

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, 2022



TOWN OF WALPOLE, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Walpole, Massachusetts (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Restatement

As described in Note V to the financial statements, the Town restated the previously reported fund balances in the Capital Projects Fund and the School Construction Fund. We audited the adjustments described in Note V that were applied to restate the June 30, 2021 basic financial statements. In our opinion, such adjustments were appropriate and have been properly applied.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2023, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
January 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Walpole, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information listed in the table of contents.

Financial Highlights

- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$152.1 million (*total net position*). The Town's total net position increase by approximately \$10.4 million in fiscal year 2022.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit approached \$42.3 million at June 30, 2022. This deficit is due primarily to the recording of liabilities associated with the net OPEB and pension liabilities, which totaled approximately \$84.0 million at June 30, 2022 in the aggregate. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable by the Town for retiree medical insurance and pensions.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$96.4 million, which was approximately \$57.6 million higher than the prior year. This is mainly attributed to the issuance of \$47.2 million of general obligation bonds in the current year to fund the construction of the new middle school in Town, along with nearly \$3.5 million of related debt premiums received from the issuance.
- Of the ending total fund balance in the governmental funds at June 30, 2022, over \$22.6 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At June 30, 2022, unassigned fund balance for the General Fund represented approximately 20.9% of total fiscal year 2022 General Fund expenditures.
- The Town's total combined long-term debt in its governmental activities and business-type activities increased over \$51.3 million in fiscal year 2022 which was mainly attributed to the new issuance of general obligation bonds for the new construction of the Middle School as mentioned above.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town’s assets and deferred outflows of financial resources and liabilities and deferred inflows of financial resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick 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.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed – amounts constrained by a government using its highest level of decision-making authority
- Assigned – amounts a government intends to use for a particular purpose
- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major funds if 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 basic financial statements to help the reader understand the differences, as indicated within the table of contents.

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, Capital Projects Fund, Middle School Construction Fund, and ARPA 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 both its Water and Sewer 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, only 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 progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund.

Government-wide Financial Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Assets:						
Current and other assets	\$ 109,166,423	\$ 50,300,696	\$ 19,204,189	\$ 17,154,707	\$ 128,370,612	\$ 67,455,403
Capital assets, net	152,707,989	151,450,041	64,921,484	64,264,893	217,629,473	215,714,934
Total Assets	261,874,412	201,750,737	84,125,673	81,419,600	346,000,085	283,170,337
Deferred Outflows of Resources	17,958,861	8,016,835	837,484	627,570	18,796,345	8,644,405
Liabilities:						
Long-term liabilities	6,834,383	6,110,385	389,934	235,859	7,224,317	6,346,244
Other liabilities	173,681,826	115,291,309	18,797,505	17,996,444	192,479,331	133,287,753
Total Liabilities	180,516,209	121,401,694	19,187,439	18,232,303	199,703,648	139,633,997
Deferred Inflows of Resources	11,766,484	9,623,360	1,227,664	830,846	12,994,148	10,454,206
Net Position:						
Net investment in capital assets	116,552,890	118,391,683	54,448,114	51,374,893	171,001,004	169,766,576
Restricted	13,248,876	12,555,256	-	-	13,248,876	12,555,256
Unrestricted	(42,251,186)	(52,204,421)	10,099,940	11,609,128	(32,151,246)	(40,595,293)
Total Net Position	\$ 87,550,580	\$ 78,742,518	\$ 64,548,054	\$ 62,984,021	\$ 152,098,634	\$ 141,726,539

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased approximately \$10.4 million in fiscal year 2022. The net position in governmental activities increased over \$8.8 million, while the net position in business-type activities increased approximately \$1.6 million.

By far, the largest portion of the Town's net position (over \$171.0 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 (over \$13.2 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 (\$32.2) million. Surpluses of about \$10.1 million in the business-type activities are offset by a deficit of approximately \$42.3 million in governmental activities. This deficit is primarily the result of the reporting of nearly \$62.4 million in net OPEB and approximately \$25.7 million in pension liabilities in the Town's governmental and business-type activities. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future primarily due to OPEB.

The condensed comparative statement of activities for the two most recent years are as follows:

	Governmental activities		Business activities		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues:						
Program revenues:						
Charges for services	\$ 9,777,531	\$ 9,155,645	\$ 11,207,131	\$ 12,186,597	\$ 20,984,662	\$ 21,342,242
Operating grants and contributions	25,864,511	34,461,402	39,244	42,552	25,903,755	34,503,954
Capital grants and contributions	2,802,561	2,924,785	1,239,000	1,039,803	4,041,561	3,964,588
General Revenues:						
Property taxes	82,907,971	79,234,948	-	-	82,907,971	79,234,948
Intergovernmental	3,601,065	3,506,343	-	-	3,601,065	3,506,343
Other	5,866,860	6,577,083	59,811	-	5,926,671	6,577,083
Total Revenues	130,820,499	135,860,206	12,545,186	13,268,952	143,365,685	149,129,158
Expenses:						
General government	6,784,852	5,279,644	-	-	6,784,852	5,279,644
Public safety	17,794,283	16,491,687	-	-	17,794,283	16,491,687
Education	80,807,454	85,454,664	-	-	80,807,454	85,454,664
Public works	10,602,237	9,098,526	-	-	10,602,237	9,098,526
Health and human services	1,531,792	3,023,921	-	-	1,531,792	3,023,921
Culture and recreation	3,535,322	2,928,282	-	-	3,535,322	2,928,282
Debt service	956,497	1,087,289	-	-	956,497	1,087,289
Water	-	-	5,017,828	5,008,462	5,017,828	5,008,462
Sewer	-	-	5,963,325	5,580,246	5,963,325	5,580,246
Total Expenses	122,012,437	123,364,013	10,981,153	10,588,708	132,993,590	133,952,721
Change in Net Position Before Transfers	8,808,062	12,496,193	1,564,033	2,680,244	10,372,095	15,176,437
Transfers	-	-	-	-	-	-
Change in Net Position	8,808,062	12,496,193	1,564,033	2,680,244	10,372,095	15,176,437
Net Position:						
Beginning of year	78,742,518	66,246,325	62,984,021	60,303,777	141,726,539	126,550,102
End of year	\$ 87,550,580	\$ 78,742,518	\$ 64,548,054	\$ 62,984,021	\$ 152,098,634	\$ 141,726,539

Governmental Activities – The governmental activities increased over \$8.8 million from the prior year which was primarily the result of conservative spending due the current post-pandemic conditions and current economic and market swings. The following summarizes the significant components of governmental activities’ revenues:

- Property taxes represented approximately 63.4% and 58.3%, respectively, of total governmental activities revenues in fiscal year 2022 and 2021. Property tax revenues increased approximately \$3.7 million, or 4.6%, year-over-year. This increase was due primarily to normal statutory property tax increases and new growth.
- Operating grants and contributions represented approximately 19.8% and 25.4% respectively, of total governmental activities revenues in fiscal years 2022 and 2021. Operating grants and contributions decreased nearly \$8.6 million year-over-year due to the Town having received significant federal and state awards related to mitigating the effects of the COVID-19 pandemic in 2021, which were significantly less in fiscal year 2022. Additionally, there was a notable decrease in the State-funded pension requirements the Town has as it relates to the Massachusetts Teachers’ Retirement System.

No other revenues or dollar changes in revenue were individually significant between fiscal 2022 and 2021.

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 66.2% percent of total governmental funds' disbursements related to educational services; which is slightly lower than the 69.3% in the prior year. The decrease of over \$4.6 million is primarily related to the special teachers' retirement funding situation and pandemic funding described above. Other large expenses relate to Public Safety which represented nearly 14.6% of total expenses and was consistent with the 13.4% in the prior year. These and all other smaller functional expense categories were consistent with the prior year amounts.

Business-type Activities – Business-type activities of Water and Sewer Enterprise Funds increased net position by approximately \$1.6 million. Charges for services decreased by approximately \$1.0 million and total expenses increased by almost \$0.4 million. Additionally, current year revenues were positively impacted by nearly \$0.8 million of developer donated infrastructure capital assets and a sewer capital grant received in the current year of almost \$0.5 million.

Water and sewer expenses represented 100% of total business-type expenses. Of the total expenses, approximately 79.8% pertains to direct operational costs with the remaining costs represented by debt service (approximately 3.8%) and current year depreciation/amortization (approximately 16.4%).

