are subject to external restrictions on how they may be used. The remaining category of *unrestricted net position* reflects the remainder of net position, a deficit of approximately (\$40.6) million. Surpluses of about \$11.6 million in the business-type activities are offset by a deficit of over \$52.2 million in governmental activities. This deficit is largely the result of the recognition of the liabilities related to OPEB (approximately \$47.1 million) and pensions (approximately \$34.7 million). These deficits are expected to continue into the foreseeable future.

The condensed statement of changes in net position is as follows:

	Governmental activities		Business activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues						
Program revenues:						
Charges for services	\$ 9,155,645	\$ 8,925,295	\$ 12,186,597	\$ 10,508,487	\$ 21,342,242	\$ 19,433,782
Operating grants and contributions	34,461,402	28,153,172	42,552	1,136,776	34,503,954	29,289,948
Capital grants and contributions	2,924,785	2,157,425	1,039,803	187,000	3,964,588	2,344,425
General revenues:						
Property taxes	79,234,948	74,259,042	-	-	79,234,948	74,259,042
Intergovernmental	3,506,343	3,506,343	-	-	3,506,343	3,506,343
Other	6,577,083	6,423,745	-	558	6,577,083	6,424,303
Total revenues	135,860,206	123,425,022	13,268,952	11,832,821	149,129,158	135,257,843
Expenses						
General government	5,279,644	6,426,481	-	-	5,279,644	6,426,481
Public safety	16,491,687	14,984,160	-	-	16,491,687	14,984,160
Education	85,454,664	80,506,918	-	-	85,454,664	80,506,918
Public works	9,098,526	9,786,217	-	-	9,098,526	9,786,217
Health and human services	3,023,921	1,343,418	-	-	3,023,921	1,343,418
Culture and recreation	2,928,282	3,969,533	-	-	2,928,282	3,969,533
Debt service	1,087,289	1,110,650	-	-	1,087,289	1,110,650
Water	-	-	5,008,462	5,128,498	5,008,462	5,128,498
Sewer	-	-	5,580,246	5,940,247	5,580,246	5,940,247
Total expenses	123,364,013	118,127,377	10,588,708	11,068,745	133,952,721	129,196,122
Increase (decrease) in net position before transfers	12,496,193	5,297,645	2,680,244	764,076	15,176,437	6,061,721
Transfers	-	-	-	-	-	-
Change in net position	12,496,193	5,297,645	2,680,244	764,076	15,176,437	6,061,721
Net position, beginning of year	66,382,300	61,084,655	60,303,777	59,539,701	126,686,077	120,624,356
Restatement	(135,975)	-	-	-	(135,975)	-
Net position, beginning of year, as restated	66,246,325	61,084,655	60,303,777	59,539,701	126,550,102	120,624,356
Net position, end of year	<u>\$ 78,742,518</u>	<u>\$ 66,382,300</u>	<u>\$ 62,984,021</u>	<u>\$ 60,303,777</u>	<u>\$ 141,726,539</u>	<u>\$ 126,686,077</u>

Governmental Activities – The governmental activities increased in net position by approximately \$12.5 million which was primarily the result of positive actual revenue versus forecast of approximately \$6.0 million and increases in grants and contributions of approximately \$7.1 million.

The Town relies to a great extent on property taxes, which during 2021, made up approximately 58.3% of total revenues, down from the 60.2% in the prior year. The dollar increase from year to year is consistent with legal statutory increases imposed by the Commonwealth of Massachusetts, commonly referred to as proposition 2 1/2. Thus, the dollar increase met expectations that were predetermined. Operating grants and contributions comprised about 25.4% of total revenues and increased nearly \$6.3 million over the prior year. This was primarily a result of the special funding requirement the Town has with the State as it relates to Teacher's Retirement and increased funds for the pandemic response which were higher by \$1.9 million and \$3.4 million, respectively. This has the exact correlative impact on expense as well (see below). All other revenues which are smaller in amount were fairly consistent with the prior year.

The majority of expenses were directed to benefit the School Department operations, which continues to be an area the Town commits a majority of its financial resources. Approximately 69.3% percent of total disbursements related to educational services; which is slightly higher than the 68.2% in the prior year. The increase of approximately \$5.0 million is primarily related to the special funding situation and pandemic funding described above. Other large expenses relate to Public Safety which represented nearly 13.4% of total expenses and was consistent with the 12.7% in the prior year. These and all other smaller functional expense categories were fairly consistent with the prior year amounts.

Business-type Activities – Business-type activities of water and sewer enterprise funds increased net position by almost \$2.7 million. Charges for services increased by approximately \$1.7 million and total expenses decreased by almost \$0.5 million. Additionally, current year revenues were positively impacted by approximately \$1.0 million of developer donated infrastructure capital assets, which were approximately \$0.9 million higher than prior year donated capital assets.

Financial Analysis of the Government's Funds

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

Governmental Funds – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unrestricted 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 approximately \$38.8 million, an increase of approximately \$11.4 million from the prior year. Of the ending fund balance approximately \$19.1 million is *available for spending* at the government's discretion as *unassigned fund balance*. The majority of the remainder fund balances of approximately \$19.7 million is earmarked for specific expenditures

The General Fund is the chief operating fund of the Town; the unassigned fund balance reported was over \$19.1 million, or 17.3% of General Fund expenditures. Total fund balance in the General Fund was nearly \$23.8 million or 21.6% of General Fund expenditures. Favorable operating results as discussed above, was the primary cause of an increase of approximately \$5.5 million to the total General Fund balance.

The Capital Projects Fund had a restricted fund balance of approximately \$2.7 million; approximately \$1.4 million higher than the prior year. Capital spending for the year consisted of school feasibility study and other education capital outlays for nearly \$1.2 million, roadways and sidewalks of approximately \$1.3 million and the route 1A field project for over \$2.3 million. These expenditures were offset by approximately \$4.6 million of bond proceeds, transfers from other funds of nearly \$2.5 million and nearly \$1.3 million in intergovernmental revenue.

The Town reported total fund balances of approximately \$12.6 million in the Combined Nonmajor Governmental Funds; about \$12.3 million is restricted due to constraints placed externally by third parties, and over \$0.3 million is nonspendable in the form of the corpus of an endowment.

Proprietary Funds – The Town’s proprietary funds consist of the Water and Sewer Enterprise Funds which provide the same type of information found in the government-wide financial statements under Business-type activities. At year end, the net position of the Water and Sewer Funds were about \$36.6 million and \$26.3 million, respectively.

Fiduciary Funds – The Town’s fiduciary funds are comprised primarily of private purpose trust funds totaling \$9.0 million and are earmarked for use as educational scholarships or personal assistance to Town residents. Additionally, the fiduciary funds include a fund established to offset the costs of other postemployment benefit expenses, the net position in this fund approximates \$6.4 million. Neither fund may be used for Town operating purposes.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget included revisions to the following:

- Approximately \$0.1 million of increased allocations to general government
- Approximately \$0.5 million of increased allocations to public safety
- Approximately \$0.5 million of increased allocations to education
- Approximately \$1.2 million of increased allocations to public works
- Approximately \$0.2 million of increased allocations to culture and recreation

The majority of this net increase was subsidized with appropriations from surplus (free cash).

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2021, is approximately \$215.7 million (net of accumulated depreciation) an increase of approximately \$4.0 million from the prior year. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, and equipment. The total increase is due to capital investments of \$10.9 million exceeding depreciation of approximately \$6.9 million.

Major additions to the Town’s governmental capital assets included various infrastructure acquisitions, machinery and equipment, and vehicles. The business-type activities were mostly focused on infrastructure acquisitions.

Additional information on capital assets can be found in Note II., subsection D. of this report.

Long-Term Debt – At the end of the current fiscal year, the Town had total bonded debt outstanding of approximately \$45.4 million. Total debt increased by over \$1.1 million from the previous year due to nearly \$4.6 million of bond issues offset by scheduled maturities of principal of approximately \$3.5 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation of approximately \$5.28 billion. The current debt limitation for the Town is approximately \$264 million, which is significantly in excess of the Town’s outstanding general obligation debt classified as inside the debt limit.

The Town maintains an “AA+” rating from Standard and Poor Investment Services for general obligation debt. The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s short-term and long-term debt can be found in Note II., subsections E. and F. of this report.

Economic Factors and Next Year’s Budgets and Rates

- The Town’s fiscal year 2022 property taxes are made up predominantly of residential taxes, which comprise nearly 83.6% of the Town’s property tax base. The Town also relies heavily on its commercial and industrial real estate tax base, which in aggregate comprise 12.0% of the Town’s property tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase property taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- The Town’s unemployment rate remains stable, however unemployment rates throughout the Commonwealth and the nation are near historic highs due to the impact of the COVID-19 pandemic.
- The Town’s housing market is very strong. This has been driven by low interest rates which are making homes much more affordable. Current interest rates are at historic lows. Property values are near their historic highs however the extent to which the real estate boom can continue will be based mostly in part to continued low interest rates, in addition to how quickly the local economy will rebound from the pandemic.
- The Town anticipates state aid for 2022 of approximately \$11.6 million, which represents a \$0.3 million increase from the prior year, and has factored this amount into its tax rate process. This is a significant budget source for the Town as a substantial portion of this aid, more commonly referred to as Chapter 70 is used to subsidize the education budget.

