

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF TEMPLETON, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2021



TOWN OF TEMPLETON, MASSACHUSETTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Selectmen
Town of Templeton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Templeton, Massachusetts, (the "Town") as of and for the year ended June 30, 2021 which collectively comprise the Town's basic financial statements as listed in the table of contents, (except for the Templeton Municipal Light Department, (the "Light Department", "Electric Light Department" or "TMLD") which is as of December 31, 2020). We did not audit the financial statements of the Light Department which represented 50% and 69% of the assets and revenues of the combined enterprise funds; or the Water Department which represented 21% and 16% of the assets and revenues of the combined enterprise funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those amounts is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

Management has reported its December 31, 2020 portion of the net pension liability (NPL) based on reports provided by the Worcester Regional Retirement System (WRRS) that are not in compliance with Governmental Accounting Standards Board standards. Governmental accounting standards require that the NPL be reported using actuarial data that is no more than 30 months and one day old. The WRRS provided NPL information using data from an actuarial valuation dated January 1, 2018. The amount by which this departure would affect the assets, liabilities, net position and revenues of the Electric Light Department has not been determined.

Opinions

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

Other Matters

Required Supplementary Information

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

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2022 on our consideration of the Town’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Roselli, Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
March 3, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Templeton, 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, 2020 (December 31, 2019 for the Light Department). We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of financial resources for the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$51.3 million (*total net position*). This was an increase of over \$2.3 million over the prior year. This consisted of an increase to governmental activities by over \$1.9 million and business-type activities by over \$0.4 million.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of over \$7.3 million, which is approximately \$0.1 million higher than the prior year. The Town reported a fund balance increase in its general fund and community preservation major funds of nearly \$0.2 million and over \$0.4 million, respectively. The school capital project major fund and the nonmajor governmental funds decreased approximately \$0.1 million and \$0.4 million, respectively.
- Of the ending fund balance in the Town's governmental funds, the Town reports unassigned fund balance at year-end of approximately \$1.5 million, consisting of a nearly \$2.8 million balance in the general fund and unassigned fund deficits reported in the school capital project major fund and non major governmental funds of over \$0.9 million and \$0.4 million, respectively. The remaining balances are earmarked for specific expenditures or is in nonspendable form.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was nearly 18% of the total general fund expenditures and the total general fund balance was almost 25% of the total general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities decreased by over \$1.5 million in 2021 due to regular maturities.

Overview of the Financial Statements

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

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

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

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

Both 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, regionalized education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include sewer, cable, water and electric light enterprise funds.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the basic financial statements to help the reader understand the difference.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Preservation Fund and School Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, cable, water and electric light 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 and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-Wide Financial Analysis

The following table present the condensed comparative statements of net position:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020
<u>Assets</u>						
Current and other assets	\$ 12,039,126	\$ 13,424,330	\$ 7,683,684	\$ 7,970,582	\$ 19,722,810	\$ 21,394,912
Capital assets, net	58,801,957	58,052,511	28,148,668	28,361,009	86,950,625	86,413,520
Total Assets	70,841,083	71,476,841	35,832,352	36,331,591	106,673,435	107,808,432
<u>Deferred Outflows of Resources</u>						
Related to net pension liability	595,224	520,177	468,635	722,178	1,063,859	1,242,355
Related to net other postemployment benefits liability	771,356	738,332	464,474	155,921	1,235,830	894,253
Total Deferred Outflows of Resources	1,366,580	1,258,509	933,109	878,099	2,299,689	2,136,608
<u>Liabilities</u>						
Long-term liabilities	35,583,965	35,899,477	13,054,650	13,780,446	48,638,615	49,679,923
Other liabilities	2,752,052	4,367,769	1,553,636	1,503,354	4,305,688	5,871,123
Total Liabilities	38,336,017	40,267,246	14,608,286	15,283,800	52,944,303	55,551,046
<u>Deferred Inflows of Resources</u>						
Related to net pension liability	785,791	718,160	372,648	365,501	1,158,439	1,083,661
Related to net other postemployment benefits liability	1,883,773	2,482,363	803,904	1,009,748	2,687,677	3,492,111
Electric light department	-	-	925,867	933,419	925,867	933,419
Total Deferred Inflows of Resources	2,669,564	3,200,523	2,102,419	2,308,668	4,771,983	5,509,191
<u>Net Position</u>						
Net investment in capital assets	36,317,638	35,119,127	21,745,882	20,929,436	58,063,520	56,048,563
Restricted	4,275,338	4,285,223	1,091,120	809,211	5,366,458	5,094,434
Unrestricted	(9,390,894)	(10,136,769)	(2,782,246)	(2,121,425)	(12,173,140)	(12,258,194)
Total Net Position	\$ 31,202,082	\$ 29,267,581	\$ 20,054,756	\$ 19,617,222	\$ 51,256,838	\$ 48,884,803

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by almost \$51.3 million (total net position).

By far the largest portion (approximately \$58.1 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's total net position (almost \$5.4 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position*, which is currently in a deficit position of nearly \$12.2 million. This is primarily a result of the recognition of net other postemployment benefit and net pension liabilities. The Town expects the annual provision for this liability will continue to decrease unrestricted net position for the foreseeable future.

The following table presents the condensed comparative statement of activities in net position:

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 1,412,201	\$ 1,125,181	\$ 9,842,593	\$ 10,086,388	\$ 11,254,794	\$ 11,211,569
Operating grants and contributions	555,147	235,338	138,997	117,295	694,144	352,633
Capital grants and contributions	1,506,196	1,571,875	48,748	871,215	1,554,944	2,443,090
General revenues:						
Property taxes	12,520,528	12,123,397	-	-	12,520,528	12,123,397
Intergovernmental	1,564,074	1,562,447	-	-	1,564,074	1,562,447
Other	1,449,596	1,516,137	31,663	51,994	1,481,259	1,568,131
Total revenues	19,007,742	18,134,375	10,062,001	11,126,892	29,069,743	29,261,267
Expenses						
General government	2,015,082	1,450,339	-	-	2,015,082	1,450,339
Public safety	3,482,149	3,566,599	-	-	3,482,149	3,566,599
Education	8,063,563	7,469,963	-	-	8,063,563	7,469,963
Public works	1,864,600	1,970,749	-	-	1,864,600	1,970,749
Health and human services	369,522	300,703	-	-	369,522	300,703
Culture and recreation	194,043	184,129	-	-	194,043	184,129
Debt service	934,307	918,670	-	-	934,307	918,670
Sewer services	-	-	1,643,026	1,605,559	1,643,026	1,605,559
Cable services	-	-	123,515	118,410	123,515	118,410
Water services	-	-	1,252,777	1,227,755	1,252,777	1,227,755
Electric Light services	-	-	6,755,124	6,412,090	6,755,124	6,412,090
Total expenses	16,923,266	15,861,152	9,774,442	9,363,814	26,697,708	25,224,966
Excess (deficiency) in net position before transfers	2,084,476	2,273,223	287,559	1,763,078	2,372,035	4,036,301
Transfers	(149,975)	(184,125)	149,975	184,125	-	-
Change in net position	1,934,501	2,089,098	437,534	1,947,203	2,372,035	4,036,301
Net position, beginning of year	29,267,581	27,178,483	19,617,222	17,670,019	48,884,803	44,848,502
Net position, end of year	<u>\$ 31,202,082</u>	<u>\$ 29,267,581</u>	<u>\$ 20,054,756</u>	<u>\$ 19,617,222</u>	<u>\$ 51,256,838</u>	<u>\$ 48,884,803</u>

Governmental Activities – Total revenues in fiscal year 2021 in the Town’s governmental activities increased nearly \$0.9 million from fiscal year 2020. The increase is primarily due to \$0.4 million higher property tax revenue and over \$0.3 million in additional operating grants for community development projects.

The Town’s largest revenue source is property taxes which represented 66% of total revenues. The current amount represented a dollar increase of almost \$0.4 million. This increase was expected as the Town is allowed to assess property taxes at 2 ½% of the prior year amount. In addition, amounts assessed greater than this that are attributed to debt exclusion and new growth are also legally permissible.

Other revenue amounts were minor in amount or did not vary greatly from the prior year.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education expenses total approximately 48% of total annual expenditures in current year. In terms of gross dollars, education expenses were \$0.6 million higher than the prior year. General government expenses increased approximately \$0.6 million due to costs associated with the response to the pandemic. All other expense categories were consistent with the prior year.

Business-Type Activities – User charges for sewer, cable, water and electric light services represent virtually all the reported fiscal year 2021 revenues in the Town’s business-type activities. The Town’s electric light and water enterprise funds reported positive results from operations; the Town’s sewer enterprise fund reported a small loss from operations and requires annual debt subsidies from the general fund to balance annual operations. The cable enterprise fund was relatively unchanged. Combined net position increased by over \$0.4 million which was about \$1.5 million lower than the prior year increase. This was mainly due to a 5.3% decrease in electric light sales from higher power costs passed on to customers and a 5.4% increase in electric light expenses.

Government Funds Financial Analysis

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

Governmental Funds – The focus of the Town’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town’s financing requirements.

The following describe activity in each of the major funds that make up the governmental funds:

General Fund – Unassigned fund balance in the General Fund is perhaps the most important number on the balance sheet it serves as a useful measure of a government’s net resources available for spending at the end of the fiscal year and an amount that is commonly measured against its peers when assessing a bond rating.

As of the close of the fiscal year, the Town’s unassigned fund balance had reached nearly \$2.8 million (about 17.5% of expenditures) while total fund balance reached nearly \$4.0 million (nearly 25% of expenditures). This represented an increase of over \$0.2 million over the prior year as revenues approximated expenditures.

Community Preservation Fund - The Community Preservation Fund increased almost \$410,000; the Town appropriated about \$55,000 for eligible projects against receipts of over \$465,000. The Town continues to grow this fund on an annual basis. Fund balance reached almost \$2.4 million and was classified as restricted.

School Capital Projects Fund – This account was set up to report the activity related to the Town’s elementary school project. Spending during the fiscal year was approximately \$0.1 million as the project neared its conclusion. This activity increased the legal deficit in this account to about \$0.9 million. This deficit is expected to be cured at the time the Town converts its remaining short-term debt to permanent financing and has been classified as unassigned since it is a deficit.