Financial Analysis of the Government's Funds

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

Governmental Funds – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance in the General Fund was nearly \$22.6 million, while its total fund balance approached \$30.6 million. As a measure of the General Fund liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 20.9% of total fiscal year 2022 General Fund expenditures, while total fund balance represents approximately 28.3% of that same amount. Favorable budgeted versus actual operating results for revenues and expenditures as discussed above, were the primary cause of an increase of approximately \$6.8 million to the total General Fund balance.

The Capital Projects Fund had a restricted fund balance of approximately \$2.9 million; over \$1.4 million higher than the prior year. Capital spending for the year consisted of other minimal education capital outlays spending, roadways and sidewalks of approximately \$0.8 million and the route 1A field project for over \$0.2 million. These expenditures were offset by over \$1.7 million of bond proceeds for roadway capital spending a fire truck, transfers from other funds of nearly \$0.1 million and over \$0.5 million in intergovernmental revenue.

Beginning in fiscal year 2022, the Town began reporting the financial activity and position of its Middle School construction project as a major governmental fund. The fund has a restricted fund balance of approximately \$49.7 million. Capital spending for the year consisted of construction starting for the new school of approximately \$2.9 million. These expenditures were offset by over \$47.2 million of bond proceeds, transfers from other funds of approximately \$2.8 million and over \$1.5 million in intergovernmental revenue.

Beginning in fiscal year 2022, the Town began reporting the financial activity and position of its ARPA grant as a major governmental fund. The APRA Grant Fund had over \$0.3 million in expenditures related to the spending for renovations at the South Walpole Community Athletic Complex. The fund reported cash of approximately \$2.9 million as of June 30, 2022 and approximately \$2.7 million of unearned revenue (liability).

The Town reported total fund balances of approximately \$13.3 million in the Combined Nonmajor Governmental Funds; about \$13.0 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 endowments. The funds reported an increase in fund balance from the prior year of approximately \$0.7 million which was primarily the function of timing of receipts versus expenditures.

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 \$38.1 million and \$26.5 million, respectively.

Fiduciary Funds – The Town’s fiduciary funds are comprised primarily of private purpose trust funds totaling nearly \$9.1 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 OPEB Trust Fund approximates \$6.8 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 \$1.8 million of increased allocations to public safety
- Approximately \$1.4 million of increased allocations to education
- Approximately \$3.6 million of increased allocations to public works
- Approximately \$0.6 million of increased allocations to culture and recreation
- Approximately \$2.0 million of funding to increase stabilization funds
- Approximately \$0.7 million of increased funding to increase the OPEB Trust Fund

The majority of this net increase was subsidized with appropriations from prior year General Fund operational surpluses (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, 2022, is approximately \$217.6 million (net of accumulated depreciation) an increase of over \$1.9 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 \$9.4 million exceeding depreciation of approximately \$7.5 million.

Major additions to the Town’s governmental capital assets included various infrastructure acquisitions, machinery and equipment, vehicles and the start of the construction of the Middle School in construction in progress. 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 \$93.2 million. Total net debt increased by over \$47.8 million from the previous year due to new debt issuance related to the construction of a Middle School, as previously discussed.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation of approximately \$5.5 billion. The current debt limitation for the Town is approximately \$275 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 real estate tax base is made up predominantly of residential taxes, which in setting the 2022 tax rate was approximately 84% of the entire property tax levy. The Town also relies to a moderate degree on its commercial, industrial and personal property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 f the Acts of 1980, more commonly referred to as Proposition 2 1/2 , limits the Town’s ability to increase taxes in any one year by more than 2 ½ of the previous year’s tax levy. The Town typically taxes at or near its levy limit.
- The Town anticipates state aid for fiscal year 2023 to increase slightly to \$11.9 million.
- The Town enters fiscal year 2023 with the following financial reserves:
 - Certified free cash of approximately \$10.8 million
 - Combined stabilization funds of approximately \$10.4 million
- Local housing prices have increased significantly in recent years and are beginning to stabilize due to the correlative impact recent Federal Open Market Committee interest rate hikes had on mortgage rates. The Town expects housing prices to continue to remain stable or even decrease in 2023.
- Inflation has risen to historic levels in fiscal 2022. This has continued into 2023 and is expected to place upward pressure on the cost of wages and the delivery of goods and services.

All the above items were considered when the Town developed its budget for fiscal year 2023, which was approved at its Annual Town Meeting in May 2022. The Town set its tax rate in December 2022.

Requests for Information

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

TOWN OF WALPOLE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 62,799,089	\$ 15,188,608	\$ 77,987,697
Investments	42,774,084	-	42,774,084
Receivables, net of allowance for uncollectibles:			
Property taxes	503,432	-	503,432
Tax titles	1,350,675	-	1,350,675
Excise taxes	467,151	-	467,151
User fees	-	3,800,787	3,800,787
Departmental and other	689,284	9,407	698,691
Intergovernmental	335,475	205,387	540,862
Tax foreclosures	247,233	-	247,233
Capital assets, not being depreciated	30,355,202	9,575,581	39,930,783
Depreciable Capital assets, net of depreciation	122,352,787	55,345,903	177,698,690
Total Assets	261,874,412	84,125,673	346,000,085
Deferred Outflows of Resources			
Related to other postemployment benefits liability	13,414,611	322,831	13,737,442
Related to net pension liability	4,544,250	514,653	5,058,903
Total Deferred Outflows of Resources	17,958,861	837,484	18,796,345
Liabilities			
Current liabilities:			
Warrants and accounts payable	6,349,337	389,934	6,739,271
Retainage payable	93,626	-	93,626
Unearned revenue	2,681,959	-	2,681,959
Other liabilities	391,420	-	391,420
Noncurrent liabilities:			
Due in one year or less	4,597,325	1,559,594	6,156,919
Due in more than one year	166,402,542	17,237,911	183,640,453
Total Liabilities	180,516,209	19,187,439	199,703,648
Deferred Inflows of Resources			
Related to other postemployment benefits liability	1,176,543	28,314	1,204,857
Related to net pension liability	10,589,941	1,199,350	11,789,291
Total Deferred Inflows of Resources	11,766,484	1,227,664	12,994,148
Net Position			
Net investment in capital assets	116,552,890	54,448,114	171,001,004
Restricted for:			
Nonexpendable permanent funds	261,719	-	261,719
Expendable permanent funds	2,287,162	-	2,287,162
Federal and state grants	5,839,182	-	5,839,182
Other purposes	4,860,813	-	4,860,813
Unrestricted	(42,251,186)	10,099,940	(32,151,246)
Total Net Position	\$ 87,550,580	\$ 64,548,054	\$ 152,098,634