All the above items were considered when the Town developed its budget for fiscal year 2022. The budget was adopted in June 2021. The Town set its tax rate in December 2021.

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, Town Hall, 135 School Street, Walpole, Massachusetts, 02081.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 34,998,202	\$ 12,807,608	\$ 47,805,810
Investments	10,989,818	-	10,989,818
Receivables, net of allowance for uncollectibles:			
Property taxes	827,995	-	827,995
Tax titles	1,313,200	-	1,313,200
Excise taxes	549,975	-	549,975
User fees	-	3,936,662	3,936,662
Departmental and other	981,980	10,262	992,242
Intergovernmental	280,498	400,175	680,673
Tax foreclosures	359,028	-	359,028
Capital assets, not being depreciated	29,280,701	8,746,611	38,027,312
Depreciable Capital assets, net of depreciation	122,169,340	55,518,282	177,687,622
Total Assets	201,750,737	81,419,600	283,170,337
Deferred Outflows of Resources			
Related to other postemployment benefits liability	3,143,537	75,651	3,219,188
Related to net pension liability	4,873,298	551,919	5,425,217
Total Deferred Outflows of Resources	8,016,835	627,570	8,644,405
Liabilities			
Current liabilities:			
Warrants and accounts payable	5,638,235	235,859	5,874,094
Retainage payable	198,721	-	198,721
Unearned revenue	1,318,871	-	1,318,871
Other liabilities	273,429	-	273,429
Noncurrent liabilities:			
Due in one year or less	3,113,258	1,450,561	4,563,819
Due in more than one year	110,859,180	16,545,883	127,405,063
Total Liabilities	121,401,694	18,232,303	139,633,997
Deferred Inflows of Resources			
Related to other postemployment benefits liability	2,904,365	69,895	2,974,260
Related to net pension liability	6,718,995	760,951	7,479,946
Total Deferred Inflows of Resources	9,623,360	830,846	10,454,206
Net Position			
Net investment in capital assets	118,391,683	51,374,893	169,766,576
Restricted for:			
Nonexpendable permanent funds	261,719	-	261,719
Expendable permanent funds	2,260,890	-	2,260,890
Federal and state grants	3,421,992	-	3,421,992
Other purposes	6,610,655	-	6,610,655
Unrestricted	(52,204,421)	11,609,128	(40,595,293)
Total Net Position	\$ 78,742,518	\$ 62,984,021	\$ 141,726,539

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 5,279,644	\$ 1,708,132	\$ 730,184	\$ -	\$ (2,841,328)		\$ (2,841,328)
Public safety	16,491,687	4,890,705	244,043		(11,356,939)		(11,356,939)
Education	85,454,664	1,823,744	31,231,205		(52,399,715)		(52,399,715)
Public works	9,098,526	54,308	19,200	2,920,985	(6,104,033)		(6,104,033)
Health and human services	3,023,921	128,355	2,136,027		(759,539)		(759,539)
Culture and recreation	2,928,282	550,401	100,743	3,800	(2,273,338)		(2,273,338)
Interest expense	1,087,289	-	-		(1,087,289)		(1,087,289)
Total Governmental Activities	123,364,013	9,155,645	34,461,402	2,924,785	(76,822,181)		(76,822,181)
Business-Type Activities							
Water	5,008,462	6,623,592	42,552	472,500		\$ 2,130,182	2,130,182
Sewer	5,580,246	5,563,005	-	567,303		550,062	550,062
Total Primary Government	\$ 133,952,721	\$ 21,342,242	\$ 34,503,954	\$ 3,964,588	(76,822,181)	2,680,244	(74,141,937)
General Revenues							
Real and personal property taxes					79,234,948	-	79,234,948
Grants and contributions not restricted to specific programs					3,506,343	-	3,506,343
Motor vehicle and other excise					5,078,586	-	5,078,586
Penalties and interest on taxes					499,830	-	499,830
Unrestricted investment income					998,667	-	998,667
Transfers (net)					-	-	-
Total general revenues					89,318,374	-	89,318,374
Change in Net Position					12,496,193	2,680,244	15,176,437
Net Position							
Beginning of year, as restated (see Note IV)					66,246,325	60,303,777	126,550,102
End of year					\$ 78,742,518	\$ 62,984,021	\$ 141,726,539

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 20,606,318	\$ 2,718,163	\$ 11,673,721	\$ 34,998,202
Investments	8,532,008	-	2,457,810	10,989,818
Receivables, net of allowance:				
Property taxes	827,995	-	-	827,995
Tax titles	1,313,200	-	-	1,313,200
Excise taxes	549,975	-	-	549,975
Other	1,123	-	980,857	981,980
Due from Commonwealth	-	20,497	260,001	280,498
Tax foreclosures	359,028	-	-	359,028
Total Assets	32,189,647	2,738,660	15,372,389	50,300,696
Deferred Outflows of Resources				
	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 32,189,647	\$ 2,738,660	\$ 15,372,389	\$ 50,300,696
Liabilities				
Warrants and accounts payable	\$ 5,019,307	\$ 101,523	\$ 517,405	\$ 5,638,235
Retainage payable	-	198,721	-	198,721
Unearned revenue	-	-	1,318,871	1,318,871
Other liabilities	273,429	-	-	273,429
Total Liabilities	5,292,736	300,244	1,836,276	7,429,256
Deferred Inflows of Resources				
Unavailable revenue - property taxes	2,141,195	-	-	2,141,195
Unavailable revenue - excise taxes	549,975	-	-	549,975
Unavailable revenue - other	360,151	-	980,857	1,341,008
Total Deferred Inflows of Resources	3,051,321	-	980,857	4,032,178
Fund Balances				
Nonspendable	-	-	261,719	261,719
Restricted	-	2,658,083	12,293,537	14,951,620
Committed	3,409,223	-	-	3,409,223
Assigned	1,309,765	-	-	1,309,765
Unassigned	19,126,602	(219,667)	-	18,906,935
Total Fund Balances	23,845,590	2,438,416	12,555,256	38,839,262
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 32,189,647	\$ 2,738,660	\$ 15,372,389	\$ 50,300,696

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

Total Governmental Fund Balances	\$ 38,839,262
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	151,450,041
Other long-term assets are unavailable to pay current-period expenditures	4,032,178
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net pension liability	4,873,298
Deferred outflows related to net other postemployment benefits liability	3,143,537
Deferred inflows related to net pension liability	(6,718,995)
Deferred inflows related to net other postemployment benefits liability	(2,904,365)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds and notes payable	(34,397,421)
Compensated absences	(2,402,364)
Net other postemployment benefits liability	(45,966,374)
Net pension liability	<u>(31,206,279)</u>
Net Position of Governmental Activities	<u>\$ 78,742,518</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Real estate and personal property taxes, net	\$ 79,410,881	\$ -	\$ -	\$ 79,410,881
Intergovernmental	27,885,053	1,283,519	10,149,348	39,317,920
Motor vehicle and other excises	5,168,591	-	-	5,168,591
License and permits	1,565,531	-	-	1,565,531
Departmental and other revenue	1,526,562	-	6,365,730	7,892,292
Penalties and interest on taxes	485,387	-	-	485,387
Fines and forfeitures	8,685	-	-	8,685
Investment income	617,819	-	380,848	998,667
Contributions and donations	-	-	1,574,610	1,574,610
Total Revenues	116,668,509	1,283,519	18,470,536	136,422,564
Expenditures				
Current:				
General government	2,568,665	-	1,234,521	3,803,186
Public safety	11,593,188	21,782	1,390,403	13,005,373
Education	48,360,409	1,014,184	8,525,287	57,899,880
Public works	7,562,190	1,340,455	1,372,295	10,274,940
Health and human services	703,684	3,821	1,904,788	2,612,293
Culture and recreation	3,123,964	2,328,693	375,160	5,827,817
Pensions and other fringes	31,482,890	-	-	31,482,890
State and county tax assessments	1,820,830	-	-	1,820,830
Debt service:				
Principal maturities	2,031,763	-	-	2,031,763
Interest	1,245,829	-	-	1,245,829
Total Expenditures	110,493,412	4,708,935	14,802,454	130,004,801
Excess (Deficiency) of Revenues Over Expenditures	6,175,097	(3,425,416)	3,668,082	6,417,763
Other Financing Sources (Uses)				
Issuance of long-term debt	-	4,590,000	-	4,590,000
Premium from issuance of bonds and notes	-	-	422,732	422,732
Transfers in	1,421,839	2,457,614	-	3,879,453
Transfers out	(2,124,281)	(193,300)	(1,561,872)	(3,879,453)
Total Other Financing Sources (Uses)	(702,442)	6,854,314	(1,139,140)	5,012,732
Net Change in Fund Balances	5,472,655	3,428,898	2,528,942	11,430,495
FUND BALANCES - Beginning of year, as restated (see Note IV)	18,372,935	(990,482)	10,026,314	27,408,767
FUND BALANCES - Ending of year	\$ 23,845,590	\$ 2,438,416	\$ 12,555,256	\$ 38,839,262