Combined Nonmajor Fund - Revenue and expenditures in the combined nonmajor fund are expected to net over time and any increases or decreases are a product of timing of revenues and expenses. In the current year operations, expenditures and transfers exceeded revenues by approximately \$0.4 million due to higher pandemic response costs. Deficit fund balances of over \$0.4 million are classified as unassigned, over \$300,000 in corpus of endowments as nonspendable and the remainder as restricted.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the sewer, cable, water and electric funds were approximately \$5.1 million, \$0.3 million, \$3.5 million and \$11.2 million respectively. The Town’s electric light and water enterprise funds reported positive results from operations; the Town’s sewer enterprise fund reported a small loss from operations and requires annual debt subsidies from the general fund to balance annual operations. The cable enterprise fund was relatively unchanged. Combined net position increased by over \$0.4 million which was about \$1.5 million lower than the prior year increase due to higher power costs in the electric light fund.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the Private Purpose Trust Funds and Other Postemployment Benefit Trust Funds for the Town, Sewer and Light Department.

General Fund Budgetary Highlights

Differences between the original operating budget and the final amended operating budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets –The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to nearly \$87.0 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$0.5 million. This increase was a result of current year additions exceeding depreciation and additions mainly attributed to the roadway construction.

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

Long-Term Debt – The Town’s total general obligation bond and notes payable debt decreased by over \$1.5 million to over \$26.8 million as a result of regular maturities.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town. Additional information on the Town’s debt can be found in Note II, Sections F, G and H 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 tax rate is typically 90% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.
- Consistent with both State and National indices, the Town’s housing market experienced a downward trend from 2005 to 2010. However, unlike the majority of the Commonwealth, which has seen a resurgence, housing prices in the region have not recovered at the same pace. Recent years have seen this trend begin to finally change.
- The Town’s unemployment rate remains stable, however unemployment rates throughout the Commonwealth and the nation are near historic highs due to the impact of the COVID-19 pandemic.
- The Town’s median household income is significantly less than the state-wide and national averages.

- The Town anticipates state aid for 2022 to remain relatively consistent with the prior year.

The above items were considered when the Town authorized its budget for fiscal year 2022 at the May 2021 Town Meeting. The Town's tax rate for fiscal 2022 is expected to be set in November 2021.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 160 Patriots Road, East Templeton, Massachusetts 01438.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,374,553	\$ 3,206,204	\$ 7,580,757
Investments	4,951,067	806,572	5,757,639
Receivables, net:			
Property taxes	263,778	-	263,778
User fees	-	1,123,887	1,123,887
Departmental and other	1,952,339	-	1,952,339
Intergovernmental	380,049	60,144	440,193
Apportioned assessments	-	38,376	38,376
Working capital deposit	-	1,251,699	1,251,699
Due from other funds	117,340	-	117,340
Inventory	-	198,034	198,034
Other assets	-	998,768	998,768
Land	935,838	189,178	1,125,016
Construction in-process	-	214,082	214,082
Capital assets, net of accumulated depreciation	57,866,119	27,745,408	85,611,527
Total Assets	<u>70,841,083</u>	<u>35,832,352</u>	<u>106,673,435</u>
Deferred Outflows of Resources			
Related to net pension liability	595,224	468,635	1,063,859
Related to net other postemployment benefits liability	771,356	464,474	1,235,830
Deferred Outflows of Resources	<u>1,366,580</u>	<u>933,109</u>	<u>2,299,689</u>
Liabilities			
Warrants and accounts payable	132,939	1,269,175	1,402,114
Payroll and related liabilities	150,235	59,609	209,844
Customer and advanced deposits	-	149,363	149,363
Accrued interest	265,974	46,695	312,669
Unearned revenue	425,896	-	425,896
Other liabilities	102,008	-	102,008
Due to other funds	-	28,794	28,794
Bond anticipation notes payable	1,675,000	-	1,675,000
Noncurrent liabilities:			
Due within one year	880,912	1,004,949	1,885,861
Due in more than one year	34,703,053	12,049,701	46,752,754
Total Liabilities	<u>38,336,017</u>	<u>14,608,286</u>	<u>52,944,303</u>
Deferred Inflows of Resources			
Related to net pension liability	785,791	372,648	1,158,439
Related to net other postemployment benefits liability	1,883,773	803,904	2,687,677
Unavailable revenue	-	925,867	925,867
Deferred Inflows of Resources	<u>2,669,564</u>	<u>2,102,419</u>	<u>4,771,983</u>
Net Position			
Net investment in capital assets	36,317,638	21,745,882	58,063,520
Restricted:			
Nonexpendable permanent funds	341,210	-	341,210
Expendable permanent funds	258,276	-	258,276
Capital projects	59,594	-	59,594
Community preservation	2,391,821	-	2,391,821
Gifts and donations	311,748	-	311,748
Depreciation	-	1,052,744	1,052,744
Other purposes	912,689	38,376	951,065
Unrestricted	(9,390,894)	(2,782,246)	(12,173,140)
Total Net Position	<u>\$ 31,202,082</u>	<u>\$ 20,054,756</u>	<u>\$ 51,256,838</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
<u>Governmental activities:</u>							
General government	\$ 2,015,082	\$ 498,628	\$ 309,875	\$ -	\$ (1,206,579)		\$ (1,206,579)
Public safety	3,482,149	799,914	13,241	148,469	(2,520,525)		(2,520,525)
Education	8,063,563	-	-	-	(8,063,563)		(8,063,563)
Public works	1,864,600	4,759	11,385	1,164,313	(684,143)		(684,143)
Health and human services	369,522	108,900	177,639	193,414	110,431		110,431
Culture and recreation	194,043	-	32,421	-	(161,622)		(161,622)
Interest expense	934,307	-	10,586	-	(923,721)		(923,721)
Total governmental activities	16,923,266	1,412,201	555,147	1,506,196	(13,449,722)		(13,449,722)
<u>Business-Type activities:</u>							
Sewer	1,643,026	1,346,587	49,702	48,748		\$ (197,989)	(197,989)
Cable	123,515	123,024	-	-		(491)	(491)
Water	1,252,777	1,575,549	89,295	-		412,067	412,067
Electric Light	6,755,124	6,797,433	-	-		42,309	42,309
Total business-type activities	9,774,442	9,842,593	138,997	48,748		255,896	255,896
Total Primary Government	\$ 26,697,708	\$ 11,254,794	\$ 694,144	\$ 1,554,944	(13,449,722)	255,896	(13,193,826)
<u>General Revenues:</u>							
Property taxes					12,520,528	-	12,520,528
Motor vehicle and other excise taxes					1,234,295	-	1,234,295
Grants and contributions not restricted to specific programs					1,564,074	-	1,564,074
Penalties and interest on taxes					96,048	-	96,048
Unrestricted investment income					119,253	31,663	150,916
<u>Transfers (net)</u>					(149,975)	149,975	-
Total general revenues					15,384,223	181,638	15,565,861
Change in Net Position					1,934,501	437,534	2,372,035
<u>Net Position:</u>							
Beginning of year					29,267,581	19,617,222	48,884,803
End of year					\$ 31,202,082	\$ 20,054,756	\$ 51,256,838

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	General Fund	Community Preservation	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,603,079	\$ 106,368	\$ 378,633	\$ 1,286,473	\$ 4,374,553
Investments	1,619,237	2,263,343	-	1,068,487	4,951,067
Receivables, net of allowance for uncollectibles:					
Property taxes	259,403	22,110	-	-	281,513
Departmental and other	1,410,421	-	-	524,183	1,934,604
Intergovernmental	-	-	380,049	-	380,049
Due from other funds	117,340	-	-	-	117,340
Total Assets	<u>6,009,480</u>	<u>2,391,821</u>	<u>758,682</u>	<u>2,879,143</u>	<u>12,039,126</u>
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 6,009,480</u>	<u>\$ 2,391,821</u>	<u>\$ 758,682</u>	<u>\$ 2,879,143</u>	<u>\$ 12,039,126</u>
Liabilities:					
Warrants and accounts payable	\$ 127,498	\$ -	\$ -	\$ 5,441	\$ 132,939
Accrued payroll and withholdings	132,239	-	-	17,996	150,235
Unearned revenue	-	-	-	425,896	425,896
Other liabilities	102,008	-	-	-	102,008
Bond anticipation notes payable	-	-	1,675,000	-	1,675,000
Total Liabilities	<u>361,745</u>	<u>-</u>	<u>1,675,000</u>	<u>449,333</u>	<u>2,486,078</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	246,710	22,110	-	-	268,820
Unavailable revenue - other	1,410,421	-	-	524,183	1,934,604
Total Deferred Inflows of Resources	<u>1,657,131</u>	<u>22,110</u>	<u>-</u>	<u>524,183</u>	<u>2,203,424</u>
Fund Balances:					
Nonspendable	-	-	-	341,210	341,210
Restricted	38,047	2,369,711	-	1,981,885	4,389,643
Committed	1,149,433	-	-	-	1,149,433
Assigned	6,600	-	-	-	6,600
Unassigned:	2,796,524	-	(916,318)	(417,468)	1,462,738
Total Fund Balances	<u>3,990,604</u>	<u>2,369,711</u>	<u>(916,318)</u>	<u>1,905,627</u>	<u>7,349,624</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,009,480</u>	<u>\$ 2,391,821</u>	<u>\$ 758,682</u>	<u>\$ 2,879,143</u>	<u>\$ 12,039,126</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