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 6,784,852	\$ 1,596,474	\$ 1,057,149	\$ 100,000	\$ (4,031,229)		\$ (4,031,229)
Public safety	17,794,283	4,263,360	210,105		(13,320,818)		(13,320,818)
Education	80,807,454	2,964,372	24,172,126	1,557,119	(52,113,837)		(52,113,837)
Public works	10,602,237	49,896	16,300	557,840	(9,978,201)		(9,978,201)
Health and human services	1,531,792	253,650	321,005	-	(957,137)		(957,137)
Culture and recreation	3,535,322	649,779	87,826	587,602	(2,210,115)		(2,210,115)
Interest expense	956,497	-	-	-	(956,497)		(956,497)
Total Governmental Activities	122,012,437	9,777,531	25,864,511	2,802,561	(83,567,834)		(83,567,834)
Business-Type Activities							
Water	5,017,828	5,994,740	39,244	361,625		\$ 1,377,781	1,377,781
Sewer	5,963,325	5,212,391	-	877,375		126,441	126,441
Total Primary Government	<u>\$ 132,993,590</u>	<u>\$ 20,984,662</u>	<u>\$ 25,903,755</u>	<u>\$ 4,041,561</u>	(83,567,834)	1,504,222	(82,063,612)
General Revenues							
					82,907,971	-	82,907,971
					3,601,065	-	3,601,065
					5,564,267	-	5,564,267
					392,795	-	392,795
					(90,202)	59,811	(30,391)
					92,375,896	59,811	92,435,707
					8,808,062	1,564,033	10,372,095
Net Position							
					78,742,518	62,984,021	141,726,539
					<u>\$ 87,550,580</u>	<u>\$ 64,548,054</u>	<u>\$ 152,098,634</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Capital Projects Fund	School Construction Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 25,898,299	\$ 3,178,570	\$ 19,761,816	\$ 2,871,124	\$ 11,089,280	\$ 62,799,089
Investments	10,334,704	-	29,963,332	-	2,476,048	42,774,084
Receivables, net of allowance:						
Property taxes	503,432	-	-	-	-	503,432
Tax titles	1,350,675	-	-	-	-	1,350,675
Excise taxes	467,151	-	-	-	-	467,151
Other	2,427	-	-	-	686,857	689,284
Due from Commonwealth	-	-	335,475	-	-	335,475
Tax foreclosures	247,233	-	-	-	-	247,233
Total Assets	38,803,921	3,178,570	50,060,623	2,871,124	14,252,185	109,166,423
Deferred Outflows of Resources						
	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 38,803,921	\$ 3,178,570	\$ 50,060,623	\$ 2,871,124	\$ 14,252,185	\$ 109,166,423
Liabilities						
Warrants and accounts payable	\$ 5,245,187	\$ 249,739	\$ 365,674	\$ 172,285	\$ 316,452	\$ 6,349,337
Retainage payable	-	75,146	1,600	16,880	-	93,626
Unearned revenue	-	-	-	2,681,959	-	2,681,959
Other liabilities	391,420	-	-	-	-	391,420
Total Liabilities	5,636,607	324,885	367,274	2,871,124	316,452	9,516,342
Deferred Inflows of Resources						
Unavailable revenue - property taxes	1,854,107	-	-	-	-	1,854,107
Unavailable revenue - excise taxes	467,151	-	-	-	-	467,151
Unavailable revenue - other	249,660	-	-	-	686,857	936,517
Total Deferred Inflows of Resources	2,570,918	-	-	-	686,857	3,257,775
Fund Balances						
Nonspendable	-	-	-	-	261,719	261,719
Restricted	-	2,853,685	49,693,349	-	12,987,157	65,534,191
Committed	5,984,632	-	-	-	-	5,984,632
Assigned	2,008,890	-	-	-	-	2,008,890
Unassigned	22,602,874	-	-	-	-	22,602,874
Total Fund Balances	30,596,396	2,853,685	49,693,349	-	13,248,876	96,392,306
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 38,803,921	\$ 3,178,570	\$ 50,060,623	\$ 2,871,124	\$ 14,252,185	\$ 109,166,423

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, 2022**

Total Governmental Fund Balances	\$ 96,392,306
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	152,707,989
Other long-term assets are unavailable to pay current-period expenditures	3,257,775
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	4,544,250
Deferred outflows related to net other postemployment benefits liability	13,414,611
Deferred inflows related to net pension liability	(10,589,941)
Deferred inflows related to net other postemployment benefits liability	(1,176,543)
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	(84,314,287)
Compensated absences	(2,722,359)
Net other postemployment benefits liability	(60,888,014)
Net pension liability	<u>(23,075,207)</u>
Net Position of Governmental Activities	<u>\$ 87,550,580</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, 2022

	General Fund	Capital Projects Fund	School Construction Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Real estate and personal property taxes, net	\$ 83,195,059	\$ -	\$ -	\$ -	\$ -	\$ 83,195,059
Intergovernmental	21,140,393	518,592	1,557,119	341,912	7,659,043	31,217,059
Motor vehicle and other excises	5,647,091	-	-	-	-	5,647,091
License and permits	1,648,925	-	-	-	-	1,648,925
Departmental and other revenue	503,136	-	-	-	8,197,021	8,700,157
Penalties and interest on taxes	392,795	-	-	-	-	392,795
Fines and forfeitures	6,547	-	-	-	-	6,547
Investment income (loss)	(135,479)	-	-	1,290	43,987	(90,202)
Contributions and donations	-	-	-	-	1,051,078	1,051,078
Total Revenues	112,398,467	518,592	1,557,119	343,202	16,951,129	131,768,509
Expenditures						
Current:						
General government	2,787,704	-	-	5,600	2,559,041	5,352,345
Public safety	12,312,191	19,398	-	-	1,602,432	13,934,021
Education	51,330,116	11,205	2,864,373	-	9,081,705	63,287,399
Public works	8,839,833	778,022	-	-	262,621	9,880,476
Health and human services	725,144	-	-	-	414,268	1,139,412
Culture and recreation	2,475,294	119,095	-	337,602	662,677	3,594,668
Pensions and other fringes	24,120,345	-	-	-	-	24,120,345
State and county tax assessments	1,867,168	-	-	-	-	1,867,168
Debt service:						
Principal maturities	2,296,763	-	-	-	-	2,296,763
Interest	1,172,401	-	-	-	-	1,172,401
Total Expenditures	107,926,959	927,720	2,864,373	343,202	14,582,744	126,644,998
Excess (Deficiency) of Revenues Over Expenditures	4,471,508	(409,128)	(1,307,254)	-	2,368,385	5,123,511
Other Financing Sources (Uses)						
Issuance of long-term debt	-	1,730,000	47,245,000	-	-	48,975,000
Premium from issuance of bonds and notes	-	-	-	-	3,454,533	3,454,533
Transfers in	2,279,298	95,000	2,755,000	-	-	5,129,298
Transfers out	-	-	-	-	(5,129,298)	(5,129,298)
Total Other Financing Sources (Uses)	2,279,298	1,825,000	50,000,000	-	(1,674,765)	52,429,533
Net Change in Fund Balances	6,750,806	1,415,872	48,692,746	-	693,620	57,553,044
FUND BALANCES - Beginning of year, as restated (see Note V)	23,845,590	1,437,813	1,000,603	-	12,555,256	38,839,262
FUND BALANCES - Ending of year	\$ 30,596,396	\$ 2,853,685	\$ 49,693,349	\$ -	\$ 13,248,876	\$ 96,392,306

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, 2022**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 57,553,044**

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	\$ 6,541,942	
Depreciation expense	(5,283,994)	
Net effect of reporting capital assets		1,257,948

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	(48,975,000)	
Proceeds of debt premium	(3,454,533)	
Amortization of debt premium	215,904	
Repayments of debt	2,296,763	
Net effect of reporting long-term debt		(49,916,866)

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. (774,403)

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	(319,995)	
Other postemployment benefits	(2,922,744)	
Pension benefits	3,931,078	
Net effect of reporting long-term liabilities		688,339