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 11,430,495**

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

Capital outlays	\$ 8,052,049	
Depreciation expense	<u>(5,110,557)</u>	
Net effect of reporting capital assets		2,941,492

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. During the year, the following activity was recorded:

Issuance of debt	(4,590,000)	
Proceeds of debt premium	(422,732)	
Amortization of debt premium	158,540	
Repayments of debt	<u>2,031,763</u>	
Net effect of reporting long-term debt		(2,822,429)

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. 68,242

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:

Compensated absences	123,989	
Other postemployment benefits	(968,956)	
Pension benefits	<u>1,723,360</u>	
Net effect of reporting long-term liabilities		<u>878,393</u>

Change in Net Position of Governmental Activities **\$ 12,496,193**

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,341,745	\$ 6,465,863	\$ 12,807,608
Receivables:			
User charges and fees	2,123,623	1,813,039	3,936,662
Betterments	-	10,262	10,262
Intergovernmental	194,788	-	194,788
Total current assets	<u>8,660,156</u>	<u>8,289,164</u>	<u>16,949,320</u>
Noncurrent assets:			
Receivables:			
Intergovernmental	205,387	-	205,387
Capital assets, not being depreciated	7,713,287	1,033,324	8,746,611
Capital assets, net of depreciation	<u>36,795,033</u>	<u>18,723,249</u>	<u>55,518,282</u>
Total noncurrent assets	<u>44,713,707</u>	<u>19,756,573</u>	<u>64,470,280</u>
Total Assets	<u>53,373,863</u>	<u>28,045,737</u>	<u>81,419,600</u>
Deferred Outflows of Resources			
Related to other postemployment benefits liability	61,165	14,486	75,651
Related to net pension liability	<u>383,585</u>	<u>168,334</u>	<u>551,919</u>
Total Deferred Outflows of Resources	<u>444,750</u>	<u>182,820</u>	<u>627,570</u>
Liabilities			
Current liabilities:			
Warrants payable and accrued expenses	221,599	14,260	235,859
Bond and note indebtedness	1,400,467	36,200	1,436,667
Compensated absences	<u>10,875</u>	<u>3,019</u>	<u>13,894</u>
Total current liabilities	<u>1,632,941</u>	<u>53,479</u>	<u>1,686,420</u>
Noncurrent liabilities:			
Bond and note indebtedness	11,574,170	289,600	11,863,770
Compensated absences	32,623	9,058	41,681
Net other postemployment benefits liability	894,379	211,827	1,106,206
Net pension liability	<u>2,456,293</u>	<u>1,077,933</u>	<u>3,534,226</u>
Total noncurrent liabilities	<u>14,957,465</u>	<u>1,588,418</u>	<u>16,545,883</u>
Total Liabilities	<u>16,590,406</u>	<u>1,641,897</u>	<u>18,232,303</u>
Deferred Inflows of Resources			
Related to other postemployment benefits liability	56,511	13,384	69,895
Related to net pension liability	<u>528,862</u>	<u>232,089</u>	<u>760,951</u>
Total Deferred Inflows of Resources	<u>585,373</u>	<u>245,473</u>	<u>830,846</u>
Net Position			
Net investment in capital assets	31,933,858	19,441,035	51,374,893
Unrestricted	<u>4,708,976</u>	<u>6,900,152</u>	<u>11,609,128</u>
Total Net Position	<u>\$ 36,642,834</u>	<u>\$ 26,341,187</u>	<u>\$ 62,984,021</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues			
Charges for services	\$ 6,341,289	\$ 5,214,968	\$ 11,556,257
Other operating income	282,303	348,037	630,340
Total Operating Revenues	<u>6,623,592</u>	<u>5,563,005</u>	<u>12,186,597</u>
Operating Expenses			
Operating costs	3,406,362	5,013,483	8,419,845
Depreciation	1,179,702	566,763	1,746,465
Total Operating Expenses	<u>4,586,064</u>	<u>5,580,246</u>	<u>10,166,310</u>
Total Operating Income	<u>2,037,528</u>	<u>(17,241)</u>	<u>2,020,287</u>
Nonoperating Income (Expenses)			
Intergovernmental	42,552	-	42,552
Interest expense	(422,398)	-	(422,398)
Total Nonoperating Revenues (Expenses), net	<u>(379,846)</u>	<u>-</u>	<u>(379,846)</u>
Income (Loss) Before Capital Contributions	<u>1,657,682</u>	<u>(17,241)</u>	<u>1,640,441</u>
Capital Contributions			
Developer contributed assets	472,500	567,000	1,039,500
Betterment income	-	303	303
Total capital contributions	<u>472,500</u>	<u>567,303</u>	<u>1,039,803</u>
Change in Net Position	2,130,182	550,062	2,680,244
Total Net Position - Beginning of the year	<u>34,512,652</u>	<u>25,791,125</u>	<u>60,303,777</u>
Total Net Position - Ending of the year	<u>\$ 36,642,834</u>	<u>\$ 26,341,187</u>	<u>\$ 62,984,021</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities			
Receipts from users	\$ 6,079,907	\$ 5,334,210	\$ 11,414,117
Payments to vendors	(2,525,144)	(5,309,179)	(7,834,323)
Payments to employees	(928,838)	(298,275)	(1,227,113)
Net Cash Provided By (Used For) Operating Activities	<u>2,625,925</u>	<u>246,204</u>	<u>2,872,129</u>
Cash Flows from Noncapital Related Financing Activities			
Intergovernmental subsidies	235,801	-	235,801
Net Cash Provided By Noncapital Related Financing Activities	<u>235,801</u>	<u>-</u>	<u>235,801</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(879,204)	(1,013,213)	(1,892,417)
Proceeds from betterment assessment	-	3,756	3,756
Interest expense	(486,113)	-	(486,113)
Principal payments on bonds and notes	(1,385,711)	(36,200)	(1,421,911)
Net Cash Used For Capital and Related Financing Activities	<u>(2,751,028)</u>	<u>(1,045,657)</u>	<u>(3,796,685)</u>
Net Change in Cash and Cash Equivalents	110,698	(799,453)	(688,755)
Cash and Cash Equivalents			
Beginning of year	<u>6,231,047</u>	<u>7,265,316</u>	<u>13,496,363</u>
End of year	<u>\$ 6,341,745</u>	<u>\$ 6,465,863</u>	<u>\$ 12,807,608</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities			
Operating income (loss)	\$ 2,037,528	\$ (17,241)	\$ 2,020,287
Depreciation	1,179,702	566,763	1,746,465
Changes in assets, deferred outflows, and liabilities, deferred inflows:			
Receivables (net)	(543,685)	(228,795)	(772,480)
Deferred outflows of resources	291,993	125,534	417,527
Deferred inflows of resources	(54,926)	(23,219)	(78,145)
Liabilities (net)	(284,687)	(176,838)	(461,525)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,625,925</u>	<u>\$ 246,204</u>	<u>\$ 2,872,129</u>
Noncash Capital and Related Financing Activities:			
Developer donated infrastructure	\$ 472,500	\$ 567,000	\$ 1,039,500
Amortization of debt premium	67,618	-	67,618

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	<u>Private Purpose Trust Funds</u>	<u>Other Postemployment Benefits Trust Fund</u>
Assets		
Cash and cash equivalents	\$ 695,615	\$ 105,485
Investments (at fair value):		
U.S. government securities	-	556,124
Corporate fixed income	899,487	336,544
Fixed mutual funds	-	124,023
Equities	7,447,329	3,549,054
Equity mutual funds	-	1,759,148
Total Assets	<u>9,042,431</u>	<u>6,430,378</u>
Liabilities		
Warrant and accounts payable	-	-
Other liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Held in trust for private purposes	9,042,431	-
Held in trust for other postemployment benefits	-	6,430,378
Total Net Position	<u><u>\$ 9,042,431</u></u>	<u><u>\$ 6,430,378</u></u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund
Additions		
Contribution and donations:		
Public sources	\$ 1,889	\$ -
Employer	-	3,058,831
Total contributions	1,889	3,058,831
Investment income:		
Interest and dividends	1,601,162	133,529
Unrealized gain on investments	-	1,151,683
Investment management fees	-	(17,136)
Net investment earnings	1,601,162	1,268,076
Total Additions	1,603,051	4,326,907
Deductions		
Educational scholarships	256,141	-
Health and human service assistance	1,000	-
Other fringe benefits	-	2,521,831
Total Deductions	257,141	2,521,831
Change in Net Position	1,345,910	1,805,076
Total Net Position - Beginning	7,696,521	4,625,302
Total Net Position - Ending	\$ 9,042,431	\$ 6,430,378

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Walpole, 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 government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located in Norfolk County approximately 18 miles south of Boston and was incorporated as a town in 1724. The governing structure utilizes an open town meeting form, with an elected five-member Board of Selectmen, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish and recycling, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities, library and elderly services and inspectional services. The water and sewer services, funded almost entirely with user charges, are provided via connections installed and maintained by the Town directly.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *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 the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor 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, liabilities and deferred inflows, 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 financial resources, etc.) for all funds of that category or type and (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.