Total Governmental Fund Balances		\$ 7,349,624
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		58,801,957
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.		2,203,424
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net pension liability	595,224	
Deferred inflows related to net pension liability	(785,791)	
Deferred outflows related to net other postemployment benefits liability	771,356	
Deferred inflows related to net other postemployment benefits liability	<u>(1,883,773)</u>	
Net effect of reporting deferred outflows and inflows of resources		(1,302,984)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:		
Bonds and notes payable	(20,337,678)	
Unamortized bond premiums	(745,759)	
Landfill closure	(176,000)	
Capital lease obligations	(417,607)	
Net pension liability	(8,438,916)	
Net other postemployment benefits liability	(5,097,548)	
Compensated absences	<u>(370,457)</u>	
Net effect of reporting long-term liabilities		<u>(35,583,965)</u>
Net Position of Governmental Activities		<u>\$ 31,202,082</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	General Fund	Community Preservation	School Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 12,206,330	\$ 209,468	\$ -	\$ -	\$ 12,415,798
Intergovernmental	1,708,867	193,414	-	1,677,265	3,579,546
Motor vehicle and other excises	1,283,932	-	-	-	1,283,932
Licenses and permits	211,328	-	-	-	211,328
Penalties and interest on taxes	96,048	-	-	-	96,048
Fines and forfeitures	40,036	-	-	-	40,036
Investment income	43,718	60,930	-	14,605	119,253
Departmental and other revenue	406,975	673	-	649,414	1,057,062
Contributions and donations	-	-	-	35,285	35,285
Total Revenues	<u>15,997,234</u>	<u>464,485</u>	<u>-</u>	<u>2,376,569</u>	<u>18,838,288</u>
Expenditures:					
Current:					
General government	842,562	-	-	807,739	1,650,301
Public safety	2,484,376	-	-	466,682	2,951,058
Education	7,527,881	-	103,774	-	7,631,655
Public works	1,601,947	-	-	1,033,456	2,635,403
Health and human services	188,392	-	-	80,908	269,300
Culture and recreation	77,068	54,318	-	99,360	230,746
Pension and fringe benefits	1,633,714	-	-	-	1,633,714
State and county assessments	66,976	-	-	-	66,976
Debt service:					
Principal	563,476	-	-	-	563,476
Interest	987,447	-	-	-	987,447
Total Expenditures	<u>15,973,839</u>	<u>54,318</u>	<u>103,774</u>	<u>2,488,145</u>	<u>18,620,076</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>23,395</u>	<u>410,167</u>	<u>(103,774)</u>	<u>(111,576)</u>	<u>218,212</u>
Other Financing Sources (Uses):					
Premiums from bonds and notes	-	-	10,586	-	10,586
Transfers in	308,476	-	-	-	308,476
Transfers out	(149,975)	-	-	(308,476)	(458,451)
Total Other Financing Sources (Uses)	<u>158,501</u>	<u>-</u>	<u>10,586</u>	<u>(308,476)</u>	<u>(139,389)</u>
Net Change in Fund Balances	181,896	410,167	(93,188)	(420,052)	78,823
Fund balances - Beginning of year	<u>3,808,708</u>	<u>1,959,544</u>	<u>(823,130)</u>	<u>2,325,679</u>	<u>7,270,801</u>
Fund Balances - End of year	<u>\$ 3,990,604</u>	<u>\$ 2,369,711</u>	<u>\$ (916,318)</u>	<u>\$ 1,905,627</u>	<u>\$ 7,349,624</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

Net Change in Fund Balances - Total Governmental Fund Balances \$ 78,823

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. This amount represents the net amount of the depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital outlays	2,037,885	
Depreciation expense	(1,288,439)	
Net effect of reporting capital assets		749,446

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

Amortization of bond premiums	60,318	
Repayments of capital lease obligations	170,004	
Repayments of bonds and notes	563,476	
Net effect of reporting long-term debt		793,798

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 following differences derived from unavailable revenue.

158,868

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:

Pension benefits	(30,801)	
Other postemployment benefits	204,796	
Interest expense payable	(7,178)	
Compensated absences	(34,251)	
Landfill closure	21,000	
Net effect of reporting long-term liabilities		153,566

Change in Net Position of Governmental Activities \$ 1,934,501

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Business-Type Activities				Total
	Sewer	Cable	Water	Light Department (December 31, 2020)	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 807,817	\$ 265,697	\$ 438,228	\$ 1,694,462	\$ 3,206,204
Investments	806,572	-	-	-	806,572
Working capital deposit	-	-	-	1,251,699	1,251,699
User charges and other receivables, net	459,691	-	198,192	466,004	1,123,887
Apportioned assessments	38,376	-	-	-	38,376
Prepaid expenses	-	-	8,140	27,426	35,566
Materials and supplies	-	-	38,778	159,256	198,034
Other assets	-	-	1,822	93,802	95,624
Total current assets	2,112,456	265,697	685,160	3,692,649	6,755,962
Noncurrent assets:					
Intergovernmental receivables	60,144	-	-	-	60,144
Other assets	-	-	-	867,578	867,578
Land	-	-	-	189,178	189,178
Construction in-process	46,697	-	-	167,385	214,082
Capital assets, net of accumulated depreciation	7,959,069	-	6,800,779	12,985,560	27,745,408
Total noncurrent assets	8,065,910	-	6,800,779	14,209,701	29,076,390
Total Assets	10,178,366	265,697	7,485,939	17,902,350	35,832,352
Deferred Outflows of Resources:					
Related to net pension liability	65,552	-	53,410	349,673	468,635
Related to net other postemployment benefits liability	44,607	-	40,715	379,152	464,474
Total Deferred Outflows of Resources	110,159	-	94,125	728,825	933,109
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 37,658	\$ 11,166	\$ 27,289	\$ 1,193,062	\$ 1,269,175
Payroll and related liabilities	13,000	1,643	31,454	13,512	59,609
Due to other funds	28,794	-	-	-	28,794
Customer and advanced deposits	-	-	-	149,363	149,363
Accrued interest	46,695	-	-	-	46,695
Compensated absences	12,794	-	-	-	12,794
Bonds and notes payable	414,298	-	363,297	214,560	992,155
Total current liabilities	553,239	12,809	422,040	1,570,497	2,558,585
Noncurrent liabilities:					
Compensated absences	25,587	-	35,072	19,719	80,378
Bonds and notes payable	2,744,769	-	1,655,806	1,070,194	5,470,769
Net pension liability	929,388	-	757,231	2,521,963	4,208,582
Net other postemployment benefits liability	578,008	-	650,808	1,061,156	2,289,972
Total noncurrent liabilities	4,277,752	-	3,098,917	4,673,032	12,049,701
Total Liabilities	4,830,991	12,809	3,520,957	6,243,529	14,608,286
Deferred Inflows of Resources:					
Related to net pension liability	86,540	-	70,510	215,598	372,648
Related to net other postemployment benefits liability	277,223	-	441,324	85,357	803,904
Unavailable revenues	-	-	-	925,867	925,867
Total Deferred Inflows of Resources	363,763	-	511,834	1,226,822	2,102,419
Net Position:					
Net investment in capital assets	4,906,843	-	4,781,676	12,057,363	21,745,882
Restricted for debt service	38,376	-	-	-	38,376
Restricted for depreciation	-	-	-	1,052,744	1,052,744
Unrestricted	148,552	252,888	(1,234,403)	(1,949,283)	(2,782,246)
Total Net Position	\$ 5,093,771	\$ 252,888	\$ 3,547,273	\$ 11,160,824	\$ 20,054,756

See accompanying notes to basic financial statements.

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

	Business-Type Activities				Total
	Sewer	Cable	Water	Light Department (December 31, 2020)	
Operating Revenues:					
Charges for services	\$ 1,346,587	\$ -	\$ 1,575,549	\$ 6,882,779	\$ 9,804,915
Other	49,702	123,024	65,457	-	238,183
Total Operating Revenues	<u>1,396,289</u>	<u>123,024</u>	<u>1,641,006</u>	<u>6,882,779</u>	<u>10,043,098</u>
Operating Expenses:					
Personnel	422,895	87,758	-	-	510,653
Operations	762,026	35,757	931,611	6,071,254	7,800,648
Depreciation	355,147	-	240,224	644,195	1,239,566
Total Operating Expenses	<u>1,540,068</u>	<u>123,515</u>	<u>1,171,835</u>	<u>6,715,449</u>	<u>9,550,867</u>
Total Operating Income (Loss)	<u>(143,779)</u>	<u>(491)</u>	<u>469,171</u>	<u>167,330</u>	<u>492,231</u>
Nonoperating Revenues (Expenses):					
Investment income	8,758	-	706	22,199	31,663
Interest expense	(102,958)	-	(80,942)	(39,675)	(223,575)
Other	-	-	23,838	(85,346)	(61,508)
Total Nonoperating Revenues (Expenses)	<u>(94,200)</u>	<u>-</u>	<u>(56,398)</u>	<u>(102,822)</u>	<u>(253,420)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(237,979)</u>	<u>(491)</u>	<u>412,773</u>	<u>64,508</u>	<u>238,811</u>
Capital Contributions:					
Intergovernmental	48,748	-	-	-	48,748
Total Capital Contributions	<u>48,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,748</u>
Transfers:					
Transfers in	149,975	-	-	-	149,975
Transfers, net	<u>149,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,975</u>
Change in Net Position	<u>(39,256)</u>	<u>(491)</u>	<u>412,773</u>	<u>64,508</u>	<u>437,534</u>
Total Net Position - Beginning of Year	<u>5,133,027</u>	<u>253,379</u>	<u>3,134,500</u>	<u>11,096,316</u>	<u>19,617,222</u>
Total Net Position- Ending	<u>\$ 5,093,771</u>	<u>\$ 252,888</u>	<u>\$ 3,547,273</u>	<u>\$ 11,160,824</u>	<u>\$ 20,054,756</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	Business-Type Activities				Total
	Sewer	Cable	Water	Light Department (December 31, 2020)	
Cash Flows from Operating Activities					
Receipts from users	\$ 1,246,579	\$ -	\$ 1,639,439	\$ 6,988,177	\$ 9,874,195
Receipts from other operating revenues	49,702	123,024	-	-	172,726
Payments to employees and vendors	(1,193,227)	(115,714)	(1,050,072)	(6,407,238)	(8,766,251)
Net Cash Provided by Operating Activities	103,054	7,310	589,367	580,939	1,280,670
Cash Flows from Noncapital Financing Activities					
Apportioned assessments	19,083	-	-	-	19,083
Intergovernmental	48,748	-	-	-	48,748
Other	-	-	21,486	(85,347)	(63,861)
Payments to other funds	19,318	-	-	-	19,318
Transfers in	149,975	-	-	-	149,975
Net Cash Provided by Noncapital Financing Activities	237,124	-	21,486	(85,347)	173,263
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(122,197)	-	(120,600)	(784,426)	(1,027,223)
Principal payments on bonds and notes	(399,563)	-	(363,297)	(211,975)	(974,835)
Interest payments on bonds and notes	(110,217)	-	(80,942)	(39,675)	(230,834)
Net Cash Provided by Capital and Related Financing Activities	(631,977)	-	(564,839)	(1,036,076)	(2,232,892)
Cash Flows from Investing Activities					
Investment income	8,758	-	706	22,199	31,663
Investment of operating cash	217,731	-	-	-	217,731
Net Cash Provided by Investing Activities	226,489	-	706	22,199	249,394
Net Increase in Cash and Cash Equivalents	(65,310)	7,310	46,720	(518,285)	(529,565)
Cash and Cash Equivalents					
Beginning of the year	873,127	258,387	391,508	2,212,747	3,735,769
End of the year	\$ 807,817	\$ 265,697	\$ 438,228	\$ 1,694,462	\$ 3,206,204
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (loss)	\$ (143,779)	\$ (491)	\$ 469,171	\$ 167,330	\$ 492,231
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	355,147	-	240,224	644,195	1,239,566
Changes in assets and liabilities:					
Receivables	(49,221)	-	(1,566)	(147,698)	(198,485)
Other assets	-	-	-	(303,692)	(303,692)
Prepaid expenses and materials	-	-	2,287	(2,770)	(483)
Deferred outflow of resources	(50,787)	-	(46,530)	42,307	(55,010)
Accounts payable, accrued expenses and other liabilities	69,806	7,801	85,635	149,550	312,792
Deferred inflow of resources	(78,112)	-	(159,854)	31,717	(206,249)
Net Cash Provided by Operating Activities	\$ 103,054	\$ 7,310	\$ 589,367	\$ 580,939	\$ 1,280,670