Change in Net Position of Governmental Activities **\$ 8,808,062**

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

Assets	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Current assets:			
Cash and cash equivalents	\$ 8,917,082	\$ 6,271,526	\$ 15,188,608
Receivables:			
User charges and fees	2,142,808	1,657,979	3,800,787
Betterments	-	9,407	9,407
Intergovernmental	205,352	-	205,352
Total current assets	<u>11,265,242</u>	<u>7,938,912</u>	<u>19,204,154</u>
Noncurrent assets:			
Receivables:			
Intergovernmental	35	-	35
Capital assets, not being depreciated	8,110,034	1,465,547	9,575,581
Capital assets, net of depreciation	<u>36,466,747</u>	<u>18,879,156</u>	<u>55,345,903</u>
Total noncurrent assets	<u>44,576,816</u>	<u>20,344,703</u>	<u>64,921,519</u>
Total Assets	<u>55,842,058</u>	<u>28,283,615</u>	<u>84,125,673</u>
Deferred Outflows of Resources			
Related to other postemployment benefits liability	261,012	61,819	322,831
Related to net pension liability	<u>357,684</u>	<u>156,969</u>	<u>514,653</u>
Total Deferred Outflows of Resources	<u>618,696</u>	<u>218,788</u>	<u>837,484</u>
Liabilities			
Current liabilities:			
Warrants payable and accrued expenses	127,631	262,303	389,934
Bond and note indebtedness	1,517,803	36,200	1,554,003
Compensated absences	<u>4,618</u>	<u>973</u>	<u>5,591</u>
Total current liabilities	<u>1,650,052</u>	<u>299,476</u>	<u>1,949,528</u>
Noncurrent liabilities:			
Bond and note indebtedness	12,889,084	253,400	13,142,484
Compensated absences	13,855	2,917	16,772
Net other postemployment benefits liability	1,184,713	280,590	1,465,303
Net pension liability	<u>1,816,284</u>	<u>797,068</u>	<u>2,613,352</u>
Total noncurrent liabilities	<u>15,903,936</u>	<u>1,333,975</u>	<u>17,237,911</u>
Total Liabilities	<u>17,553,988</u>	<u>1,633,451</u>	<u>19,187,439</u>
Deferred Inflows of Resources			
Related to other postemployment benefits liability	22,892	5,422	28,314
Related to net pension liability	<u>833,550</u>	<u>365,800</u>	<u>1,199,350</u>
Total Deferred Inflows of Resources	<u>856,442</u>	<u>371,222</u>	<u>1,227,664</u>
Net Position			
Net investment in capital assets	34,118,171	20,329,943	54,448,114
Unrestricted	<u>3,932,153</u>	<u>6,167,787</u>	<u>10,099,940</u>
Total Net Position	<u>\$ 38,050,324</u>	<u>\$ 26,497,730</u>	<u>\$ 64,548,054</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, 2022**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues			
Charges for services	\$ 5,793,579	\$ 4,901,860	\$ 10,695,439
Other operating income	201,161	310,531	511,692
Total Operating Revenues	<u>5,994,740</u>	<u>5,212,391</u>	<u>11,207,131</u>
Operating Expenses			
Operating costs	3,389,657	5,370,899	8,760,556
Depreciation	1,212,668	592,426	1,805,094
Total Operating Expenses	<u>4,602,325</u>	<u>5,963,325</u>	<u>10,565,650</u>
Total Operating Income	<u>1,392,415</u>	<u>(750,934)</u>	<u>641,481</u>
Nonoperating Income (Expenses)			
Intergovernmental	38,728	-	38,728
Betterment (assessment) interest	-	516	516
Investment income	30,225	29,586	59,811
Interest expense	(415,503)	-	(415,503)
Total Nonoperating Revenues (Expenses), net	<u>(346,550)</u>	<u>30,102</u>	<u>(316,448)</u>
Income (Loss) Before Capital Contributions	<u>1,045,865</u>	<u>(720,832)</u>	<u>325,033</u>
Capital Contributions			
Developer contributed assets	361,625	427,375	789,000
Intergovernmental	-	450,000	450,000
Total capital contributions	<u>361,625</u>	<u>877,375</u>	<u>1,239,000</u>
Change in Net Position	1,407,490	156,543	1,564,033
Total Net Position - Beginning of the year	<u>36,642,834</u>	<u>26,341,187</u>	<u>62,984,021</u>
Total Net Position - Ending of the year	<u>\$ 38,050,324</u>	<u>\$ 26,497,730</u>	<u>\$ 64,548,054</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities			
Receipts from users	\$ 5,975,555	\$ 5,367,451	\$ 11,343,006
Payments to vendors	(2,794,105)	(5,481,150)	(8,275,255)
Payments to employees	(967,097)	(291,662)	(1,258,759)
Net Cash Provided By (Used For) Operating Activities	<u>2,214,353</u>	<u>114,087</u>	<u>2,328,440</u>
Cash Flows from Noncapital Related Financing Activities			
Intergovernmental subsidies	233,516	-	233,516
Net Cash Provided By Noncapital Related Financing Activities	<u>233,516</u>	<u>-</u>	<u>233,516</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from the issuance of bonds and notes	2,550,000	-	2,550,000
Premium received from the issuance of bonds	282,717	-	282,717
Acquisition and construction of capital assets	(919,504)	(753,181)	(1,672,685)
Proceeds from betterment assessment	-	1,371	1,371
Interest expense	(475,258)	-	(475,258)
Intergovernmental grants	-	450,000	450,000
Principal payments on bonds and notes	(1,340,712)	(36,200)	(1,376,912)
Net Cash Used For Capital and Related Financing Activities	<u>97,243</u>	<u>(338,010)</u>	<u>(240,767)</u>
Net Change in Cash and Cash Equivalents	2,575,337	(194,337)	2,381,000
Cash and Cash Equivalents			
Beginning of year	6,341,745	6,465,863	12,807,608
End of year	<u>\$ 8,917,082</u>	<u>\$ 6,271,526</u>	<u>\$ 15,188,608</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities			
Operating income (loss)	\$ 1,392,415	\$ (750,934)	\$ 641,481
Depreciation	1,212,668	592,426	1,805,094
Changes in assets, deferred outflows, and liabilities, deferred inflows:			
Receivables (net)	(19,185)	155,060	135,875
Deferred outflows of resources	(173,946)	(35,968)	(209,914)
Deferred inflows of resources	271,069	125,749	396,818
Liabilities (net)	(468,668)	27,754	(440,914)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,214,353</u>	<u>\$ 114,087</u>	<u>\$ 2,328,440</u>
Noncash Capital and Related Financing Activities:			
Developer donated infrastructure	\$ 361,625	\$ 427,375	\$ 789,000
Amortization of debt premium	59,755	-	59,755

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund
Assets		
Cash and cash equivalents	\$ 773,610	\$ 139,951
Investments (at fair value):		
U.S. government securities	-	614,952
Corporate fixed income	709,791	373,485
Fixed mutual funds	-	687,368
Equities	7,579,038	3,596,355
Equity mutual funds	-	1,417,983
	9,062,439	6,830,094
Total Assets		
Liabilities		
Warrant and accounts payable	-	-
Other liabilities	-	-
	-	-
Total Liabilities		
Net Position		
Held in trust for private purposes	9,062,439	-
Held in trust for other postemployment benefits	-	6,830,094
	9,062,439	6,830,094
Total Net Position		
	\$ 9,062,439	\$ 6,830,094

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

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

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund
Additions		
Contribution and donations:		
Public sources	\$ 1,896	\$ -
Employer	-	3,495,813
	<u>1,896</u>	<u>3,495,813</u>
Total contributions		
Investment income:		
Interest and dividends	244,378	249,051
Unrealized gain on investments	-	(644,431)
Investment management fees	-	(21,818)
	<u>244,378</u>	<u>(417,198)</u>
Net investment earnings		
	<u>246,274</u>	<u>3,078,615</u>
Total Additions		
Deductions		
Educational scholarships	182,685	-
Health and human service assistance	43,581	-
Other fringe benefits	-	2,678,899
	<u>226,266</u>	<u>2,678,899</u>
Total Deductions		
Change in Net Position	20,008	399,716
Total Net Position - Beginning	<u>9,042,431</u>	<u>6,430,378</u>
Total Net Position - Ending	<u>\$ 9,062,439</u>	<u>\$ 6,830,094</u>

See accompanying notes to basic financial statements.

TOWN OF WALPOLE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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 Town's basic 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. The effect of interfund activity has been removed from these statements. *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.

In addition, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when 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*. The effect of material interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured 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 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 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, therefore, revenues

are recognized as expenditures are incurred. In the second, funds 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 of Massachusetts (the “Commonwealth”).

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.

School Construction Fund – is used to account for the construction of the Westport Middle School.

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

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

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 and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at acquisition value rather than fair value.

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 –Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained by the respective funds.

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 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 changes in the net other postemployment benefit liability. The deferred pensions and OPEB items will be recognized in employee benefits expense in future years as more fully described later in this report.

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 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 two types of items that are reported on the government-wide statement of net position which relate to inflows from changes in the net pension liability and changes in the net other postemployment benefit liability. The deferred pensions and OPEB items will be recognized in employee benefits expense in future years as more fully described later in this report.

The Town also reports one type of item that arises under a modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: (1) property taxes, (2) excise taxes, and (3) other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent 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.

Stabilization Fund – 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.