Additionally, 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 these 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 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, monies must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized as expenditures are incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria is 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.

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

Nonmajor Governmental Funds - consist of other special revenue 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, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

Water Enterprise Fund – is used to account for the operation of the water department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Sewer Enterprise Fund – is used to account for the operation of the sewer department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

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

The government reports the following fiduciary funds:

Private-Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships and needy citizen benefit funds.

Other Postemployment Benefits 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 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 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. Motor vehicle excise is billed annually for vehicles registered in the Town as reported to the Town by the Commonwealth of Massachusetts. Water and sewer user fees are billed periodically multiple times annually based on individual meter readings and are subject to interest and penalties if not paid by the respective due dates. Property taxes, motor vehicle excise taxes, and water and sewer user fees are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water and sewer user fees may be secured through a lien process within 14 days after the due date and are considered 100% collectible. Accordingly, a provision for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental and other receivables are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

Inventories – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed. All purchases and construction costs in excess of \$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.

Capital assets (excluding land and construction-in-process) are depreciated by the Town on a straight-line-basis. The estimated useful lives of capital assets being depreciated are as follows:

Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	8 - 20 years
Infrastructure	20 - 65 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 proprietary funds and permanent funds is retained in the respective 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.

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. 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 types of items, which qualify for reporting in this category. 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 three sources: property taxes, excise taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available. The other items that qualify for reporting as a deferred inflow are reported on the government-wide statement of net position. These relate to inflows from changes in the net pension liability which will be recognized in pension expense in future years as more fully described in Note III subsection A and inflows from changes in the other postemployment benefits liability which will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

Net Position – In the government-wide financial statements, net position reported as “Net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt is 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 amounts held in trust whereby expenditures are subject to various trust agreements.

Federal and State grants represent assets that have restrictions placed on them from federal and state granting agencies.

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

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily to 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 – non-spendable, 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 then 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 established a financial policy targeting for the total of the General Fund undesignated fund balance plus stabilization funds be maintained at a ratio of 5-15% of the Town's General Fund operating revenues.

Stabilization Fund – The Town maintains a stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$8,660,114 at June 30, 2021 and is reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Administrator 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 \$959,765 of encumbrances from normal purchasing activity in the General Fund as assigned. The Town reports \$3,409,223 of encumbrances from Town Meeting votes in the general fund as committed. There are no encumbrances reported in any other fund.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 261,719	\$ 261,719
Restricted:				
General government	-	-	3,083,248	3,083,248
Public safety	-	109,496	2,592,231	2,701,727
Education	-	1,360,153	2,778,672	4,138,825
Public works	-	275,888	1,284,068	1,559,956
Health and human services	-	-	599,400	599,400
Culture and recreation	-	912,546	1,955,918	2,868,464
Committed:				
General government	307,250	-	-	307,250
Public safety	3,054	-	-	3,054
Education	752,068	-	-	752,068
Public works	1,939,427	-	-	1,939,427
Culture and recreation	407,424	-	-	407,424
Assigned:				
General government	155,921	-	-	155,921
Public safety	86,577	-	-	86,577
Education	309,473	-	-	309,473
Public works	365,868	-	-	365,868
Culture and recreation	33,733	-	-	33,733
Pension and other fringes	8,193	-	-	8,193
Subsequent years' budget	350,000	-	-	350,000
Unassigned	19,126,602	(219,667)	-	18,906,935
Totals	<u>\$ 23,845,590</u>	<u>\$ 2,438,416</u>	<u>\$ 12,555,256</u>	<u>\$ 38,839,262</u>

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred deficits of \$219,667 which are reported in the Capital Projects major fund. These deficits will be funded through available revenues, grant funds or bond proceeds in future fiscal years.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

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

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the 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 year-end, the carrying amount of the Town's deposits was \$48,606,910 and the bank balance was \$46,140,411. Of the Town's bank balance, \$18,420,611 was covered by federal depository insurance; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All securities not held directly by the Town will be held in the Town's name and tax identification number by a third-party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The investments in MMDT 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 does not have a formal investment policy related to custodial credit risk.

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

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

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.

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

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

	6/30/21	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 3,185,672	\$ 2,130,848	\$ 1,054,824	\$ -
Corporate bonds	5,180,217	-	5,180,217	-
Fixed income mutual funds	1,380,433	-	1,380,433	-
Certificates of deposit	836,615	-	836,615	-
Total debt securities	10,582,937	2,130,848	8,452,089	-
Equity securities:				
Common stock	15,078,590	15,078,590	-	-
Total equity securities	15,078,590	15,078,590	-	-
Total investments by fair value level	\$ 25,661,527	\$ 17,209,438	\$ 8,452,089	\$ -
<u>Investments measured at amortized cost</u>				
State investment pool (MMDT)	3,446,996			
Money market mutual funds	256,147			
Total investments measured at fair value	\$ 29,364,670			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. governmental obligations, corporate bonds, certificates of deposit and mutual funds classified in Level 2 are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices. 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. Money market mutual funds are measured at the published fair value per share (unit) which is generally accepted to be an amortized cost valuation.

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 means of managing its exposure to fair value losses arising from increasing interest rates.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have a formal investment policy that limits

investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Type	Fair Value	Time Until Maturity (Years)			
		Less Than 1	1-5	6-10	More Than 10
<u>Investments with Maturities:</u>					
U.S. Government obligations	\$ 3,185,672	\$ 866,901	\$ 1,952,056	\$ 366,715	\$ -
Corporate bonds	5,180,217	540,478	4,297,434	264,452	77,853
Certificates of deposit	2,520,245	1,784,944	735,301	-	-
State Treasurer's Investment Pool (MMDT)	3,446,996	3,446,996	-	-	-
Total Investments with Maturities	14,333,130	\$ 6,639,319	\$ 6,984,791	\$ 631,167	\$ 77,853
<u>Other Investments:</u>					
Common stock	15,078,590				
Fixed income mutual funds	1,380,433				
Money market mutual funds	256,147				
Total Investments - All	\$ 31,048,300				

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. The Town does maintain approximately 33% of its investments with MMDT, the only singularly invested entity that exceeds 10% of the monetary holdings.

Credit Risk – The Town has not adopted a formal policy related to credit risk. The Town's investment in MMDT is unrated; other securities with maturities have their credit ratings disclosed below.

At June 30, 2021 the credit quality ratings of investments were as follows:

Quality Ratings (Moody's)	Investments with Maturities				
	U.S. Government Obligations	Corporate Bonds	Certificates of Deposit	State Treasurer's Investment Pool	Total
Aaa	\$ 3,185,672	\$ 20,910	\$ -	\$ -	\$ 3,206,582
Aa1	-	25,937	-	-	25,937
Aa	-	54,193	-	-	54,193
Aa2	-	104,319	-	-	104,319
Aa3	-	27,360	-	-	27,360
A1	-	346,486	-	-	346,486
A2	-	1,358,750	-	-	1,358,750
A3	-	75,289	-	-	75,289
Baa1	-	1,461,856	-	-	1,461,856
Baa2	-	1,161,971	-	-	1,161,971
Baa3	-	78,480	-	-	78,480
Ba1	-	192,778	-	-	192,778
WR	-	38,270	-	-	38,270
Not Rated	-	233,618	2,520,245	3,446,996	6,200,859
Totals	\$ 3,185,672	\$ 5,180,217	\$ 2,520,245	\$ 3,446,996	\$ 14,333,130

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
Real estate and personal property taxes	\$ 619,983	\$ -	\$ 619,983
Tax liens	1,521,212	-	1,521,212
Excise	549,975	-	549,975
Ambulance	980,857	-	980,857
Departmental and other	1,123	-	1,123
Intergovernmental	280,498	-	280,498
Total Governmental Receivables	<u>\$ 3,953,648</u>	<u>\$ -</u>	<u>\$ 3,953,648</u>

Receivables as of year-end for the Town’s proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 2,116,134	\$ -	\$ 2,116,134
Water liens	7,489	-	7,489
Water intergovernmental	400,175	-	400,175
Sub-total Water Fund	<u>2,523,798</u>	<u>-</u>	<u>2,523,798</u>
Sewer user charges	1,807,838	-	1,807,838
Sewer liens	5,201	-	5,201
Sewer betterments	10,262	-	10,262
Sub-total Sewer Fund	<u>1,823,301</u>	<u>-</u>	<u>1,823,301</u>
Total Business-Type Receivables	<u>\$ 4,347,099</u>	<u>\$ -</u>	<u>\$ 4,347,099</u>

MCWT Loan Subsidies – The Town has entered into a number of loan agreements with the Massachusetts Clean Water Trust (MCWT) dating back to 1997. It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$400,175, which is allocated to the Water Fund. In addition, interest costs are anticipated to be subsidized to the General Fund for \$863 and to the Water Fund in the amount of \$55,302 until the maturity of these agreements. In the Business-Type Funds, the intergovernmental receivables include a receivable for the principal portion of the subsidy.