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Town Other Postemployment Benefits Trust Fund	Sewer Other Postemployment Benefits Trust Fund	Water Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2019 Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Assets:					
Cash and cash equivalents	\$ 1,192	\$ 319	\$ 519	\$ -	\$ -
Investments	241,273	64,663	125,358	502,278	149,188
Total Assets	<u>242,465</u>	<u>64,982</u>	<u>125,877</u>	<u>502,278</u>	<u>149,188</u>
				-	
Liabilities:					
Warrants and accounts payable	-	-	-	-	-
Planning board deposits	-	-	-	-	-
Agency liabilities	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:					
Restricted for other postemployment benefits	242,465	64,982	125,877	502,278	-
Held in trust for private purposes	-	-	-	-	149,188
Total Net Position	<u>\$ 242,465</u>	<u>\$ 64,982</u>	<u>\$ 125,877</u>	<u>\$ 502,278</u>	<u>\$ 149,188</u>

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

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

	Town Other Postemployment Benefits Trust Fund	Sewer Other Postemployment Benefits Trust Fund	Water Other Postemployment Benefits Trust Fund	(Light Department) December 31, 2020 Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions:					
Contributions:					
Employer contributions	\$ 254,793	\$ 15,633	\$ 38,971	\$ 129,439	\$ -
Total Contributions	254,793	15,633	38,971	129,439	-
Investment income:					
Interest and dividends	43,606	11,735	22,074	55,014	3,602
Net investment earnings	43,606	11,735	22,074	55,014	3,602
Total Additions	298,399	27,368	61,045	184,453	3,602
Deductions:					
Benefits and refunds to plan members:					
Benefits paid	222,293	15,633	13,971	46,161	-
Health and human services	-	-	-	-	-
Total Deductions	222,293	15,633	13,971	46,161	-
Change in Net Position	76,106	11,735	47,074	138,292	3,602
Net Position - Beginning of Year	166,359	53,247	78,803	363,986	145,586
Net Position - End of Year	\$ 242,465	\$ 64,982	\$ 125,877	\$ 502,278	\$ 149,188

See accompanying notes to basic financial statements.

TOWN OF TEMPLETON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Templeton, 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, which was incorporated in 1762, is located in Worcester County, approximately sixty miles west of the City of Boston. The governing structure utilizes an open town meeting with an elected five-member Board of Selectmen and an appointed Town Administrator, who performs and oversees the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms.

The Town provides governmental services for the territory within its boundaries, including public safety, education through a regional school district, public works, health and human services, culture and recreation, general governmental services, sewer, water and electricity. The sewer, water and electricity services are funded through user charges and treated as business enterprises.

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

The Town is a member community of the Narragansett Regional School District, which provides educational services to two communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town’s share of operating and debt service expenses was \$6,909,906. Complete audited financial statements can be obtained directly from the District’s administrative office located at the Superintendent and District Offices, 462 Baldwinville Road, Baldwinville, MA 01436.

In addition, the Town is a member community of the Montachusett Regional Vocational Technical School. This joint venture assesses each of the eighteen-member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town’s share of operating and debt service expenses was \$606,119. Complete audited financial statements can be obtained directly from the District’s administrative office located at 1050 Westminster Street, Fitchburg, MA 01420.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units if any for which the primary government is financially accountable.

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 of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element for all funds of that category or type, and
- 2) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of Interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when

susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for 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 applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Act Fund – is used to account for funds received in accordance with the Massachusetts Community Preservation Act. Funds are used to acquire or develop open space and recreational facilities, preservation of historic resources and affordable housing.

School Capital Projects Fund – is used to account for funds received and spent related to the feasibility study and schematic design for the Templeton Elementary School.

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

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

Capital Projects Funds - are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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 Town reports the following major proprietary funds:

Sewer Enterprise Fund – is used to account for the operation of the Town's sewer activities.

Cable Enterprise Fund – is used to account for the operation of the Town's cable operations.

Water Enterprise Fund – is used to account for the operation of the Town's water activities.

Templeton Municipal Light Department(TMLD) – is used to account for the operation of the Town's electrical power distribution activities.

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 Town reports the following fiduciary funds:

Town Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

Sewer Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Sewer Department to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Light Department to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

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 primarily for public assistance.

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

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value in accordance with GAAP.

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 at the rate of 14% per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes, sewer, water and user fees are secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance 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.

Inventories and Prepaid Items – In the case of the Town, inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. With respect to the TMLD, materials and supplies are inventories of parts and accessories purchased for use in TMLD’s operations. Materials and supplies inventory are stated at the lower of cost or market with cost being determined on a first-in, first-out basis.

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, land improvements, buildings and improvements, machinery and equipment, vehicles, software and infrastructure (e.g. roads, sidewalks, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated by the Town and the TMLD on a straight-line-basis.

The estimated useful lives of capital assets being depreciated are as follows:

Land improvements	40 years
Buildings and improvements	20 years
Vehicles, machinery and equipment	5 years
Infrastructure	30 -75 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 voluntarily assigned to the general fund.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items which qualify for reporting in this category. The first arises 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 revenues from two sources: property taxes, and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to inflows from changes in the net pension, net other postemployment benefit liabilities and unavailable Light Department revenues. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection B.

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 a trust whereby expenditures are subject to various trust agreements.

Capital projects funds represent remaining balances from bond proceeds or other financing sources that are restricted by state law to specific capital purposes and borrowing terms.

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act.

Gifts and donations represent assets that have restrictions placed on them from benefactors and may only be used for the intended purpose.

Depreciation represents assets that have been restricted by Massachusetts Department of Public Utility regulations for certain capital additions.

Other purposes –represent assets that are restricted by Federal 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 on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – 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 such as the corpus of an 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 formal action of the Town's highest level of decision making authority, which is the Town Meeting action, and can be modified or rescinded on through these actions.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of Town Meeting. The balance of the fund totals \$1,097,282 at June 30, 2021 and is reported as unassigned fund balance in the general fund.

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchases made or to be made resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$6,600 of encumbrances from normal purchasing activity in the general fund as assigned and \$428,983 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

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

	General	Community Preservation	School Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ 341,210	\$ 341,210
Restricted:					
General government	-	-	-	216,194	216,194
Public safety	-	-	-	652,327	652,327
Public works	-	-	-	177,966	177,966
Health and human services	-	-	-	464,872	464,872
Culture and recreation	-	2,369,711	-	470,526	2,840,237
Debt service	38,047	-	-	-	38,047
Committed:					
General government	253,803	-	-	-	253,803
Public safety	29,401	-	-	-	29,401
Education	10,766	-	-	-	10,766
Public works	229,177	-	-	-	229,177
Health and human services	20,836	-	-	-	20,836
Culture and recreation	10,000	-	-	-	10,000
Capital purposes	595,450	-	-	-	595,450
Assigned:					
Purchase orders	6,600	-	-	-	6,600
Unassigned:					
Unrestricted	2,796,524	-	(916,318)	(417,468)	1,462,738
	<u>\$ 3,990,604</u>	<u>\$ 2,369,711</u>	<u>\$ (916,318)</u>	<u>\$ 1,905,627</u>	<u>\$ 7,349,624</u>

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred individual fund deficits of \$916,318 and \$417,468 in the School Capital Project Major Fund and Nonmajor Governmental Funds, respectively, at year end. These deficits will be funded through available revenues, grant funds or bond proceeds in future fiscal years.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

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

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

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

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

<u>Investments by Fair Value Level</u>	<u>6/30/2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
Corporate fixed income securities	\$ 2,588,843	\$ -	\$ 2,588,843	\$ -
Certificates of deposit	250,671	250,671	-	-
U.S. government obligations	<u>1,886,652</u>	<u>1,192,689</u>	<u>693,963</u>	<u>-</u>
Equity securities	743,199	743,199	-	-
Mutual funds	743,398	743,398	-	-
Total investments at Fair Value	<u>6,212,763</u>	<u>\$ 2,929,957</u>	<u>\$ 3,282,806</u>	<u>\$ -</u>
Investments at amortized cost				
Money market mutual funds	<u>252,098</u>			
Total Town Investments	<u>\$ 6,464,861</u>			

Debt and equity classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued based on matrix pricing based on the securities’ relationship to benchmark quoted prices.

The Town had the following investments with maturities at June 30, 2021:

Investment Type	Fair Value	Maturities in Years		
		Less than 1 year	1 - 5 years	More than 5 years
Debt securities:				
Corporate fixed income securities	\$ 2,588,843	\$ 237,035	\$ 2,026,956	\$ 324,852
Certificates of deposit	250,671	-	250,671	-
U.S. government obligations	1,886,652	692,707	1,064,795	129,150
Total investments with maturities	\$ 4,726,166	\$ 929,742	\$ 3,342,422	\$ 454,002

The following table presents the Light Department's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2020:

Investments by Fair Value Level	12/31/2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Description:				
Investments measured at the net asset value (NAV):				
External investment pool	\$ 502,278	\$ 502,278	\$ -	\$ -
Total investments at Fair Value	\$ 502,278	\$ 502,278	\$ -	\$ -

The Light Department categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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 all the Town's deposits (excluding the Water and Light Department) was \$5,197,480 and bank balance was \$5,674,869. The full bank balance was covered by either federal depository insurance or by the depositors' insurance fund.