The Town maintains two stabilization funds – general and capital. The general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting totaled \$9,378,843 at June 30, 2022. The capital stabilization fund, which totaled \$998,025 at June 30, 2022, also requires a two-thirds vote of Town Meeting to expend funds for municipal capital outlays. Both stabilization funds are 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 \$1,234,560 of encumbrances from normal purchasing activity in the General Fund as assigned. The Town reports \$6,358,962 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

The following represent the categorizations of fund balance:

	General Fund	Capital Projects Funds	School Construction Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ 261,719	\$ 261,719
Restricted:					
General government	-	-	-	2,728,005	2,728,005
Public safety	-	865,098	-	2,670,299	3,535,397
Education	-	327,396	49,693,349	3,840,602	53,861,347
Public works	-	1,066,458	-	1,108,395	2,174,853
Health and human services	-	-	-	376,971	376,971
Culture and recreation	-	594,733	-	2,262,885	2,857,618
Committed:					
General government	308,910	-	-	-	308,910
Public safety	535,118	-	-	-	535,118
Education	857,044	-	-	-	857,044
Public works	3,880,485	-	-	-	3,880,485
Health and human services	20,000	-	-	-	20,000
Culture and recreation	383,075	-	-	-	383,075
Assigned:					
General government	201,103	-	-	-	201,103
Public safety	76,989	-	-	-	76,989
Education	829,596	-	-	-	829,596
Public works	423,725	-	-	-	423,725
Health and human services	8,007	-	-	-	8,007
Culture and recreation	38,080	-	-	-	38,080
Pension and other fringes	31,390	-	-	-	31,390
Subsequent years' budget	400,000	-	-	-	400,000
Unassigned	22,602,874	-	-	-	22,602,874
Totals	<u>\$ 30,596,396</u>	<u>\$ 2,853,685</u>	<u>\$ 49,693,349</u>	<u>\$ 13,248,876</u>	<u>\$ 96,392,306</u>

E. Excess of Expenditures Over Appropriations and Deficits

Expenditures did not exceed appropriations for the legally adopted budget within the General Fund in the current fiscal year.

No deficits are reported within the major and nonmajor governmental funds at the end of the current fiscal year.

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 investments in the Massachusetts Municipal Depository Trust, which is administered by the Treasurer of the Commonwealth. In addition, the statutes impose various limitations on the amount and length of investments and deposits

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 \$136,654,315 and the bank balance was \$50,547,292. Of the Town's bank balance, \$47,873,493 was covered by the Federal Depository Insurance Corporation (FDIC) and Depositors Insurance Fund (DIF); 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's investments in negotiable certificates of deposit are fully covered by FDIC. The Town does not have a formal investment policy related to custodial credit risk.

Fair Value Measurements: 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, 2022:

	Totals	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 33,965,867	\$ 33,185,872	\$ 779,995	\$ -
Corporate bonds	6,012,735	-	6,012,735	-
Fixed income mutual funds	1,622,609	-	1,622,609	-
Certificates of deposit	575,304	-	575,304	-
Total debt securities	42,176,515	33,185,872	8,990,643	-
Equity securities:				
Common stock equities	14,158,559	14,158,559	-	-
Equity mutual funds	1,417,983	-	1,417,983	-
Total equity securities	15,576,542	14,158,559	1,417,983	-
Total investments by fair value level	\$ 57,753,057	\$ 47,344,431	\$ 10,408,626	\$ -
<u>Investments measured at amortized cost</u>				
State investment pool (MMDT)	19,749,415			
Money market mutual funds	10,284,019			
Total investments measured at fair value	\$ 87,786,491			

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, 2022, the Town had the following investments and maturities:

Investment Type	Fair Value Total	Time Until Maturity (Years)			
		Less Than 1	1-5	6-10	More Than 10
<u>Investments with Maturities:</u>					
U.S. Government obligations	\$ 33,965,867	\$ 31,025,871	\$ 2,702,205	\$ 237,791	\$ -
Corporate bonds	6,012,735	499,150	5,381,107	132,478	-
Certificates of deposit	1,569,636	1,425,463	144,173	-	-
State Treasurer's Investment Pool (MMDT)	19,749,415	19,749,415	-	-	-
Total Investments with Maturities	61,297,653	\$ 52,699,899	\$ 8,227,485	\$ 370,269	\$ -
<u>Other Investments:</u>					
Common stock equities	14,158,559				
Equity mutual funds	1,417,983				
Fixed income mutual funds	1,622,609				
Money market mutual funds	10,284,019				
Total Investments	\$ 88,780,823				

Credit Risk: Investments – Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town has not adopted a formal policy related to credit risk, but does manages credit risk for deposits and investments through its careful selection of depository institutions and investment instruments. The Town also follows the prudent investor standard and invests only in financial instruments that are allowable under Massachusetts General Laws. The Town's investment in negotiable certificates of deposit and MMDT is unrated; other securities with maturities have their published credit ratings disclosed below.

At June 30, 2022 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	\$ 33,965,867	\$ 505,052	\$ -	\$ -	\$ 34,470,919
Aa2	-	136,739	-	-	136,739
Aa3	-	63,287	-	-	63,287
A	-	24,403	-	-	24,403
A1	-	767,980	-	-	767,980
A2	-	1,879,267	-	-	1,879,267
A3	-	44,627	-	-	44,627
Baa	-	19,358	-	-	19,358
Baa1	-	1,055,625	-	-	1,055,625
Baa2	-	1,080,537	-	-	1,080,537
Baa3	-	55,770	-	-	55,770
Ba1	-	138,838	-	-	138,838
WR	-	33,366	-	-	33,366
Not Rated	-	207,886	1,569,636	19,749,415	21,526,937
Totals	\$ 33,965,867	\$ 6,012,735	\$ 1,569,636	\$ 19,749,415	\$ 61,297,653

Concentration of Credit Risk: Investments – The Town does not place a limit on the amount that may be invested in any one issuer. The Town does maintain approximately 22% of its total investments with MMDT, the only singularly invested entity that exceeds 10% of the monetary holdings.

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	\$ 503,432	\$ -	\$ 503,432
Tax liens	1,350,675	-	1,350,675
Excise	467,151	-	467,151
Ambulance	756,820	(251,440)	505,380
Departmental and other	183,904	-	183,904
Intergovernmental	335,475	-	335,475
Total Governmental Receivables	\$ 3,597,457	\$ (251,440)	\$ 3,346,017

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 2,137,823	\$ -	\$ 2,137,823
Water liens	4,985	-	4,985
Water intergovernmental	205,387	-	205,387
Sub-total Water Fund	2,348,195	-	2,348,195
Sewer user charges	1,654,670	-	1,654,670
Sewer liens	3,309	-	3,309
Sewer betterments	9,407	-	9,407
Sub-total Sewer Fund	1,667,386	-	1,667,386
Total Business-Type Receivables	\$ 4,015,581	\$ -	\$ 4,015,581

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 \$205,387, which is allocated to the Water Fund. In addition, interest costs are anticipated to be subsidized to the General Fund for \$509 and to the Water Fund in the amount of \$16,571 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	\$ 503,432	\$ -	\$ 503,432
Tax liens	1,350,675	-	1,350,675
Excise	467,151	-	467,151
Tax foreclosures	247,233	-	247,233
Ambulance fees	-	505,380	505,380
Departmental and other	183,904	-	183,904
Total	<u>\$ 2,752,395</u>	<u>\$ 505,380</u>	<u>\$ 3,257,775</u>

C. Interfund Payables, Receivables and Transfers

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

Transfers Out	Transfers In			Total
	General Fund	Capital Projects Fund	School Construction Fund	
Nonmajor Governmental Funds	<u>2,279,298</u>	<u>95,000</u>	<u>2,755,000</u>	<u>5,129,298</u> (1,2)
Total	<u>\$ 2,279,298</u>	<u>\$ 95,000</u>	<u>\$ 2,755,000</u>	<u>\$ 5,129,298</u>

(1) Transfers to General Fund to supplement operating budgets and to close out completed/closed projects.

(2) Transfer of debt premium receipts to Capital Projects Funds and School Construction Fund to fund projects.