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 Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes	\$ 619,983	\$ -	\$ 619,983
Tax liens	1,521,212	-	1,521,212
Excise	549,975	-	549,975
Tax foreclosures	359,028	-	359,028
Ambulance fees	-	980,857	980,857
Departmental and other	1,123	-	1,123
Total	<u>\$ 3,051,321</u>	<u>\$ 980,857</u>	<u>\$ 4,032,178</u>

C. Interfund Payables, Receivables and Transfers

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

Transfers Out	Transfers In			Total
	General Fund	Capital Projects	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 2,124,281	\$ -	\$ 2,124,281 (1)
Capital Project Funds	193,300	-	-	193,300 (2)
Nonmajor Governmental Funds	1,228,539	333,333	-	1,561,872 (3)
Total	<u>\$ 1,421,839</u>	<u>\$ 2,457,614</u>	<u>\$ -</u>	<u>\$ 3,879,453</u>

- (1) Transfer to capital projects fund and nonmajor funds to fund various projects.
- (2) Transfer to general fund from completed/closed projects.
- (3) Transfers to general fund to supplement operating budgets and transfers to capital projects to pay off outstanding BAN.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 28,803,053	\$ 183,501	\$ (630,600)	\$ 28,355,954
Construction in progress	4,257,136	-	(3,332,389)	924,747
Total capital assets not being depreciated	<u>33,060,189</u>	<u>183,501</u>	<u>(3,962,989)</u>	<u>29,280,701</u>
Capital assets being depreciated:				
Buildings and improvements	125,924,981	8,117,114	-	134,042,095
Infrastructure	67,119,289	2,867,387	-	69,986,676
Machinery and equipment	10,333,422	643,936	-	10,977,358
Vehicles	9,222,155	203,100	(110,251)	9,315,004
Total capital assets being depreciated	<u>212,599,847</u>	<u>11,831,537</u>	<u>(110,251)</u>	<u>224,321,133</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,661,617)	(2,499,472)	-	(42,161,089)
Infrastructure	(46,092,405)	(1,365,091)	-	(47,457,496)
Machinery and equipment	(7,821,315)	(538,635)	-	(8,359,950)
Vehicles	(3,576,150)	(707,359)	110,251	(4,173,258)
Total accumulated depreciation	<u>(97,151,487)</u>	<u>(5,110,557)</u>	<u>110,251</u>	<u>(102,151,793)</u>
Total capital assets being depreciated, net	<u>115,448,360</u>	<u>6,720,980</u>	<u>-</u>	<u>122,169,340</u>
Governmental activities capital assets, net	<u>\$ 148,508,549</u>	<u>\$ 6,904,481</u>	<u>\$ (3,962,989)</u>	<u>\$ 151,450,041</u>
<i><u>Business-Type Activities - All:</u></i>				
Capital assets not being depreciated:				
Land	\$ 7,203,108	\$ -	\$ -	\$ 7,203,108
Construction in progress	-	1,543,503	-	1,543,503
Total capital assets not being depreciated	<u>7,203,108</u>	<u>1,543,503</u>	<u>-</u>	<u>8,746,611</u>
Capital assets being depreciated:				
Buildings and improvements	20,452,798	-	-	20,452,798
Infrastructure	67,722,392	1,231,012	-	68,953,404
Machinery and equipment	9,472,406	78,545	-	9,550,951
Vehicles	781,908	-	-	781,908
Total capital assets being depreciated	<u>98,429,504</u>	<u>1,309,557</u>	<u>-</u>	<u>99,739,061</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,466,387)	(407,594)	-	(9,873,981)
Infrastructure	(26,663,215)	(969,654)	-	(27,632,869)
Machinery and equipment	(5,825,589)	(317,389)	-	(6,142,978)
Vehicles	(519,123)	(51,828)	-	(570,951)
Total accumulated depreciation	<u>(42,474,314)</u>	<u>(1,746,465)</u>	<u>-</u>	<u>(44,220,779)</u>
Total capital assets being depreciated, net	<u>55,955,190</u>	<u>(436,908)</u>	<u>-</u>	<u>55,518,282</u>
Business-type activities capital assets, net	<u>\$ 63,158,298</u>	<u>\$ 1,106,595</u>	<u>\$ -</u>	<u>\$ 64,264,893</u>

Capital asset activity for the Business-type activities by program, for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities - Water:</u></i>				
Capital assets not being depreciated:				
Land	\$ 7,104,452	\$ -	\$ -	\$ 7,104,452
Construction in progress	-	608,835	-	608,835
Total capital assets not being depreciated	<u>7,104,452</u>	<u>608,835</u>	<u>-</u>	<u>7,713,287</u>
Capital assets being depreciated:				
Buildings and improvements	18,421,206	-	-	18,421,206
Infrastructure	39,349,282	664,012	-	40,013,294
Machinery and equipment	8,130,843	-	-	8,130,843
Vehicles	240,780	-	-	240,780
Total capital assets being depreciated	<u>66,142,111</u>	<u>664,012</u>	<u>-</u>	<u>66,806,123</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,409,891)	(368,443)	-	(8,778,334)
Infrastructure	(15,061,348)	(554,674)	-	(15,616,022)
Machinery and equipment	(5,119,368)	(256,585)	-	(5,375,953)
Vehicles	(240,781)	-	-	(240,781)
Total accumulated depreciation	<u>(28,831,388)</u>	<u>(1,179,702)</u>	<u>-</u>	<u>(30,011,090)</u>
Total capital assets being depreciated, net	<u>37,310,723</u>	<u>(515,690)</u>	<u>-</u>	<u>36,795,033</u>
Water capital assets, net	<u>\$ 44,415,175</u>	<u>\$ 93,145</u>	<u>\$ -</u>	<u>\$ 44,508,320</u>
<i><u>Business-Type Activities - Sewer:</u></i>				
Capital assets not being depreciated:				
Land	\$ 98,656	\$ -	\$ -	\$ 98,656
Construction in progress	-	934,668	-	934,668
Total capital assets not being depreciated	<u>98,656</u>	<u>934,668</u>	<u>-</u>	<u>1,033,324</u>
Capital assets being depreciated:				
Buildings and improvements	2,031,592	-	-	2,031,592
Infrastructure	28,373,110	567,000	-	28,940,110
Machinery and equipment	1,341,563	78,545	-	1,420,108
Vehicles	541,128	-	-	541,128
Total capital assets being depreciated	<u>32,287,393</u>	<u>645,545</u>	<u>-</u>	<u>32,932,938</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,056,496)	(39,151)	-	(1,095,647)
Infrastructure	(11,601,867)	(414,980)	-	(12,016,847)
Machinery and equipment	(706,221)	(60,804)	-	(767,025)
Vehicles	(278,342)	(51,828)	-	(330,170)
Total accumulated depreciation	<u>(13,642,926)</u>	<u>(566,763)</u>	<u>-</u>	<u>(14,209,689)</u>
Total capital assets being depreciated, net	<u>18,644,467</u>	<u>78,782</u>	<u>-</u>	<u>18,723,249</u>
Sewer capital assets, net	<u>\$ 18,743,123</u>	<u>\$ 1,013,450</u>	<u>\$ -</u>	<u>\$ 19,756,573</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 215,056	Water	\$ 1,179,702
Public safety	1,019,616	Sewer	566,763
Education	1,719,698	Total Business-Type Activities	<u>\$ 1,746,465</u>
Public works	1,701,836		
Health and human services	167,225		
Culture and recreation	287,126		
Total Governmental Activities	<u>\$ 5,110,557</u>		

E. Temporary Debt

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

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

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 that are limited by state law and are interest bearing. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively. Temporary notes outstanding at June 30, 2021, are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
BAN	2.00%	05/14/21	\$ 5,423,418	\$ -	\$ (5,423,418)	\$ -
Total Governmental Notes			<u>5,423,418</u>	<u>-</u>	<u>(5,423,418)</u>	<u>-</u>
BAN	2.00%	05/14/21	78,857	-	(78,857)	-
Total Business-Type Notes			<u>78,857</u>	<u>-</u>	<u>(78,857)</u>	<u>-</u>
Total Temporary Notes Payable			<u>\$ 5,502,275</u>	<u>\$ -</u>	<u>\$ (5,502,275)</u>	<u>\$ -</u>