As of June 30, 2021, the Water Department had a bank balance of \$410,331 that was subject to custodial credit risk.

At December 31, 2020 the Light Department had a bank balance was \$6,593 that was subject to custodial credit risk.

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. The Town's investments in United States governmental

obligations are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town does not have a formal investment policy related to custodial credit risk.

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.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer.

Credit Risk – The Town has not adopted a formal policy related to credit risk. The Town’s investments had the following ratings at year end:

<u>S&P's Rating</u>	<u>U.S. Government Obligations</u>	<u>Corporate Fixed Income</u>	<u>Certificates of Deposit</u>	<u>Total</u>
AA+	\$ 1,886,652	\$ -	\$ -	\$ 1,886,652
A+	-	850,571	-	850,571
A	-	324,852	-	324,852
A-	-	156,107	-	156,107
BBB+	-	617,710	-	617,710
BBB	-	639,603	-	639,603
Not rated	-	-	250,671	250,671
Total	<u>\$ 1,886,652</u>	<u>\$ 2,588,843</u>	<u>\$ 250,671</u>	<u>\$ 4,726,166</u>

B. Receivables

Receivables as of year-end for the Town’s individual major governmental funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 281,513	\$ -	\$ 281,513
Tax liens	1,266,543	-	1,266,543
Motor vehicle and other excise taxes	143,878	-	143,878
Departmental and other	488,176	(121,232)	366,944
Title V loan receivables	157,239	-	157,239
Intergovernmental	380,049	-	380,049
Total	<u>\$ 2,717,398</u>	<u>\$ (121,232)</u>	<u>\$ 2,596,166</u>

Receivables as of year-end for the Town’s proprietary funds (the TMLD’s activity is for the year ended December 31, 2020) are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer user charges	\$ 459,691	\$ -	\$ 459,691
Sewer betterment fees	38,376	-	38,376
Water user charges	198,192	-	198,192
TMLD user charges	476,103	(72,000)	404,103
TMLD other receivable	61,901	-	61,901
Intergovernmental	60,144	-	60,144
Total	<u>\$ 1,294,407</u>	<u>\$ (72,000)</u>	<u>\$ 1,222,407</u>

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

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 246,710	\$ 22,110	\$ 268,820
Tax liens	1,266,543	-	1,266,543
Motor vehicle and other excise taxes	143,878	-	143,878
Departmental and other	-	524,183	524,183
Total	<u>\$ 1,657,131</u>	<u>\$ 546,293</u>	<u>\$ 2,203,424</u>

Massachusetts Clean Water Trust – The Town has entered into numerous loan agreements with the Massachusetts Clean Water Trust (MCWT). It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$60,144 and interest in the amount of \$85,216 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, a receivable totaling \$60,144 has been reported in the Sewer Enterprise Fund.

Massachusetts School Building Authority – As of June 30, 2021, the Town expects to receive \$380,049 applicable to approved eligible school construction costs from the MSBA. The amount is recorded as an intergovernmental receivable in the School Capital Projects major fund.

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

Transfers Out	Transfers In		
	General Fund	Sewer Enterprise	Total
General Fund	\$ -	\$ 149,975	\$ 149,975 (1)
Nonmajor Governmental Funds	308,476	-	308,476 (2)
Total	<u>\$ 308,476</u>	<u>\$ 149,975</u>	<u>\$ 458,451</u>

(1) Transfer to sewer enterprise for debt service.

(2) Transfer to general fund from Title V and Ambulance receipts to supplement operating budget.

Interfund transfers between the general fund and TMLD are not reflected due to the presentation of different year-ends.

D. Capital Assets

Capital asset activity for the year ended June 30, 2021 (the TMLD's activity is for the year ended December 31, 2020) is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 935,838	\$ -	\$ -	\$ 935,838
Construction in process	42,142,230	-	(42,142,230)	-
Total capital assets not being depreciated	43,078,068	-	(42,142,230)	935,838
Capital assets being depreciated:				
Buildings and improvements	7,488,338	42,522,421	(31,034)	49,979,725
Infrastructure	12,590,906	1,011,502	-	13,602,408
Vehicles	772,945	50,309	-	823,254
Machinery and equipment	4,124,290	595,883	(104,003)	4,616,170
Total capital assets being depreciated	24,976,479	44,180,115	(135,037)	69,021,557
Less accumulated depreciation for:				
Buildings and improvements	(3,026,380)	(660,774)	31,034	(3,656,120)
Infrastructure	(3,832,638)	(326,714)	-	(4,159,352)
Vehicles	(94,979)	(104,481)	-	(199,460)
Machinery and equipment	(3,048,039)	(196,470)	104,003	(3,140,506)
Total accumulated depreciation	(10,002,036)	(1,288,439)	135,037	(11,155,438)
Total capital assets being depreciated, net	14,974,443	42,891,676	-	57,866,119
Total governmental activities capital assets, net	\$ 58,052,511	\$ 42,891,676	\$ (42,142,230)	\$ 58,801,957
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in process	64,650	149,432	-	214,082
Total capital assets not being depreciated	253,828	149,432	-	403,260
Capital assets being depreciated:				
Electric plant	22,413,417	710,327	(116,160)	23,007,584
Buildings and improvements	19,651	-	-	19,651
Infrastructure	30,703,980	120,601	(37,262)	30,787,319
Vehicles	42,528	-	-	42,528
Machinery and equipment	1,354,359	75,500	-	1,429,859
Total capital assets being depreciated	54,533,935	906,428	(153,422)	55,286,941
Less accumulated depreciation for:				
Electric plant	(9,465,354)	(672,830)	116,160	(10,022,024)
Buildings and improvements	(7,370)	(982)	-	(8,352)
Infrastructure	(15,671,530)	(559,022)	37,262	(16,193,290)
Vehicles	(4,253)	(8,506)	-	(12,759)
Machinery and equipment	(1,278,247)	(26,861)	-	(1,305,108)
Total accumulated depreciation	(26,426,754)	(1,268,201)	153,422	(27,541,533)
Total capital assets being depreciated, net	28,107,181	(361,773)	-	27,745,408
Total business-type activities capital assets, net	\$ 28,361,009	\$ (212,341)	\$ -	\$ 28,148,668

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities: Sewer</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 46,697	\$ -	\$ 46,697
Total capital assets not being depreciated	<u>-</u>	<u>46,697</u>	<u>-</u>	<u>46,697</u>
Capital assets being depreciated:				
Buildings and improvements	19,651	-	-	19,651
Infrastructure	21,199,515	-	-	21,199,515
Machinery and equipment	709,473	75,500	-	784,973
Vehicles	42,528	-	-	42,528
Total capital assets being depreciated	<u>21,971,167</u>	<u>75,500</u>	<u>-</u>	<u>22,046,667</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,370)	(982)	-	(8,352)
Infrastructure	(13,083,776)	(333,303)	-	(13,417,079)
Machinery and equipment	(637,052)	(12,356)	-	(649,408)
Vehicles	(4,253)	(8,506)	-	(12,759)
Total accumulated depreciation	<u>(13,732,451)</u>	<u>(355,147)</u>	<u>-</u>	<u>(14,087,598)</u>
Total capital assets being depreciated, net	<u>8,238,716</u>	<u>(279,647)</u>	<u>-</u>	<u>7,959,069</u>
Total Sewer capital assets, net	<u>\$ 8,238,716</u>	<u>\$ (232,950)</u>	<u>\$ -</u>	<u>\$ 8,005,766</u>
<i><u>Business-Type Activities: TMLD</u></i>				
Capital assets not being depreciated:				
Land	\$ 189,178	\$ -	\$ -	\$ 189,178
Construction in-process	64,650	102,735	-	167,385
Total capital assets not being depreciated	<u>253,828</u>	<u>102,735</u>	<u>-</u>	<u>356,563</u>
Capital assets being depreciated:				
Production plant	4,023,430	-	-	4,023,430
Distribution plant	14,366,417	431,967	(116,160)	14,682,224
General plant	4,023,570	278,360	-	4,301,930
Total capital assets being depreciated	<u>22,413,417</u>	<u>710,327</u>	<u>(116,160)</u>	<u>23,007,584</u>
Less accumulated depreciation for:				
Production plant	(1,127,474)	(120,701)	-	(1,248,175)
Distribution plant	(6,133,119)	(431,422)	116,160	(6,448,381)
General plant	(2,204,761)	(120,707)	-	(2,325,468)
Total accumulated depreciation	<u>(9,465,354)</u>	<u>(672,830)</u>	<u>116,160</u>	<u>(10,022,024)</u>
Total capital assets being depreciated, net	<u>12,948,063</u>	<u>37,497</u>	<u>-</u>	<u>12,985,560</u>
Total TMLD capital assets, net	<u>\$ 13,201,891</u>	<u>\$ 140,232</u>	<u>\$ -</u>	<u>\$ 13,342,123</u>

<u>Business-type Activities: Water</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Infrastructure	\$ 9,504,465	\$ 120,601	\$ (37,262)	\$ 9,587,804
Machinery and equipment	644,886	-	-	644,886
Total capital assets being depreciated	<u>10,149,351</u>	<u>120,601</u>	<u>(37,262)</u>	<u>10,232,690</u>
Less accumulated depreciation for:				
Infrastructure	(2,587,754)	(225,719)	37,262	(2,776,211)
Machinery and equipment	(641,195)	(14,505)	-	(655,700)
Total accumulated depreciation	<u>(3,228,949)</u>	<u>(240,224)</u>	<u>37,262</u>	<u>(3,431,911)</u>
Total capital assets being depreciated, net	<u>6,920,402</u>	<u>(119,623)</u>	<u>-</u>	<u>6,800,779</u>
Total Water capital assets, net	<u>\$ 6,920,402</u>	<u>\$ (119,623)</u>	<u>\$ -</u>	<u>\$ 6,800,779</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
General government	\$ 25,760	Sewer	\$ 355,147
Public safety	247,208	Water	240,224
Education	527,979	TMLD	672,830
Public works	456,415		<u>\$ 1,268,201</u>
Health and human services	27,520		
Culture and recreation	3,557		
	<u>\$ 1,288,439</u>		

E. Purchased Power Working Capital

The TMLD is a member and participant of the Massachusetts Municipal Wholesale Electric Company (“MMWEC”). The purchased power working capital is an amount held by MMWEC as an escrow. The purchased power working capital fund is replenished as needed from the TMLD’s monthly invoice payments. The income earned from the purchased power working capital fund applicable to the TMLD’s deposit is applied as a credit to MMWEC’s power sales billings. The balance in the fund as of December 31, 2020 is \$1,251,699.

F. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and generally carry maturity dates of less than one year and are interest bearing and will be paid through future issuance of general obligation bonds.

The Town’s temporary borrowing activity for fiscal year 2021 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
<i>Governmental Activities:</i>						
BAN	2.00%	matured	\$ 3,675,000	\$ -	\$ (3,675,000)	\$ -
BAN	1.00%	02/25/22	-	1,675,000	-	1,675,000
Total Governmental Notes			<u>\$ 3,675,000</u>	<u>\$ 1,675,000</u>	<u>\$ (3,675,000)</u>	<u>\$ 1,675,000</u>

Short-term (BANs) issued for Governmental funds were used for school building construction.

G. Long-term Obligations

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

State law permits the 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, the Town may authorize debt in excess of that limit for specific purposes; such as debt when issued is designated as being “outside the debt limit”.

Authorized and Unissued Debt - At June 30, 2020, the Town had authorized and unissued debt for the following:

Project	Amount
<i>Governmental:</i>	
School building renovations	\$ 7,257,883
Total Authorized and Unissued	<u>\$ 7,257,883</u>

The following reflects the current year activity (the TMLD's activity is for the year ended December 31, 2020) in the long-term liability accounts:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i><u>Governmental Activities:</u></i>					
Bond and note indebtedness	\$ 20,555,000	\$ -	\$ (525,000)	\$ 20,030,000	\$ 535,000
Unamortized bond premiums	806,077	-	(60,318)	745,759	59,106
Notes from direct borrowings and placements	346,154	-	(38,476)	307,678	38,476
Capital lease obligations	587,611	-	(170,004)	417,607	134,716
Compensated absences	336,206	118,303	(84,052)	370,457	92,614
Landfill closure	197,000	-	(21,000)	176,000	21,000
Net pension liability	8,400,699	1,462,996	(1,424,779)	8,438,916	-
Net other postemployment benefits liability	4,670,730	2,565,384	(2,138,566)	5,097,548	-
Total Governmental Activities	<u>\$ 35,899,477</u>	<u>\$ 4,146,683</u>	<u>\$ (4,462,195)</u>	<u>\$ 35,583,965</u>	<u>\$ 880,912</u>
<i><u>Business-Type Activities - Sewer:</u></i>					
Bond and note indebtedness	\$ 90,000	\$ -	\$ (30,000)	\$ 60,000	\$ 30,000
Notes from direct borrowings and placements	3,468,630	-	(369,563)	3,099,067	384,298
Compensated absences	36,133	11,281	(9,033)	38,381	12,794
Net pension liability	925,179	161,122	(156,913)	929,388	-
Net other postemployment benefits liability	499,042	405,306	(326,340)	578,008	-
Total Sewer	<u>5,018,984</u>	<u>577,709</u>	<u>(891,849)</u>	<u>4,704,844</u>	<u>427,092</u>
<i><u>Business-Type Activities - Water:</u></i>					
Bond and note indebtedness	1,375,000	-	(305,000)	1,070,000	305,000
Notes from direct borrowings and placements	1,007,400	-	(58,297)	949,103	58,297
Compensated absences	25,711	9,361	-	35,072	-
Net pension liability	738,515	18,716	-	757,231	-
Net other postemployment benefits liability	605,407	45,401	-	650,808	-
Total Water	<u>3,752,033</u>	<u>73,478</u>	<u>(363,297)</u>	<u>3,462,214</u>	<u>363,297</u>
<i><u>Business-Type Activities - TMLD:</u></i>					
Notes from direct borrowings and placements	1,496,729	-	(211,975)	1,284,754	214,560
Compensated absences	19,720	-	(1)	19,719	-
Net pension liability	2,633,763	-	(111,800)	2,521,963	-
Net other postemployment benefits liability	859,217	201,939	-	1,061,156	-
Total TMLD	<u>5,009,429</u>	<u>201,939</u>	<u>(323,776)</u>	<u>4,887,592</u>	<u>214,560</u>
Total Business-Type Activities	<u>\$ 13,780,446</u>	<u>\$ 853,126</u>	<u>\$ (1,578,922)</u>	<u>\$ 13,054,650</u>	<u>\$ 1,004,949</u>
Total Long-term Obligations	<u>\$ 49,679,923</u>	<u>\$ 4,999,809</u>	<u>\$ (6,041,117)</u>	<u>\$ 48,638,615</u>	<u>\$ 1,885,861</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the sewer, water and TMLD enterprise funds.

The following is a summary of outstanding long-term obligations as of June 30, 2021 (the TMLD's activity is for the year ended December 31, 2020):

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.0 - 5.0%	\$ 20,555,000	\$ -	\$ (525,000)	\$ 20,030,000
MCWT notes payable	0 - 5.125%	346,154	-	(38,476)	307,678
Total Governmental Activities		\$ 20,901,154	\$ -	\$ (563,476)	\$ 20,337,678
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	2.6 - 4.0%	\$ 90,000	\$ -	\$ (30,000)	\$ 60,000
USDA Rural Utilities Loan	2.25%	1,725,000	-	(45,395)	1,679,605
MCWT notes payable	0 - 5.75%	1,743,630	-	(324,168)	1,419,462
Total Sewer Activities		<u>3,558,630</u>	<u>-</u>	<u>(399,563)</u>	<u>3,159,067</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.6 - 4.75 %	1,375,000	-	(305,000)	1,070,000
USDA Rural Utilities Loan	2.25%	1,007,400	-	(58,297)	949,103
Total Water Activities		<u>2,382,400</u>	<u>-</u>	<u>(363,297)</u>	<u>2,019,103</u>
<i>Business-Type Activities - TMLD</i>					
Battery storage - direct borrowing	3.20%	835,479	-	(79,725)	755,754
Clean Renewable Energy Bond	2%	661,250	-	(132,250)	529,000
Total TMLD Activities		<u>1,496,729</u>	<u>-</u>	<u>(211,975)</u>	<u>1,284,754</u>
Total Business-Type Activities		\$ 7,437,759	\$ -	\$ (974,835)	\$ 6,462,924

MCWT Loan Subsidies – As previously noted in Note I. B., the Town has entered into loan agreements with the MCWT. It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$60,144 and interest in the amount of \$85,216 until the maturity of these agreements.

Payments on outstanding general obligation bonds and notes payable due in future years consist of the following:

<i>Governmental Activities</i>							
Year Ending June 30,	Principal			Interest			Total
	General Obligation	Direct Borrowings	Total Principal	General Obligation	Direct Borrowings	Total Interest	
2022	\$ 535,000	\$ 38,476	\$ 573,476	\$ 694,044	\$ 1,028	\$ 695,072	\$ 1,268,548
2023	570,000	38,476	608,476	667,292	617	667,909	1,276,385
2024	590,000	38,476	628,476	638,793	206	638,999	1,267,475
2025	620,000	30,250	650,250	616,944	-	616,944	1,267,194
2026	640,000	30,250	670,250	593,745	-	593,745	1,263,995
2027-2031	3,690,000	111,250	3,801,250	2,474,918	-	2,474,918	6,276,168
2032-2036	4,395,000	20,500	4,415,500	1,776,033	-	1,776,033	6,191,533
2037-2041	5,075,000	-	5,075,000	1,087,070	-	1,087,070	6,162,070
2042-2045	3,915,000	-	3,915,000	268,938	-	268,938	4,183,938
Total	<u>\$ 20,030,000</u>	<u>\$ 307,678</u>	<u>\$ 20,337,678</u>	<u>\$ 8,817,777</u>	<u>\$ 1,851</u>	<u>\$ 8,819,628</u>	<u>\$ 29,157,306</u>

<i>Business-Type Activities - Sewer</i>							
2022	\$ 30,000	\$ 384,298	\$ 414,298	\$ 2,370	\$ 89,520	\$ 91,890	\$ 506,188
2023	30,000	394,121	424,121	1,200	70,888	72,088	496,209
2024	-	408,856	408,856	-	51,301	51,301	460,157
2025	-	413,767	413,767	-	34,727	34,727	448,494
2026	-	45,395	45,395	-	33,706	33,706	79,101
2027-2031	-	226,975	226,975	-	153,207	153,207	380,182
2032-2036	-	226,975	226,975	-	127,672	127,672	354,647
2037-2041	-	226,975	226,975	-	102,138	102,138	329,113
2042-2046	-	226,975	226,975	-	76,603	76,603	303,578
2047-2051	-	226,975	226,975	-	51,068	51,068	278,043
2052-2056	-	226,975	226,975	-	25,533	25,533	252,508
2057-2058	-	90,780	90,780	-	3,064	3,064	93,844
	<u>\$ 60,000</u>	<u>\$ 3,099,067</u>	<u>\$ 3,159,067</u>	<u>\$ 3,570</u>	<u>\$ 819,427</u>	<u>\$ 822,997</u>	<u>\$ 3,982,064</u>

<i>Business-Type Activities - Water</i>							
2022	\$ 305,000	\$ 58,297	\$ 363,297	\$ 40,310	\$ 26,082	\$ 66,392	\$ 429,689
2023	305,000	58,297	363,297	28,300	24,575	52,875	416,172
2024	115,000	58,297	173,297	16,100	23,066	39,166	212,463
2025	115,000	58,297	173,297	11,500	21,557	33,057	206,354
2026	115,000	58,297	173,297	6,900	20,049	26,949	200,246
2027-2031	115,000	291,485	406,485	2,300	77,711	80,011	486,496
2032-2036	-	291,485	291,485	-	39,893	39,893	331,378
2037-2040	-	74,648	74,648	-	17,258	17,258	91,906
	<u>\$ 1,070,000</u>	<u>\$ 949,103</u>	<u>\$ 2,019,103</u>	<u>\$ 105,410</u>	<u>\$ 250,191</u>	<u>\$ 355,601</u>	<u>\$ 2,374,704</u>