D. Capital Assets

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 28,355,954	\$ 109,000	\$ (173,607)	\$ 28,291,347
Construction in progress	924,747	2,063,855	(924,747)	2,063,855
Total capital assets not being depreciated	29,280,701	2,172,855	(1,098,354)	30,355,202
Capital assets being depreciated:				
Buildings and improvements	134,042,095	986,526	(43,480)	134,985,141
Infrastructure	69,986,676	2,411,265	-	72,397,941
Machinery and equipment	10,977,358	2,058,059	(278,041)	12,757,376
Vehicles	9,315,004	458,657	(125,547)	9,648,114
Total capital assets being depreciated	224,321,133	5,914,507	(447,068)	229,788,572
Less accumulated depreciation for:				
Buildings and improvements	(42,161,089)	(2,902,840)	43,480	(45,020,449)
Infrastructure	(47,457,496)	(1,492,831)	-	(48,950,327)
Machinery and equipment	(8,359,950)	(646,332)	278,041	(8,728,241)
Vehicles	(4,173,258)	(689,057)	125,547	(4,736,768)
Total accumulated depreciation	(102,151,793)	(5,731,060)	447,068	(107,435,785)
Total capital assets being depreciated, net	122,169,340	183,447	-	122,352,787
Governmental activities capital assets, net	\$ 151,450,041	\$ 2,356,302	\$ (1,098,354)	\$ 152,707,989
Business-Type Activities - Combined:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,203,108	\$ -	\$ -	\$ 7,203,108
Construction in progress	1,543,503	828,970	-	2,372,473
Total capital assets not being depreciated	8,746,611	828,970	-	9,575,581
Capital assets being depreciated:				
Buildings and improvements	20,452,798	320,958	-	20,773,756
Infrastructure	68,953,404	788,999	-	69,742,403
Machinery and equipment	9,550,951	522,756	-	10,073,707
Vehicles	781,908	-	-	781,908
Total capital assets being depreciated	99,739,061	1,632,713	-	101,371,774
Less accumulated depreciation for:				
Buildings and improvements	(9,873,981)	(419,858)	-	(10,293,839)
Infrastructure	(27,632,869)	(997,819)	-	(28,630,688)
Machinery and equipment	(6,142,979)	(336,979)	-	(6,479,958)
Vehicles	(570,950)	(50,436)	-	(621,386)
Total accumulated depreciation	(44,220,779)	(1,805,092)	-	(46,025,871)
Total capital assets being depreciated, net	55,518,282	(172,379)	-	55,345,903
Business-type activities capital assets, net	\$ 64,264,893	\$ 656,591	\$ -	\$ 64,921,484

Capital asset activity for Business-type activities by program, for the year ended June 30, 2022, was as follows:

Business-Type Activities - Water:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,104,452	\$ -	\$ -	\$ 7,104,452
Construction in progress	608,835	396,747	-	1,005,582
Total capital assets not being depreciated	7,713,287	396,747	-	8,110,034
Capital assets being depreciated:				
Buildings and improvements	18,421,206	-	-	18,421,206
Infrastructure	40,013,294	361,625	-	40,374,919
Machinery and equipment	8,130,843	522,756	-	8,653,599
Vehicles	240,780	-	-	240,780
Total capital assets being depreciated	66,806,123	884,381	-	67,690,504
Less accumulated depreciation for:				
Buildings and improvements	(8,778,334)	(364,660)	-	(9,142,994)
Infrastructure	(15,616,022)	(568,995)	-	(16,185,017)
Machinery and equipment	(5,375,954)	(279,012)	-	(5,654,966)
Vehicles	(240,780)	-	-	(240,780)
Total accumulated depreciation	(30,011,090)	(1,212,667)	-	(31,223,757)
Total capital assets being depreciated, net	36,795,033	(328,286)	-	36,466,747
Water capital assets, net	\$ 44,508,320	\$ 68,461	\$ -	\$ 44,576,781
Business-Type Activities - Sewer:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 98,656	\$ -	\$ -	\$ 98,656
Construction in progress	934,668	432,223	-	1,366,891
Total capital assets not being depreciated	1,033,324	432,223	-	1,465,547
Capital assets being depreciated:				
Buildings and improvements	2,031,592	320,958	-	2,352,550
Infrastructure	28,940,110	427,374	-	29,367,484
Machinery and equipment	1,420,108	-	-	1,420,108
Vehicles	541,128	-	-	541,128
Total capital assets being depreciated	32,932,938	748,332	-	33,681,270
Less accumulated depreciation for:				
Buildings and improvements	(1,095,647)	(55,198)	-	(1,150,845)
Infrastructure	(12,016,847)	(428,824)	-	(12,445,671)
Machinery and equipment	(767,025)	(57,967)	-	(824,992)
Vehicles	(330,170)	(50,436)	-	(380,606)
Total accumulated depreciation	(14,209,689)	(592,425)	-	(14,802,114)
Total capital assets being depreciated, net	18,723,249	155,907	-	18,879,156
Sewer capital assets, net	\$ 19,756,573	\$ 588,130	\$ -	\$ 20,344,703

For the fiscal year ended June 30, 2022, depreciation expense was charged to functions/programs within governmental activities and business-type activities funds as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 224,425	Water	\$ 1,212,667
Public safety	1,023,358	Sewer	592,425
Education	1,787,079	Total Business-Type Activities	<u>\$ 1,805,092</u>
Public works	1,870,408		
Health and human services	168,750		
Culture and recreation	657,040		
Total Governmental Activities	<u>\$ 5,731,060</u>		

E. Temporary Debt

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

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. The Town did not have any temporary borrowing activity for the year ended June 30, 2022.

F. Long-Term Obligations

Bond and Note Indebtedness – 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:

Description of Issue	Beginning Balance	Increases	Decreased	Ending Balance	Due Within One year
Governmental Activities:					
General obligation bonds	\$ 32,575,000	\$ 48,975,000	\$ (2,295,000)	\$ 79,255,000	\$ 3,455,000
Unamortized bond premiums	1,814,467	3,454,533	(215,904)	5,053,096	459,972
Direct borrowings and placements	7,954	-	(1,763)	6,191	1,763
Compensated absences	2,402,364	444,585	(124,590)	2,722,359	680,590
Net other postemployment benefits liability	45,966,374	19,751,016	(4,829,376)	60,888,014	-
Net pension liability	31,206,279	8,062,214	(16,193,286)	23,075,207	-
Total Governmental Activities	\$ 113,972,438	80,687,348	(23,659,919)	\$ 170,999,867	\$ 4,597,325
Business-type Activities: Water					
General obligation bonds	\$ 11,155,000	\$ 2,550,000	\$ (695,000)	\$ 13,010,000	\$ 770,000
Unamortized bond premiums	512,502	282,717	(59,755)	735,464	87,092
Direct borrowings and placements	1,307,135	-	(645,712)	661,423	660,711
Compensated absences	43,498	-	(25,025)	18,473	4,618
Net other postemployment benefits liability	894,379	384,301	(93,967)	1,184,713	-
Net pension liability	2,456,293	634,589	(1,274,598)	1,816,284	-
Total Business-type Activities: Water	16,368,807	3,851,607	(2,794,057)	17,426,357	1,522,421
Business-type Activities: Sewer					
Direct borrowings and placements	325,800	-	(36,200)	289,600	36,200
Compensated absences	12,077	-	(8,186)	3,891	973
Net other postemployment benefits liability	211,827	91,019	(22,256)	280,590	-
Net pension liability	1,077,933	278,487	(559,352)	797,068	-
Total Business-type Activities: Sewer	1,627,637	369,506	(625,994)	1,371,149	37,173
Total Business-type Activities	\$ 17,996,444	\$ 4,221,113	\$ (3,420,051)	\$ 18,797,506	\$ 1,559,594

The governmental activities liability will be liquidated by the general fund. The business-type liabilities will be liquidated by the respective enterprise funds.