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits a town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 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, a 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 reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental Activities:					
General obligation bonds	\$ 30,015,000	\$ 4,590,000	\$ (2,030,000)	\$ 32,575,000	\$ 2,295,000
Unamortized bond premiums	1,550,275	422,732	(158,540)	1,814,467	215,904
Notes from direct borrowings and placements	9,717	-	(1,763)	7,954	1,763
Compensated absences	2,526,353	507,599	(631,588)	2,402,364	600,591
Net other postemployment benefits liability	45,435,638	7,099,441	(6,568,705)	45,966,374	-
Net pension liability	35,833,179	8,296,680	(12,923,580)	31,206,279	-
Total Governmental Activities	<u>\$ 115,370,162</u>	<u>20,916,452</u>	<u>(22,314,176)</u>	<u>\$ 113,972,438</u>	<u>\$ 3,113,258</u>
Business-type Activities: Water					
General obligation bonds	\$ 11,915,000	\$ -	\$ (760,000)	\$ 11,155,000	\$ 695,000
Unamortized bond premiums	576,217	-	(63,715)	512,502	59,755
Notes from direct borrowings and placements	1,932,846	-	(625,711)	1,307,135	645,712
Compensated absences	82,923	-	(39,425)	43,498	10,875
Net other postemployment benefits liability	884,052	138,136	(127,809)	894,379	-
Net pension liability	2,820,483	653,044	(1,017,234)	2,456,293	-
Total Business-type Activities: Water	<u>18,211,521</u>	<u>791,180</u>	<u>(2,633,894)</u>	<u>16,368,807</u>	<u>1,411,342</u>
Business-type Activities: Sewer					
Notes from direct borrowings and placements	362,000	-	(36,200)	325,800	36,200
Compensated absences	25,679	-	(13,602)	12,077	3,019
Net other postemployment benefits liability	209,381	32,716	(30,270)	211,827	-
Net pension liability	1,237,757	286,586	(446,410)	1,077,933	-
Total Business-type Activities: Sewer	<u>1,834,817</u>	<u>319,302</u>	<u>(526,482)</u>	<u>1,627,637</u>	<u>39,219</u>
Total Business-type Activities	<u>\$ 20,046,338</u>	<u>\$ 1,110,482</u>	<u>\$ (3,160,376)</u>	<u>\$ 17,996,444</u>	<u>\$ 1,450,561</u>

The governmental activities liability will be liquated from general fund sources. The business-type liabilities will be liquidated from water and sewer enterprise fund sources.

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

Description of Issue	Maturity Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i><u>Governmental Activities</u></i>						
General Obligation Debt	2030	2.00 - 5.00%	\$ 30,015,000	\$ 4,590,000	\$ (2,030,000)	\$ 32,575,000
Total General Obligation Bonds			30,015,000	4,590,000	(2,030,000)	32,575,000
Add: Unamortized Bond Premiums			1,550,275	422,732	(158,540)	1,814,467
Total General Obligation Bonds, net			31,565,275	5,012,732	(2,188,540)	34,389,467
Massachusetts Clean Water Trust Notes	2024	2.50 - 5.25%	9,717	-	(1,763)	7,954
Total Notes from Direct Borrowings and Placements			9,717	-	(1,763)	7,954
Total Governmental Activities			\$ 31,574,992	\$ 5,012,732	\$ (2,190,303)	\$ 34,397,421
<i><u>Business-Type Activities - Water</u></i>						
General Obligation Bonds	2030	2.00 - 5.00%	\$ 11,915,000	\$ -	\$ (760,000)	\$ 11,155,000
Total General Obligation Bonds			11,915,000	-	(760,000)	11,155,000
Add: Unamortized Bond Premiums			576,217	-	(63,715)	512,502
Total General Obligation Bonds, net			12,491,217	-	(823,715)	11,667,502
MA Clean Water Trust Notes	2022	2.50 - 5.25%	1,932,846	-	(625,711)	1,307,135
Total Notes from Direct Borrowings and Placements			1,932,846	-	(625,711)	1,307,135
Total Water Debt			14,424,063	-	(1,449,426)	12,974,637
<i><u>Business-Type Activities - Sewer</u></i>						
MA Water Resources Authority Notes	2030	0.00%	362,000	-	(36,200)	325,800
Total Notes from Direct Borrowings and Placements			362,000	-	(36,200)	325,800
Total Sewer Debt			362,000	-	(36,200)	325,800
Total Business-Type Activities			\$ 14,786,063	\$ -	\$ (1,485,626)	\$ 13,300,437

Payments on outstanding bond balances due in future years consist of the following:

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<i>Governmental Activities</i>				
2022	\$ 2,295,000	\$ 1,175,928	\$ 1,763	\$ 354
2023	2,335,000	1,086,367	1,763	265
2024	2,385,000	987,703	1,763	177
2025	2,410,000	885,514	2,665	67
2026	1,970,000	789,275	-	-
2027-2031	8,925,000	2,757,362	-	-
2032-2036	7,555,000	1,345,573	-	-
2037-2041	4,045,000	457,481	-	-
2042-2046	655,000	22,925	-	-
Total	<u>\$ 32,575,000</u>	<u>\$ 9,508,128</u>	<u>\$ 7,954</u>	<u>\$ 863</u>
<i>Business-type Activities: Water</i>				
2022	\$ 695,000	\$ 391,869	\$ 645,712	\$ 63,609
2023	705,000	363,594	660,711	49,214
2024	715,000	334,819	712	16,554
2025	670,000	305,669	-	17
2026	675,000	278,519	-	-
2027-2031	3,495,000	1,007,093	-	-
2032-2036	2,955,000	435,605	-	-
2037-2041	1,140,000	102,370	-	-
2042-2046	105,000	3,675	-	-
Total	<u>\$ 11,155,000</u>	<u>\$ 3,223,213</u>	<u>\$ 1,307,135</u>	<u>\$ 129,394</u>
<i>Business-type Activities: Sewer</i>				
2022	\$ -	\$ -	\$ 36,200	\$ -
2023	-	-	36,200	-
2024	-	-	36,200	-
2025	-	-	36,200	-
2026	-	-	36,200	-
2027-2031	-	-	144,800	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,800</u>	<u>\$ -</u>

Authorized and Unissued Debt – At June 30, 2021, the Town had authorized, and unissued debt as follows:

Project	Amount	Project	Amount
<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
Boyden school roof replacement	\$ 100,000	MWRA I&I	\$ 362,000
Total Governmental Activities	<u>\$ 100,000</u>	Total Business-Type Activities	<u>\$ 362,000</u>
Total Authorized and Unissued Debt	<u>\$ 462,000</u>		

III. Other Information

A. Retirement System

System Description – The Town contributes to the Norfolk County Retirement System (the “System”), a cost-sharing, multiple-employer defined benefit pension plan for the Town and other member units deemed eligible by the Norfolk County Retirement Board. The System was established under Chapter 32 of the Commonwealth of Massachusetts General Laws. Standalone audited financial statements for the year ended December 31, 2020, were issued and may be obtained by writing to the Norfolk County Retirement System, 480 Neponset Street, Building 15, Canton, MA 02021.

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

Retirees and beneficiaries currently receiving benefits	3,612
Active participants	5,963
Inactive with a vested right to benefits or to receive a refund of their contributions	<u>3,394</u>
Total	<u><u>12,969</u></u>
Participating employers	<u><u>41</u></u>

Benefit Terms – 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. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform 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 job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at

which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

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

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2020.

Contributions Requirements – The County 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. 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 contributed \$5,447,572 to the System in fiscal year 2021, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 23.87% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town reported a liability of \$34,740,505 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2020. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 6.8018% at December 31, 2020.

County Financial Statements – The System's full financial statements as of and for the year ended December 31, 2020, can be obtained by contacting the Retirement Board.

The System's fiduciary net position was determined using the accrual basis of accounting. The System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$3,811,093 in pension expense in the statement of activities in fiscal year 2021.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,756,152	\$ -
Changes of assumptions	155,724	-
Net differences between projected and actual earnings on pension plan investments	3,475,010	6,502,849
Changes in proportion and differences between Town contributions and proportionate share of contributions	38,331	977,097
Total	<u>\$ 5,425,217</u>	<u>\$ 7,479,946</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>	
2022	\$ (131,812)
2023	289,614
2024	(1,657,949)
2025	<u>(554,582)</u>
Total	<u>\$ (2,054,729)</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, 2020. The significant actuarial assumptions used in the January 1, 2020 actuarial valuation included:

Actuarial cost method	Entry Age Normal Cost Method
Asset valuation method	Market Value
Investment rate of return / Discount rate	7.75%
Inflation rate	3.00%
Projected salary increases	3.5 - 5.5%
Cost of living adjustments	3.0% of the first \$18,000 of benefits
Mortality rates:	
Pre-retirement	The RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014, fully generational.
Healthy retiree	The RP-2014 Blue Collar Mortality Table adjusted as: - Group 1 and 2: Table set forward 5 years for males and 3 years for females, fully generational - Group 4: Table set forward 3 years for males and 6 years for females, fully generational
Disabled retiree	The RP-2014 Mortality Table (with generational adjusting based on Scale MP-2014) adjusted as: - Group 1 and 2: Table set forward 6 years - Group 4: Table set forward 2 years

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020, are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic equity	30.50%	7.3%
International equity	15.50%	8.1%
Fixed income	20.50%	4.3%
Real estate	9.50%	8.2%
Private equity	10.00%	9.9%
Hedge fund	11.50%	9.9%
Real assets	2.50%	9.0%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension was 7.75%. 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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension

plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Current		Current	1% Increase
	Rate	1% Decrease		
Town proportionate share of net pension liability	7.75%	\$ 46,769,932	\$ 34,740,505	\$ 24,341,607

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, 2021 (measured as of June 30, 2020), the Commonwealth contributed \$6,896,554 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 0.443956%, 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:

	Commonwealth Portion	Paid (or assumed)	
		On Behalf of the Town	Town Portion
Net Pension Liability	\$ 126,726,463	\$ 126,726,463	\$ -
Pension Expense	15,652,534	15,652,534	-

The Town has recognized intergovernmental revenue and pension expense of \$15,652,534 associated with this arrangement.