<i>Business-Type Activities - TMLD</i>							
Year Ending December 31,	Principal			Interest			Total
	General Obligation	Direct Borrowings	Total Principal	General Obligation	Direct Borrowings	Total Interest	
2021	\$ -	\$ 214,560	\$ 214,560	\$ -	\$ 33,711	\$ 33,711	\$ 248,271
2022	-	217,230	217,230	-	28,352	28,352	245,582
2023	-	219,986	219,986	-	22,907	22,907	242,893
2024	-	222,832	222,832	-	17,373	17,373	240,205
2025	-	93,519	93,519	-	11,746	11,746	105,265
2026-2029	-	316,627	316,627	-	16,714	16,714	333,341
	<u>\$ -</u>	<u>\$ 1,284,754</u>	<u>\$ 1,284,754</u>	<u>\$ -</u>	<u>\$ 130,803</u>	<u>\$ 130,803</u>	<u>\$ 1,415,557</u>

H. Capital Leases

The Town has entered into non-cancelable leases for the purchases of vehicles and equipment. These long-term leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

<u>Asset Description</u>	<u>Amount</u>
One Ton Pickup	\$ 86,361
Police Cruiser	31,980
Fire Engine	503,139
Ambulance	324,827
Less accumulated depreciation	<u>(221,342)</u>
Net carrying value	<u>\$ 724,965</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 148,500
2023	148,500
2024	<u>148,500</u>
Total minimum lease payments	445,500
Less amount representing interest	<u>(27,893)</u>
Present value of minimum lease payments	<u>\$ 417,607</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Worcester County Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of Massachusetts General Laws. The System is administered by the Worcester Regional Retirement Board (the “Board”). Stand-alone financial statements for the year ended December 31, 2020 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

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

Retirees and beneficiaries currently receiving benefits	3,941
Active plan members	7,137
Inactive plan members	2,414
Total	<u>13,492</u>
Number of employers	99

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. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to 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 Retirement 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 fiscal year 2020. There were no material changes made in this update to the actuarial assumptions (see below).

Contributions Requirements – The Retirement Board 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 (including the TMLD) contributed \$887,221 to the Retirement System in fiscal year 2021, which equaled the actuarially determined contribution requirement for the fiscal year. However, this does not equal the amount recorded because the Light Department uses a year earlier measurement period. Contributions as a percentage of covered payroll was approximately 22.6% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town proportionate share of the net pension liability was \$11,717,239 however this does not equal the amount recorded because the Light Department uses a year earlier measurement period. The net pension liability was measured as of January 1, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2020. There were no material changes 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 and TMLD's proportion were approximately 1.32% and 1.31% respectively at December 31, 2020 and 2019.

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the System's full financial statements as of and for the year ended December 31, 2020, which can be obtained by contacting the Board.

The System's fiduciary net position was determined using the accrual basis of accounting. The System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or 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 \$929,987 in pension expense in the statement of activities in fiscal year 2021. This does not agree to the amount calculated by the actuary because the Light Department uses a year earlier measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions in its governmental activities and sewer enterprise fund from the following sources:

	Town	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,745	\$ 243,143
Net differences between projected and actual earnings on pension plan investments	-	484,024
Changes of assumptions	579,959	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	68,074	145,164
Total	<u>\$ 660,778</u>	<u>\$ 872,331</u>

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

<u>Year ended June 30,</u>	
2022	\$ (6,509)
2023	(43,483)
2024	(155,786)
2025	(29,562)
2026	23,787
Total	<u>\$ (211,553)</u>

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

	Water	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,030	\$ 19,653
Net differences between projected and actual earnings on pension plan investments	-	39,123
Changes of assumptions	46,878	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,502	11,734
Total	<u>\$ 53,410</u>	<u>\$ 70,510</u>

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

<u>Year ended June 30,</u>	
2022	\$ (526)
2023	(3,515)
2024	(12,592)
2025	(2,389)
2026	1,922
Total	<u>\$ (17,100)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2020, the Light Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Light</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,406	\$ 15,110
Net differences between projected and actual earnings on pension plan investments	-	69,270
Changes of assumptions	140,958	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,798	131,218
Cotributions made subsequent to measurement date	193,511	-
Total	<u>\$ 349,673</u>	<u>\$ 215,598</u>

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

<u>Year ended December 31</u>	
2022	\$ 151,218
2023	9,737
2024	(192)
2025	(30,298)
2026	3,610
Total	<u>\$ 134,075</u>

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020. The significant actuarial assumptions used in this actuarial valuation included:

Asset valuation method	5-year smoothed market value
Investment rate of return / discount rate	7.5%, net of pension plan investment expense, including inflation
Projected salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Inflation rate	2.2%
Mortality rates:	
Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018.
Disabled retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. Set forward one year.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	39%	4.38%
Fixed income	23%	1.40%
Private equity	13%	8.00%
Real Estate	10%	3.80%
Timber/Natural Resources	4%	4.40%
Hedge Funds	11%	3.00%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2020 actuarial valuation report was 7.50%. 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 proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the 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:

	<u>Current Discount</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net pension liability	7.50%	\$ 14,434,820	\$ 11,717,239	\$ 9,422,680

The net pension liability in the sensitivity analysis does not agree to the aggregate net pension liabilities recorded in the financial statements due to the Light Department recording its liability based on a measurement date that was a year earlier.

B. Other Postemployment Benefits

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

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program, currently Blue Cross Blue Shield of New England. 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 can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2021 (December 31, 2020 for the Light Department):

	<u>Inactive employees</u>	<u>Active employees</u>	<u>Total</u>
Town	35	33	68
Sewer	4	7	11
Water	2	6	8
Light	10	10	20
Total	<u>51</u>	<u>56</u>	<u>107</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contributed 30% of the set premium for medical, dental and life insurance during fiscal 2021 and contribution rates increase by 1% at every renewal rate until reaching 35% in 2026. The remainder of the cost is funded from taxation and user rates from the enterprise funds effected.

The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town.

For the year ended June 30, 2021, the average contribution rates of covered-employee payroll were 12.3%. The Light Department December 31, 2020 amounts are blended into this rate.

Net OPEB Liability – The Town’s net OPEB liability was measured as of July 1, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the Town at June 30, 2021 (December 31, 2020 for TMLD) were as follows:

	Component				Total
	Town	Sewer	Water	Light	
Total OPEB Liability	\$ 5,340,013	\$ 642,990	\$ 776,685	\$ 1,563,434	\$ 8,323,122
Plan fiduciary net position	242,465	64,982	125,877	502,278	\$ 935,602
Net OPEB liability	<u>\$ 5,097,548</u>	<u>\$ 578,008</u>	<u>\$ 650,808</u>	<u>\$ 1,061,156</u>	<u>\$ 7,387,520</u>
	4.5%	10.1%	16.2%	32.1%	11.2%

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	6.38%, net of OPEB plan investment expense, 5.75% for water and 6.36% for light including inflation.
Municipal bond rate	2.18% as of June 30, 2021
Single Equivalent Discount Rate	4.5% Town; 5.5% sewer; 5.5% water and 5.75% light net of OPEB plan investment expense including inflation. Using a blend of the Municipal Bond Index Rate for unfunded periods and the Investment Rate of Return.
Inflation	2.50% annually
Health Care Trend Rate	4.50%
Salary Increases	3.00% annually
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Key assumption changes effective Fiscal Year ending June 30, 2021

Single Equivalent Discount Rate Town Discount rate increases from 5.0% to 4.5%

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 for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
Domestic Equity - Large Cap	18.50%	4.90%
Domestic Equity - Small/Mid Cap	18.25%	5.40%
International Equity - Developed Market	11.25%	5.32%
International Equity - Emerging Market	8.25%	6.26%
Domestic Fixed Income	25.50%	1.40%
International Fixed Income	7.00%	1.30%
Alternatives	10.75%	6.32%
Real Estate	0.00%	6.25%
Cash	0.50%	0.00%
	100.00%	

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 1.0% lower or 1.0% 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% lower	Current	1% greater
Net OPEB Liability				
Town	4.50%	\$ 5,893,099	\$5,097,548	\$4,456,200
Sewer	5.50%	667,568	578,008	504,227
Water	5.50%	764,704	650,808	557,194
Light	5.75%	1,327,670	1,061,156	847,427
Total		\$ 8,653,041	\$7,387,520	\$6,365,048

	Health Care Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability				
Town	4.50%	\$ 4,437,635	\$5,097,548	\$5,928,796
Sewer	4.50%	498,542	578,008	676,027
Water	4.50%	550,658	650,808	774,702
Light	4.50%	829,758	1,061,156	1,360,644
Total		\$ 6,316,593	\$7,387,520	\$8,740,169

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2021 (except that the Light department is as of December 31, 2020):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 7,296,790	\$ 662,394	\$ 6,634,396
Changes for the year:			
Service cost	204,753	-	204,753
Interest	387,869	-	387,869
Change in assumptions	765,344	-	765,344
Difference between expected and actual	(33,566)	-	(33,566)
Employer contributions	-	438,836	(438,836)
Benefit payments withdrawn from trust	-	(298,068)	298,068
Net investment income	-	132,440	(132,440)
Benefit payments	(298,068)	-	(298,068)
Net changes	<u>1,026,332</u>	<u>273,208</u>	<u>753,124</u>
Balances at June 30, 2021	<u>\$ 8,323,122</u>	<u>\$ 935,602</u>	<u>\$ 7,387,520</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021 (December 31, 2020 for the Light Department) OPEB expense was \$236,492 and deferred inflows and outflows are reflected as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 1,235,830	\$ 1,402,470
Differences between expected and actual experience	-	1,210,238
Differences between projected and actual earnings on investments	-	74,969
	<u>\$ 1,235,830</u>	<u>\$ 2,687,677</u>

Deferred inflows and outflows are amortized to expense as follows:

June 30	
2022	\$ (502,557)
2023	(483,749)
2024	(654,078)
2025	131,679
2026	56,858
thereafter	-
	<u>\$(1,451,847)</u>

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

Investment Policy – The OPEB Plan does not have a formal investment policy at this time. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2021 (December 31, 2020 for TMLD) the annual money-weighted rate of return on investments, net of investment expense, was 24.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Risk Financing

The Town is exposed to various risks of loss related to general liability; 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.

D. Commitments and Contingencies

General – During its day-to-day operations, the Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2021, cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

Appellate Tax Board – Generally the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). At June 30, 2021, there were zero pending cases in ATB.

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, would not have a material effect on its financial condition.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

MMWEC Participation – The TMLD is a participant in certain projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a public corporation and a

political subdivision of the Commonwealth, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (“Projects”). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix One project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for Millstone Unit 3 extends to November 25, 2045.