The following is a summary of outstanding long-term debt obligations as of June 30, 2022:

Description of Issue	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities					
General Obligation Debt	2.00 - 5.00%	\$ 32,575,000	\$ 48,975,000	\$ (2,295,000)	\$ 79,255,000
Massachusetts Clean Water Trust Notes	2.50 - 5.25%	7,954	-	(1,763)	6,191
Total Governmental Activities		32,582,954	48,975,000	(2,296,763)	79,261,191
Add: Unamortized Bond Premiums		1,814,467	3,454,533	(215,904)	5,053,096
Total General Activities, net		34,397,421	52,429,533	(2,512,667)	84,314,287
Business-Type Activities - Water					
General Obligation Bonds	2.00 - 5.00%	\$ 11,155,000	\$ 2,550,000	\$ (695,000)	\$ 13,010,000
MA Clean Water Trust Notes	2.50 - 5.25%	1,307,135	-	(645,712)	661,423
Total Water Debt		12,462,135	2,550,000	(1,340,712)	13,671,423
Add: Unamortized Bond Premiums		512,502	282,717	(59,755)	735,464
Total Water Debt, net		12,974,637	2,832,717	(1,400,467)	14,406,887
Business-Type Activities - Sewer					
MA Water Resources Authority Notes	0.00%	325,800	-	(36,200)	289,600
Total Sewer Debt		325,800	-	(36,200)	289,600
Total Business-Type Activities		\$ 13,300,437	\$ 2,832,717	\$ (1,436,667)	\$ 14,696,487

Future Debt Payoff – Debt service requirements on long-term debt at June 30, 2022, are as follows:

Year Ending June 30	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placement	
	Principal	Interest	Principal	Interest
2023	\$ 3,455,000	\$ 3,045,318	\$ 1,763	\$ 265
2024	3,850,000	2,606,328	1,763	177
2025	3,945,000	2,429,139	2,665	67
2026	2,945,000	2,270,150	-	-
2027	2,765,000	2,138,527	-	-
2028-2032	14,785,000	8,719,867	-	-
2033-2037	14,385,000	6,154,048	-	-
2038-2042	11,925,000	4,159,100	-	-
2043-2047	9,805,000	2,462,325	-	-
2048-2052	11,395,000	875,175	-	-
Total	<u>\$ 79,255,000</u>	<u>\$ 34,859,977</u>	<u>\$ 6,191</u>	<u>\$ 509</u>

Year Ending June 30	Business-type Activities: Water			
	General Obligation Bonds		Direct Borrowings and Placement	
	Principal	Interest	Principal	Interest
2023	\$ 770,000	\$ 474,423	\$ 660,711	\$ 16,554
2024	800,000	426,294	712	17
2025	760,000	392,769	-	-
2026	770,000	360,994	-	-
2027	780,000	330,656	-	-
2028-2032	4,105,000	1,190,018	-	-
2033-2037	3,285,000	523,200	-	-
2038-2042	1,740,000	131,219	-	-
Total	<u>\$ 13,010,000</u>	<u>\$ 3,829,573</u>	<u>\$ 661,423</u>	<u>\$ 16,571</u>

Year Ending June 30	Business-type Activities: Sewer			
	General Obligation Bonds		Direct Borrowings and Placement	
	Principal	Interest	Principal	Interest
2023	\$ -	\$ -	\$ 36,200	\$ -
2024	-	-	36,200	-
2025	-	-	36,200	-
2026	-	-	36,200	-
2027	-	-	36,200	-
2028-2032	-	-	108,600	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,600</u>	<u>\$ -</u>

Authorized and Unissued Debt – At June 30, 2022, the Town had authorized, and unissued debt as follows:

Project	Amount
Middle School Construction	<u>\$ 65,768,814</u>
Total Authorized and Unissued Debt	<u>\$ 65,768,814</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, 2021, 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, 2021, was as follows:

Retirees and beneficiaries currently receiving benefits	2,728
Active participants	6,685
Inactive with a vested right to benefits or to receive a refund of their contributions	3,098
Total	<u>12,511</u>
Participating employers	<u>42</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 2022.

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 \$5,971,806 to the System in fiscal year 2022, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 24.77% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$25,688,559 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2022 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, 2021. 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 6.970% at December 31, 2021.

Fiduciary Net Position – 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 \$1,861,657 in pension expense in the statement of activities in fiscal year 2022, which was allocated to all functional expenses that applied.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,598,373	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	1,780,548	11,285,372
Changes in proportion and differences between Town contributions and proportionate share of contributions	679,982	503,919
Total	<u>\$ 5,058,903</u>	<u>\$ 11,789,291</u>

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

Year Ended <u>June 30,</u>	<u>Amounts</u>
2023	\$ (704,742)
2024	(2,709,002)
2025	(1,580,111)
2026	<u>(1,736,533)</u>
Total	<u>\$ (6,730,388)</u>

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022. The significant actuarial assumptions used in the 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:	The RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014, fully generational.

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation.

The target allocation and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.50%	7.0%
International equity	15.50%	7.7%
Fixed income	20.50%	4.3%
Real estate	9.50%	6.9%
Private equity	10.00%	9.4%
Hedge fund	11.50%	8.6%
Real assets	2.50%	8.9%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2022 actuarial valuation report was 7.75%, which was consistent with the previous actuarial valuation. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the 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:

Net Pension Liability - Discount Rate			
Current Rate	1% Decrease	Current	1% Increase
7.75%	\$ 38,728,546	\$ 25,688,559	\$ 14,606,611

B. Massachusetts Teachers’ Retirement System

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

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

For the year ended June 30, 2022, the Commonwealth contributed \$7,602,271 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 0.434792%, 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	\$ 98,727,773	\$ 98,727,773	\$ -
Pension Expense	7,922,493	7,922,493	-

The Town has recognized intergovernmental revenue and pension expense of \$7,922,493 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, 2022, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of July 1, 2021:

Active employees	748
Inactive employees	574
Total	<u>1,322</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, 2022, the Town’s average contribution rate was approximately 5.5% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2022 using an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the Town at June 30, 2022 were as follows:

Total OPEB Liability	\$ 69,183,411
Plan fiduciary net position	<u>(6,830,094)</u>
Net OPEB liability	<u>\$ 62,353,317</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.9%

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	6.17%, net of OPEB plan investment expense, including inflation
Municipal bond rate	4.09% as of June 30, 2022
Discount Rate	6.16%, net of OPEB plan investment expense, including inflation
Inflation	2.50% annually as of June 30, 2022 and for future periods
Health Care Trend Rate	4.5%
Salary Increases	3.00% annually as of June 30, 2022 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
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Actuarial Cost Method	Individual entry age normal

Changes to key assumptions:

- Discount Rate has been changed from 6.75% to 6.16% increasing the disclosed liability by approximately \$4.5 million.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.16% 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	47.00%	4.42%
Domestic Equity - Sm/Mid Cap	6.00%	4.81%
International Equity - Developed Market	5.50%	4.91%
International Equity - Emerging Market	2.75%	5.58%
Domestic - Fixed Income	19.50%	1.00%
International - Fixed Income	3.50%	1.04%
Alternatives	9.25%	5.98%
Real Estate	5.50%	6.25%
Cash and Cash Equivalent	1.00%	0.00%
	100.00%	
Real rate of return		3.92%
Inflation assumption		2.50%
Total nominal rate of return		6.42%
Investment expense		-0.25%
Net investment return		6.17%

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
6.16%	\$ 72,140,440	\$ 62,353,317	\$ 54,435,431

Health Care Rate			
Current Rate	1% Decrease	Trend Rate	1% Increase
4.50%	\$ 53,433,017	\$ 62,353,317	\$ 73,431,793

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 53,502,958	\$ 6,430,378	\$ 47,072,580
Changes for the year:			
Service cost	1,442,663	-	1,442,663
Interest	3,619,893	-	3,619,893
Change in assumptions	10,767,713	-	10,767,713
Difference between expected and actual experience	2,529,083	-	2,529,083
Net investment income	-	(417,198)	417,198
Employer contributions	-	3,495,813	(3,495,813)
Benefit payments withdrawn from trust	-	(2,678,899)	2,678,899
Benefit payments	<u>(2,678,899)</u>	<u>-</u>	<u>(2,678,899)</u>
Net changes	<u>15,680,453</u>	<u>399,716</u>	<u>15,280,737</u>
Balances at June 30, 2022	<u>\$ 69,183,411</u>	<u>\$ 6,830,094</u>	<u>\$ 62,353,317</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of approximately \$6.5 million. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 11,473,108	\$ -
Differences between expected and actual experience	2,109,667	1,204,857
Differences between expected and actual earnings	<u>154,666</u>	<u>-</u>
Totals	<u>\$ 13,737,441</u>	<u>\$ 1,204,857</u>

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

Year Ended June 30,	Amount
2023	\$ 1,910,934
2024	2,637,420
2025	2,808,283
2026	2,904,681
2027	2,205,106
Thereafter	<u>66,160</u>
Total	<u>\$ 12,532,584</u>

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was negative 6.02%. 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. Commitments and Contingencies

General – 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, 2022, 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, 2022.