C. Other Postemployment Benefits (OPEB)

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

OPEB Plan disclosures that impact the Town’s net OPEB liability using a measurement date of June 30, 2021, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of July 1, 2019:

Active employees	761
Inactive employees	423
Total	<u>1,184</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute either 20%, 30% or 40% of the cost of non-Medicare plans depending on their date of hire and union affiliation. All retirees contribute 50% of the cost of Medicare supplement plans. 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. 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 5.3% of covered payroll.

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

Total OPEB Liability	\$ 53,502,958
Plan fiduciary net position	<u>(6,430,378)</u>
Net OPEB liability	<u>\$ 47,072,580</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.0%

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	6.58% , net of OPEB plan investment expense, including inflation
Municipal bond rate	2.18% as of June 30, 2021
Discount Rate	6.75% , net of OPEB plan investment expense, including inflation
Inflation	2.50% annually as of June 30, 2021 and for future periods
Health Care Trend Rate	4.5%
Salary Increases	3.00% annually as of June 30, 2021 and for future periods
Cost of Living Adjustment	Not applicable
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females School: 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 Annuityants projected generationally with scale MP-2016 for males and females, set forward 1 year for females School: RP-2014 Mortality Table for White Collar Healthy Annuityants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuityants projected generationally with scale MP-2016 for males and females, set forward 1 year for females School: RP-2014 Mortality Table for White Collar Healthy Annuityants projected generationally with scale MP-2016 for males and females

Changes to key assumptions

- There were no significant changes to assumptions

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75% which approximated the investment rate of return.

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	46.25%	4.90%
Domestic Equity - Sm/Mid Cap	6.00%	5.40%
International Equity - Developed Market	5.50%	5.32%
International Equity - Emerging Market	3.75%	6.26%
Domestic - Fixed Income	21.50%	1.40%
International - Fixed Income	1.00%	1.30%
Alternatives	8.25%	6.32%
Real Estate	6.00%	6.25%
Cash and Cash Equivalents	1.75%	0.00%
	100.00%	
Real rate of return		4.33%
Inflation assumption		2.50%
Total nominal rate of return		6.83%
Investment expense		-0.25%
Net investment return		6.58%

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:

	Discount Rate			
	Current Rate	1% Decrease	Current	1% Increase
Net OPEB Liability	6.75%	\$ 53,605,360	\$ 47,072,580	\$ 41,625,983

	Health Care Rate			
	Current Rate	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	4.50%	\$ 40,924,808	\$ 47,072,580	\$ 54,541,729

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 51,154,373	\$ 4,625,302	\$ 46,529,071
Changes for the year:			
Service cost	1,406,293	-	1,406,293
Interest	3,464,123	-	3,464,123
Net investment income	-	1,268,076	(1,268,076)
Employer contributions	-	3,058,831	(3,058,831)
Benefit payments withdrawn from trust	-	(2,521,831)	2,521,831
Benefit payments	(2,521,831)	-	(2,521,831)
Net changes	2,348,585	1,805,076	543,509
Balances at June 30, 2021	\$ 53,502,958	\$ 6,430,378	\$ 47,072,580

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the Town recognized OPEB expense of approximately \$4.1 million. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 3,138,120	\$ -
Differences between expected and actual experience	-	2,132,259
Differences between expected and actual earnings	81,068	842,001
Totals	\$ 3,219,188	\$ 2,974,260

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

Year Ended June 30,	
2022	\$ (502,650)
2023	(467,501)
2024	258,985
2025	429,848
2026	526,246
Thereafter	-
Total	\$ 244,928

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 Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 26.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

The Town is a part of a premium-based self-insurance group which insures for employee health benefits, worker's compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association (MIIA). The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town's experience history.

E. Tax Abatements

The Town enters into property tax abatements with local businesses as an incentive for economic growth, including expansion of current facilities and job opportunities for local residents. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under Massachusetts General Law Chapter 40, Section 59, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. Furthermore, the Town Meeting must approve all TIF agreements.

For the fiscal year ended June 30, 2021, the Town abated property taxes totaling \$645,709 under this program to one property owner. The following table summarizes the key terms of the executed TIF agreement:

2021 Abatement	Description
645,709	<p>A national developer and manufacturer of health care related products was provided the following TIF benefits via 20-year agreement with the Town dated June 23, 2017:</p> <ol style="list-style-type: none"> 1) Real estate property taxes are annually exempted 90% for fiscal years 2018 - 2022; 80% for fiscal years 2023 - 2027; 70% for fiscal years 2028 - 2032; and 60% for fiscal years 2033 - 2037 on the value of the new facilities to be constructed on the Company's property. 2) Adjusting calculations to reduce the above exemption percentages are in place if the Company fails to meet the various Company requirements noted below, particularly under the categories of Job Shortfall Percentage and Investment Shortfall Percentage. 3) In consideration of certain one-time fee for site and construction permits (noted below), the Town agrees to provide full support and to facilitate expedited permitting for and approval of, the plans and construction of the Certified Expansion Project (CEP). <p>The company is obligated to meet the following requirements throughout the term of the agreement:</p> <ol style="list-style-type: none"> 1) Renovate the existing facility and construct addition to such building located in Walpole within the I-495/95 South Regional Technology Economic Target Area (ETA) at 333 Coney Street. Furthermore, Company will construct two parking garages and supporting facilities, as well as furnish the facilities to enhance efficiency and expand operations. This expansion project is expected require the Company to invest approximately \$300 million in property development costs which is anticipated to relate to \$230 million of building renovation and expansion and \$70 million for machinery, equipment and other personal property. Construction is anticipated to be completed by December 2026. 2) Initially create 400 new, permanent full-time jobs and full-time contractor positions in addition to the existing Baseline Position number of jobs determined to be 629 by no later than June 30, 2019. Once expansion is completed, the Company expects those 400 new positions to increase by an additional 300 positions. 3) Company agrees to timely pay all taxes owed to the Town. 4) Company agrees to provide timely annual reporting of financial and employment impacts specific to the Town. 5) Company agrees to enhance its "corporate citizenship" to the Town which shall include: a) support for community projects and activities, b) local business utilization, c) maintain civic associations, and d) good faith efforts to facilitate opportunities for local residents to apply for the new positions. 6) Company agrees to provide the following cost reimbursements: a) \$250,000 one-time fee for site and construction permits, b) \$30,000 for Town out-of-pocket legal and consultant costs, c) \$6,100 for Special Town Meeting, and d) \$10,000 for engineer peer review of traffic impact study. 7) Company agrees to provide the following contributions to the Town: a) \$100,000 towards construction and equipping playing fields at designated new Town park, b) \$160,000 towards purchase of snow removal equipment prior to December 31, 2018, and c) \$250,000 towards purchase of new ladder truck for the Town Fire Department prior to December 31, 2018.

F. Commitments and Contingencies

Litigation

The Town is in litigation with a party relative to claims associated with water and sewer system connection and infiltration and inflow removal fees. These represented fees that were previously charged by the Town's Board of Water and Sewer Commissioners to the party. The Town is defending its position aggressively and an outcome cannot be determined at this time.

The Town is party to other 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 these other liabilities, if any, at June 30, 2021, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

Grant Compliance

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Arbitrage

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

COVID-19

In March 2020, the World Health Organization declared the breakout of the novel coronavirus (“COVID-19”) a pandemic. The pandemic resulted in significant travel restrictions, business closures and disruptions in labor and supply chains, which has negatively affected the Town’s operations. While the Town expects this matter to continue to have some negative impact to its fiscal year 2022 results of operations, the related financial impact cannot be reasonably estimated at this time; however, the Town does not expect material disruptions in its operations.

G. Implementation of New GASB Pronouncements

Current Year Implementations

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

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

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

Future Year Implementations

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

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

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

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

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

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

IV. Prior Period Restatement

The adoption of GASB Statement No. 84 required certain accounts previously reported as agency accounts in the Statement of Fiduciary Activities to be reclassified into nonmajor governmental funds.