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

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Department has entered into PSAs with MMWEC. Under the PSAs, the Department is required to make certain payments to MMWEC solely from Department revenues. Among other things, PSAs require each Project Participant to pay its pro rata share of MMWEC’s costs related to the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants may be required to increase (step-up) their payments and correspondingly their Participant’s share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs. Under the PSAs each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

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

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

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses discussed above) associated with the Department’s Project Capability of the Projects in which it participates was \$24,657,210 for the year ended December 31, 2020.

Berkshire Wind Cooperative – The TMLD is a member of the Berkshire Wind Cooperation Corporation (the “Cooperative”).

The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 14

Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

The Berkshire Wind Facility is comprised of two Phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines which have been commercially operating since 2011, and Phase 2 is comprised of two 2.3-megawatt wind turbines which began commercial operations in November 2019.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility and its pro rata share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount. Additionally, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility.

The total capital expenditures, debt service and operation and maintenance (O&M) costs associated with the Plant's pro rata share of the Phases in which it participates for the year ended December 31, 2020 are listed in the table below:

Phase	Percentage Share	Total Capital Expenditures	Debt Service Billed	Operations & Maintenance Billed
Berkshire Phase 1	5.484%	\$ 3,028,926	\$ 263,472	\$ 92,577

The estimated aggregate amount of the required payments for future years for the TMLD's pro rata share of the Phases in which it participates is shown below:

<u>For Years Ending December 31,</u>	
2021	\$ 265,371
2022	265,453
2023	265,398
2024	265,741
2025	265,343
2026 - 2030	<u>1,327,443</u>
Total	<u>\$ 2,654,749</u>

E. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$176,000 has been recorded as a governmental activity's liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

IV. Implementation of New GASB Pronouncements

Current Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the Town in fiscal year 2021. In connection with the adoption of this accounting standard, certain previously reported agency balances are now reported in the governmental funds and government-wide financial statements. The adoption of this standard did not have an impact on the Town's financial statements.

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

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

Future Implementations –

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

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

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

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

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

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

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

TOWN OF TEMPLETON, MASSACHUSETTS

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

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

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	1.32%	1.31%	1.32%	1.32%	1.37%	1.36%	1.73%
Town's proportionate share of the net pension liability (asset)	\$ 11,717,239	\$ 11,664,176	\$ 12,012,202	\$ 10,758,199	\$ 11,442,390	\$ 9,665,159	\$ 10,271,629
Town's covered payroll	\$ 3,922,523	\$ 3,579,056	\$ 3,594,982	\$ 3,379,162	\$ 3,418,702	\$ 3,497,074	\$ 3,362,571
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	298.7%	325.9%	334.1%	318.4%	334.7%	276.4%	305.5%
Plan fiduciary net position as a percentage of the total pension liability	50.30%	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 887,221	\$ 797,870	\$ 737,540	\$ 667,573	\$ 663,582	\$ 612,557	\$ 682,149
Contributions in relation to the actuarially determined contribution	887,221	797,870	737,540	667,573	663,582	612,557	682,149
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 3,922,523	\$ 3,579,056	\$ 3,594,982	\$ 3,379,162	\$ 3,418,702	\$ 3,497,074	\$ 3,362,571
Contributions as a percentage of covered payroll	22.6%	22.3%	20.5%	19.8%	19.4%	17.5%	20.3%

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

See accompanying independent auditor's report.

TOWN OF TEMPLETON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2021

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	June 30			
	2021	2020	2019	2018
Total OPEB liability:				
Service cost	\$ 204,753	\$ 182,837	\$ 341,167	\$ 288,900
Interest	387,869	481,117	483,837	472,066
Differences between expected and actual experience	(33,566)	(1,703,270)	(3,396)	(833,857)
Changes of assumptions	765,344	(1,873,514)	867,112	-
Benefit payments	(298,068)	(290,687)	(258,191)	(381,968)
Net change in total OPEB liability	1,026,332	(3,203,517)	1,430,529	(454,859)
Total OPEB liability - beginning of year	7,296,790	10,500,307	9,069,778	9,524,637
Total OPEB liability - end of year (a)	<u>\$ 8,323,122</u>	<u>\$ 7,296,790</u>	<u>\$ 10,500,307</u>	<u>\$ 9,069,778</u>
Plan fiduciary net position:				
Contributions - employer	\$ 438,836	\$ 377,326	\$ 397,872	\$ 570,588
Net investment income	132,429	63,498	(1,534)	31,509
Benefit payments	(298,058)	(290,687)	(258,191)	(381,968)
Net change in Plan fiduciary net position	273,207	150,137	138,147	220,129
Plan fiduciary net position - beginning of year	662,395	512,258	374,111	153,982
Plan fiduciary net position - end of year (b)	<u>\$ 935,602</u>	<u>\$ 662,395</u>	<u>\$ 512,258</u>	<u>\$ 374,111</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 7,387,520</u>	<u>\$ 6,634,395</u>	<u>\$ 9,988,049</u>	<u>\$ 8,695,667</u>
Plan fiduciary net position as a percentage of the total OPEB liability	11.24%	9.08%	4.88%	4.12%
Covered-employee payroll	\$ 3,574,967	\$ 3,453,446	\$ 3,257,410	\$ 3,082,121
Net OPEB liability as a percentage of covered-employee payroll	206.65%	192.11%	306.63%	282.13%

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 TEMPLETON, MASSACHUSETTS

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

SCHEDULE OF CONTRIBUTIONS

	June 30			
	2021	2020	2019	2018
Actuarially-determined contribution	\$ 540,395	\$ 604,776	\$ 930,416	\$ 846,863
Contributions in relation to the actuarially-determined contribution	(438,836)	(377,326)	(397,872)	(545,832)
Contribution deficiency (excess)	<u>\$ 101,559</u>	<u>\$ 227,450</u>	<u>\$ 532,544</u>	<u>\$ 301,031</u>
Covered-employee payroll	\$ 3,574,967	\$ 3,453,446	\$ 3,257,410	\$ 3,082,121
Contribution as a percentage of covered-employee payroll	12.3%	10.9%	12.2%	17.7%
Valuation Date	July 1, 2019			
Actuarial Cost Method	Individual Entry Age Normal			
Amortization Period	30 years			
Asset Valuation Method	Market Value of Assets as of Reporting Date			
Investment rate of return	6.38%			
Municipal Bond Rate	2.18%			
Single Equivalent Discount Rate	4.50%			
Inflation	2.50%			
Healthcare cost trend rates	4.50%			

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

	June 30			
	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	24.21%	2.72%	7.39%	0.00%

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 TEMPLETON, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Real estate and personal property	\$ 11,962,892	\$ 11,962,892	\$ 12,312,936		\$ 12,312,936	\$ 350,044
Intergovernmental	1,685,297	1,685,297	1,708,867		1,708,867	23,570
Motor vehicle and other excises	1,092,000	1,092,000	1,283,932		1,283,932	191,932
Licenses and permits	157,250	157,250	211,328		211,328	54,078
Departmental and other revenue	390,250	390,250	406,975		406,975	16,725
Penalties and interest	85,000	85,000	96,048		96,048	11,048
Fines and forfeitures	55,250	55,250	40,036		40,036	(15,214)
Investment income	12,500	12,500	15,919		15,919	3,419
Total Revenues	<u>15,440,439</u>	<u>15,440,439</u>	<u>16,076,041</u>	<u>-</u>	<u>16,076,041</u>	<u>635,602</u>
Expenditures:						
General government	1,219,970	1,217,509	910,870	131,596	1,042,466	175,043
Public safety	2,568,074	2,577,461	2,484,376	31,329	2,515,705	61,756
Education	7,543,360	7,543,360	7,527,881	10,766	7,538,647	4,713
Public works	1,823,944	1,915,325	1,606,885	230,527	1,837,412	77,913
Health and human services	240,928	245,043	188,392	21,314	209,706	35,337
Culture and recreation	107,678	110,256	77,068	10,051	87,119	23,137
Fringe and pension benefits	2,467,500	2,467,500	2,361,764	-	2,361,764	105,736
State and county tax assessments	66,976	66,976	66,976	-	66,976	-
Debt service	2,504,236	2,504,236	2,455,070	-	2,455,070	49,166
Total Expenditures	<u>18,542,666</u>	<u>18,647,666</u>	<u>17,679,282</u>	<u>435,583</u>	<u>18,114,865</u>	<u>532,801</u>
Other Financing Sources (Uses):						
Transfers in	1,915,587	1,915,587	1,977,694		1,977,694	62,107
Transfers out	(182,500)	(307,500)	(295,000)		(295,000)	(12,500)
Total Other Financing Sources (Uses)	<u>1,733,087</u>	<u>1,608,087</u>	<u>1,682,694</u>		<u>1,682,694</u>	<u>49,607</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(1,369,140)</u>	<u>(1,599,140)</u>	<u>79,453</u>		<u>(356,130)</u>	<u>1,218,010</u>
Other Budgetary Items:						
Prior year encumbrances	486,390	486,390				
Overlay surplus	15,000	15,000				
Free cash	867,750	1,097,750				
Total Other Budgetary Items	<u>1,369,140</u>	<u>1,599,140</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.
 See notes to the required supplementary information of this schedule.

TOWN OF TEMPLETON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2021

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and each enterprise fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved by Town Meeting. 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 however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

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

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues on a budgetary basis			\$ 16,076,041
Change in recording tax revenues	\$ (106,606)	\$ -	(106,606)
Stabilization interest	-	27,799	27,799
Revenues on a GAAP basis	<u>\$ (106,606)</u>	<u>\$ 27,799</u>	<u>\$ 15,997,234</u>
Expenditures on a budgetary basis			\$ 17,679,282
Reclass of enterprise indirect costs to expenditures	\$ (1,705,443)	\$ -	(1,705,443)
Expenditures on a GAAP basis	<u>\$ (1,705,443)</u>	<u>\$ -</u>	<u>\$ 15,973,839</u>
Other financing sources (uses) on a budgetary basis			\$ 1,682,694
Reclass of enterprise indirect costs to expenditures	\$ (1,705,443)	\$ -	(1,705,443)
Stabilization transfers	-	181,250	181,250
Other financing sources (uses) on a GAAP basis	<u>\$ (1,705,443)</u>	<u>\$ 181,250</u>	<u>\$ 158,501</u>

Appropriation Deficits – During fiscal year 2021, there were no appropriation deficits.