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.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

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

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

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

B. Future Year Implementations

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

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing 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 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

V. Restatement and Reclassifications

The following reclassifications were made to the Town’s opening balances for fiscal year 2022:

	Capital Projects Fund	School Construction Fund
	<hr/>	<hr/>
Fund balances at June 30, 2021 - as reported	\$ 2,438,416	\$ -
Establish major fund for financial reporting	<u>(1,000,603)</u>	<u>1,000,603</u>
Fund balances at June 30, 2021 - as restated	<u>\$ 1,437,813</u>	<u>\$ 1,000,603</u>

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

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

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	6.970%	6.802%	6.795%	7.115%	7.109%	7.259%	7.259%	7.575%
Town's proportionate share of the net pension liability (asset)	\$ 25,689	\$ 34,741	\$ 39,891	\$ 46,313	\$ 39,313	\$ 37,893	\$ 39,431	\$ 39,293
Town's covered payroll	\$ 24,112	\$ 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	106.54%	152.19%	180.62%	224.86%	197.55%	185.85%	204.30%	210.21%
Plan fiduciary net position as a percentage of the total pension liability	79.4%	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,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,972	\$ 5,448	\$ 5,089	\$ 4,977	\$ 4,550	\$ 4,374	\$ 3,972	\$ 3,577
Contributions in relation to the actuarially determined contribution	5,972	5,448	5,089	4,977	4,550	4,374	3,972	3,577
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 24,112	\$ 22,828	\$ 22,085	\$ 20,596	\$ 19,900	\$ 20,389	\$ 19,301	\$ 18,692
Contributions as a percentage of covered payroll	24.77%	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, 2022

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,							
	2021	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%	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%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,706,876	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,748,483	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 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.

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See accompanying independent auditors' report.

TOWN OF WALPOLE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2022**

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

	June 30,					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 1,442,663	\$ 1,406,293	\$ 1,362,396	\$ 1,335,205	\$ 1,277,708	\$ 1,106,196
Interest	3,619,893	3,464,123	3,353,420	3,163,046	3,356,949	3,159,201
Changes in assumptions	10,767,713	-	4,432,190	-	-	-
Differences between expected and actual experience	2,529,083	-	(191,242)	-	(5,594,789)	-
Benefit payments	(2,678,899)	(2,521,831)	(2,263,604)	(1,720,451)	(1,646,365)	(1,948,708)
Net change in total OPEB liability	15,680,453	2,348,585	6,693,160	2,777,800	(2,606,497)	2,316,689
Total OPEB liability - beginning of year	53,502,958	51,154,373	44,461,213	41,683,413	44,289,910	41,973,221
Total OPEB liability - end of year (a)	<u>\$ 69,183,411</u>	<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	\$ 3,495,813	\$ 3,058,831	\$ 3,055,604	\$ 2,090,678	\$ 2,096,365	\$ 2,298,708
Net investment income	(417,198)	1,268,076	140,065	304,355	175,742	121,700
Benefit payments	(2,678,899)	(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	399,716	1,805,076	932,065	809,333	625,742	467,319
Plan fiduciary net position - beginning of year	6,430,378	4,625,302	3,693,237	2,883,904	2,258,162	1,790,843
Plan fiduciary net position - end of year (b)	<u>\$ 6,830,094</u>	<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>\$ 62,353,317</u>	<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	9.9%	12.0%	9.0%	8.3%	6.9%	5.1%
Covered payroll	\$ 63,531,993	\$ 57,444,442	\$ 55,771,303	\$ 53,657,303	\$ 51,842,805	\$ 45,154,262
Net OPEB liability as a percentage of covered payroll	98.1%	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, 2022**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	June 30,					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 4,556,366	\$ 3,919,531	\$ 4,787,117	\$ 4,498,251	\$ 4,634,657	\$ 4,642,589
Contributions in relation to the actuarially-determined contribution	<u>(3,495,813)</u>	<u>(3,058,831)</u>	<u>(3,055,604)</u>	<u>(2,090,678)</u>	<u>(2,096,365)</u>	<u>(2,298,708)</u>
Contribution deficiency (excess)	<u>\$ 1,060,553</u>	<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	\$ 63,531,993	\$ 57,444,442	\$ 55,771,303	\$ 53,657,303	\$ 45,486,461	\$ 45,154,262
Contribution as a percentage of covered payroll	5.5%	5.3%	5.5%	3.9%	4.6%	5.1%
Valuation Date	July 1, 2021					
Amortization Period	30 years					
Investment rate of return	6.17%					
Municipal bond rate	4.09%					
Single equivalent discount rate	6.16%					
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,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-6.02%	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, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
REVENUES						
Real estate and personal property taxes	\$ 81,312,151	81,742,151	\$ 83,195,059	\$ -	\$ 83,195,059	\$ 1,452,908
Intergovernmental	11,594,823	11,594,823	13,217,900	-	13,217,900	1,623,077
Motor vehicle and other excises	4,320,000	4,320,000	5,647,091	-	5,647,091	1,327,091
License and permits	830,000	830,000	1,648,925	-	1,648,925	818,925
Departmental and other revenue	871,500	871,500	503,136	-	503,136	(368,364)
Penalties and interest on taxes	205,000	205,000	392,795	-	392,795	187,795
Fines and forfeitures	30,000	30,000	6,547	-	6,547	(23,453)
Investment income	75,000	75,000	147,767	-	147,767	72,767
Total Revenues	99,238,474	99,668,474	104,759,220	-	104,759,220	5,090,746
EXPENDITURES						
General government	4,362,291	4,538,291	3,379,090	510,013	3,889,103	649,188
Public safety	12,176,271	13,320,564	12,312,191	612,107	12,924,298	396,266
Education	51,645,316	53,054,208	51,330,116	1,686,640	53,016,756	37,452
Public works	10,358,840	14,022,165	9,111,058	4,304,210	13,415,268	606,897
Health and human services	839,198	859,198	725,144	28,007	753,151	106,047
Culture and recreation	2,442,539	2,998,615	2,475,294	421,155	2,896,449	102,166
Pension and other fringe benefits	18,403,143	18,403,143	16,219,906	31,390	16,251,296	2,151,847
State and county tax assessments	1,954,796	1,954,796	1,867,168	-	1,867,168	87,628
Debt service	4,187,900	4,187,900	3,469,164	-	3,469,164	718,736
Total Expenditures	106,370,294	113,338,880	100,889,131	\$ 7,593,522	108,482,653	4,856,227
OTHER FINANCING SOURCES (USES)						
Transfers in	2,509,834	3,270,137	3,980,877		3,980,877	710,740
Transfers out	(100,000)	(2,816,914)	(2,831,491)		(2,831,491)	(14,577)
Total Other Financing Sources (Uses)	2,409,834	453,223	1,149,386		1,149,386	696,163
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(4,721,986)	(13,217,183)	\$ 5,019,475		\$ (2,574,047)	\$ 10,643,136
Other budgetary items:						
Undesignated surplus (free cash)	-	8,525,491				
Overlay	350,000	350,000				
Prior year encumbrances	4,371,986	4,371,986				
Miscellaneous other	-	(30,294)				
Net Budget	\$ -	\$ -				

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, 2022**

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 2022, Town Meeting approved approximately \$7.0 million in supplemental budgetary appropriations, for nearly all general government operation classifications, and approximately \$2.7 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.

The Town’s general fund is prepared on a basis other than GAPP. The “actual” results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. A reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis	\$ -	\$ -	\$ 104,759,220
Stabilization investment income	-	(283,246)	(283,246)
On-behalf payments by other government	7,922,493	-	7,922,493
Revenues on a GAAP basis	<u>\$ 7,922,493</u>	<u>\$ (283,246)</u>	<u>\$ 112,398,467</u>
Expenditures on a budgetary basis	\$ -	\$ -	\$ 100,889,131
On-behalf payments by other government	7,922,493	-	7,922,493
OPEB trust transfers reported as expenditures	-	816,914	816,914
Enterprise fund indirect costs reported as expenditures	-	(1,701,579)	(1,701,579)
Expenditures on a GAAP basis	<u>\$ 7,922,493</u>	<u>\$ (884,665)</u>	<u>\$ 107,926,959</u>
Other financing sources (uses) on a budgetary basis	\$ -	\$ -	\$ 1,149,386
Transfers related to OPEB	-	816,914	816,914
Enterprise fund indirect costs reported as expenditures	-	(1,701,579)	(1,701,579)
Transfer recognition differences	-	14,577	14,577
Stabilization transfers	-	2,000,000	2,000,000
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 1,129,912</u>	<u>\$ 2,279,298</u>