The impact is illustrated in the table below:

	<u>Governmental Activities</u>	<u>Nonmajor Governmental Funds</u>
Prior year as presented	\$ 66,382,300	\$ 10,162,289
Reclass agency funds	<u>(135,975)</u>	<u>(135,975)</u>
As restated	<u>\$ 66,246,325</u>	<u>\$ 10,026,314</u>

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2021

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

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	6.802%	6.795%	7.115%	7.109%	7.259%	7.259%	7.575%
Town's proportionate share of the net pension liability (asset)	\$ 30,290	\$ 39,891	\$ 46,313	\$ 39,313	\$ 37,893	\$ 39,431	\$ 39,293
Town's covered payroll	\$ 22,828	\$ 22,085	\$ 20,596	\$ 19,900	\$ 20,389	\$ 19,301	\$ 18,692
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	132.69%	180.62%	224.86%	197.55%	185.85%	204.30%	210.21%
Plan fiduciary net position as a percentage of the total pension liability	70.2%	64.6%	58.3%	63.5%	61.6%	58.6%	60.1%

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

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,448	\$ 5,089	\$ 4,977	\$ 4,550	\$ 4,374	\$ 3,972	\$ 3,577
Contributions in relation to the actuarially determined contribution	5,448	5,089	4,977	4,550	4,374	3,972	3,577
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 22,828	\$ 22,085	\$ 20,596	\$ 19,900	\$ 20,389	\$ 19,301	\$ 18,692
Contributions as a percentage of covered payroll	23.87%	23.04%	24.16%	22.86%	21.45%	20.58%	19.14%

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 auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
 YEAR ENDED JUNE 30, 2021

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

(dollar amounts are in thousands)

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
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)	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

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 auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2021

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

	June 30,				
	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	\$ 1,406,293	\$ 1,362,396	\$ 1,335,205	\$ 1,277,708	\$ 1,106,196
Interest	3,464,123	3,353,420	3,163,046	3,356,949	3,159,201
Changes in assumptions	-	4,432,190	-	-	-
Differences between expected and actual experience	-	(191,242)	-	(5,594,789)	-
Benefit payments	(2,521,831)	(2,263,604)	(1,720,451)	(1,646,365)	(1,948,708)
Net change in total OPEB liability	2,348,585	6,693,160	2,777,800	(2,606,497)	2,316,689
Total OPEB liability - beginning of year	51,154,373	44,461,213	41,683,413	44,289,910	41,973,221
Total OPEB liability - end of year (a)	<u>\$ 53,502,958</u>	<u>\$ 51,154,373</u>	<u>\$ 44,461,213</u>	<u>\$ 41,683,413</u>	<u>\$ 44,289,910</u>
Plan fiduciary net position:					
Contributions - employer	\$ 3,058,831	\$ 3,055,604	\$ 2,090,678	\$ 2,096,365	\$ 2,298,708
Net investment income	1,268,076	140,065	304,355	175,742	121,700
Benefit payments	(2,521,831)	(2,263,604)	(1,574,557)	(1,646,365)	(1,948,708)
Administrative expenses	-	-	(11,143)	-	(4,381)
Net change in Plan fiduciary net position	1,805,076	932,065	809,333	625,742	467,319
Plan fiduciary net position - beginning of year	4,625,302	3,693,237	2,883,904	2,258,162	1,790,843
Plan fiduciary net position - end of year (b)	<u>\$ 6,430,378</u>	<u>\$ 4,625,302</u>	<u>\$ 3,693,237</u>	<u>\$ 2,883,904</u>	<u>\$ 2,258,162</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 47,072,580</u>	<u>\$ 46,529,071</u>	<u>\$ 40,767,976</u>	<u>\$ 38,799,509</u>	<u>\$ 42,031,748</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.0%	9.0%	8.3%	6.9%	5.1%
Covered payroll	\$ 57,444,442	\$ 55,771,303	\$ 53,657,303	\$ 51,842,805	\$ 45,154,262
Net OPEB liability as a percentage of covered payroll	81.9%	83.4%	76.0%	74.8%	93.1%

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 WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEARS ENDED JUNE 30, 2021

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	June 30,				
	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 3,919,531	\$ 4,787,117	\$ 4,498,251	\$ 4,634,657	\$ 4,642,589
Contributions in relation to the actuarially-determined contribution	(3,058,831)	(3,055,604)	(2,090,678)	(2,096,365)	(2,298,708)
Contribution deficiency (excess)	<u>\$ 860,700</u>	<u>\$ 1,731,513</u>	<u>\$ 2,407,573</u>	<u>\$ 2,538,292</u>	<u>\$ 2,343,881</u>
Covered payroll	\$ 57,444,442	\$ 55,771,303	\$ 53,657,303	\$ 45,486,461	\$ 45,154,262
Contribution as a percentage of covered payroll	5.3%	5.5%	3.9%	4.6%	5.1%
Valuation Date	June 30, 2019				
Amortization Period	30 years				
Investment rate of return	6.58%				
Municipal bond rate	2.18%				
Single equivalent discount rate	6.75%				
Healthcare cost trend rates	4.50%				
Salary increases	3.00%				
Inflation	2.50%				
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)				
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)				

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	June 30,				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	26.38%	3.22%	8.74%	6.68%	5.87%

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 WALPOLE, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
REVENUES						
Real estate and personal property taxes	\$ 76,762,191	77,073,581	\$ 79,432,845	\$ -	\$ 79,432,845	\$ 2,359,264
Intergovernmental	11,328,319	11,328,319	12,232,519	-	12,232,519	904,200
Motor vehicle and other excises	4,300,000	4,300,000	5,168,591	-	5,168,591	868,591
License and permits	900,000	900,000	1,565,531	-	1,565,531	665,531
Departmental and other revenue	814,000	814,000	1,526,558	-	1,526,558	712,558
Penalties and interest on taxes	200,000	200,000	485,387	-	485,387	285,387
Fines and forfeitures	30,000	30,000	8,685	-	8,685	(21,315)
Investment income	75,000	75,000	312,423	-	312,423	237,423
Total Revenues	<u>94,409,510</u>	<u>94,720,900</u>	<u>100,732,539</u>	<u>-</u>	<u>100,732,539</u>	<u>6,011,639</u>
EXPENDITURES						
General government	4,260,149	4,364,186	3,166,298	463,171	3,629,469	734,717
Public safety	11,386,591	11,881,382	11,593,188	89,631	11,682,819	198,563
Education	49,003,320	49,464,576	48,360,409	1,061,541	49,421,950	42,626
Public works	9,520,739	10,709,670	7,828,755	2,308,293	10,137,048	572,622
Health and human services	821,831	826,021	703,684	-	703,684	122,337
Culture and recreation	3,524,325	3,691,691	3,123,964	441,157	3,565,121	126,570
Pension and other fringe benefits	17,711,768	17,713,495	16,152,975	8,193	16,161,168	1,552,327
State and county tax assessments	1,936,427	1,936,427	1,820,830	-	1,820,830	115,597
Debt service	3,623,898	3,623,898	3,277,592	-	3,277,592	346,306
Total Expenditures	<u>101,789,048</u>	<u>104,211,346</u>	<u>96,027,695</u>	<u>\$ 4,371,986</u>	<u>100,399,681</u>	<u>3,811,665</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,497,817	2,832,441	3,145,656		3,145,656	313,215
Transfers out	(1,985,584)	(5,697,584)	(5,836,281)		(5,836,281)	(138,697)
Total Other Financing Sources (Uses)	<u>512,233</u>	<u>(2,865,143)</u>	<u>(2,690,625)</u>		<u>(2,690,625)</u>	<u>174,518</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(6,867,305)</u>	<u>(12,355,589)</u>	<u>\$ 2,014,219</u>		<u>\$ (2,357,767)</u>	<u>\$ 9,997,822</u>
<u>Other budgetary items:</u>						
Undesignated surplus (free cash)	-	5,449,285				
Overlay	350,000	404,000				
Prior year encumbrances	6,517,305	6,517,305				
Miscellaneous other	-	(15,001)				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.
 See accompanying notes to required supplementary information.

TOWN OF WALPOLE, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by the Board of Selectmen, recommended by the Town 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, or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2021, Town Meeting approved approximately \$2.4 million in supplemental budgetary appropriations, for nearly all general government operation classifications, and approximately \$3.7 million in transfers to other funds.

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

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2021, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis	\$ -	\$ -	\$ 100,732,539
Stabilization investment income	-	305,396	305,396
Revenue recognition differences	(21,960)	-	(21,960)
On-behalf payments by other government	15,652,534	-	15,652,534
Revenues on a GAAP basis	<u>\$ 15,630,574</u>	<u>\$ 305,396</u>	<u>\$ 116,668,509</u>
Expenditures on a budgetary basis	\$ -	\$ -	\$ 96,027,695
On-behalf payments by other government	15,652,534	-	15,652,534
OPEB trust transfers reported as expenditures	-	537,000	537,000
Enterprise fund indirect costs reported as expenditures	-	(1,723,817)	(1,723,817)
Expenditures on a GAAP basis	<u>\$ 15,652,534</u>	<u>\$ (1,186,817)</u>	<u>\$ 110,493,412</u>
Other financing sources (uses) on a budgetary basis	\$ -	\$ -	\$ (2,690,625)
Transfers related to OPEB	-	537,000	537,000
Enterprise fund indirect costs reported as expenditures	-	(1,723,817)	(1,723,817)
Stabilization transfers	-	3,175,000	3,175,000
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 1,988,183</u>	<u>\$ (702,442)</u>