

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF PAXTON, MASSACHUSETTS

Basic Financial
Statements and Additional
Information

Year Ended June 30, 2021



TOWN OF PAXTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Paxton, Massachusetts

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 Paxton, Massachusetts, (the "Town") as of and for the year ended June 30, 2021 (except for the Paxton Municipal Light Department, which is as of December 31, 2020) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents,

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Paxton Municipal Light Department, a component unit, which represent approximately 70%, 55% and 73%, respectively, of the assets, net position and revenues of the Town's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this blended presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 of the Paxton Municipal Light Department, which is a blended component unit of the Town audited by other auditors, 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 GASB standards. These standards require the NPL be reported using actuarial data that is no more than thirty 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, fund balance, and revenues of the Sterling Municipal Light Department has not been determined.

Qualified Opinion

In our opinion, except for effects of the matter described in the “Basis for Qualified Opinion” paragraph and based on our audit and the report of other auditors, 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 Paxton Municipal Light Department, which is as of December 31, 2020) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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, the schedules of the Town’s proportionate share of the net pension liability, its contributions to the pension plan, the funding progress and contribution funding of other postemployment benefits and budgetary comparison information as listed in the 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.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
January 4, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Paxton, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. 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.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by nearly \$9.4 million (total net position). This represented a decrease of approximately \$342,000 from the prior year. Governmental activities reported a decrease in net position of approximately \$113,000 and business-type activities reported an approximate \$230,000 decrease in fiscal year 2021.
- Included in the Town's governmental activities in fiscal year 2021 were noncash personnel expenses related to net pension and other postemployment benefits ("OPEB") liabilities of approximately \$488,000, which were the primary contributors to the decrease in net position in governmental activities. In its business-type activities, the Town's electric enterprise reported a decrease in net position of approximately \$208,000, while the water enterprise reported an approximate \$21,000 decrease in net position in fiscal year 2021.
- The Town reported a deficit of over \$10.4 million in its unrestricted net position at June 30, 2021, which was primarily the result of the recording of approximately \$14.6 million in long-term obligations associated with net pension and net OPEB liabilities.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$4.3 million, which was nearly \$432,000 greater than the prior year. Of the ending fund balance, approximately \$1.1 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$1.3 million, which represented approximately 9.1% of total fiscal year 2021 general fund expenditures.
- The Town issued \$250,000 in state house notes in fiscal year 2021, which were used to fund roadway construction and the purchase of a front-end loader. The Town's total long-term debt decreased approximately \$359,000 in fiscal year 2021 to approximately \$5.1 million at June 30, 2021.
- The Town expects to receive approximately \$1.5 million from the federal government under the American Rescue Plan Act ("ARPA") coronavirus local fiscal recovery fund beginning in fiscal year 2022. The use of these monies is less limited than the funding the Town received under the CARES Act and based on current guidance must be obligated by December 31, 2024 and expended by December 31, 2026.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the Town's assets and deferred outflows of 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 Town'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 of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include electric and water 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 of in other major funds if negative.

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

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

The Town maintains a single major individual governmental funds – the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its electric and water activities.

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-Wide Financial Analysis

The condensed comparative statements of net position for the past two fiscal years are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets:						
Current and other assets	\$ 5,466,269	\$ 4,694,301	\$ 7,247,171	\$ 6,922,310	\$ 12,713,440	\$ 11,616,611
Capital assets, net	<u>15,871,066</u>	<u>16,352,505</u>	<u>5,028,383</u>	<u>5,187,334</u>	<u>20,899,449</u>	<u>21,539,839</u>
Total Assets	<u>21,337,335</u>	<u>21,046,806</u>	<u>12,275,554</u>	<u>12,109,644</u>	<u>33,612,889</u>	<u>33,156,450</u>
Deferred Outflows of Resources	<u>1,242,728</u>	<u>1,485,163</u>	<u>951,339</u>	<u>686,098</u>	<u>2,194,067</u>	<u>2,171,261</u>
Liabilities:						
Long-term liabilities	15,801,132	16,319,151	3,933,122	3,520,579	19,734,254	19,839,730
Other liabilities	<u>1,483,346</u>	<u>1,204,365</u>	<u>584,771</u>	<u>537,461</u>	<u>2,068,117</u>	<u>1,741,826</u>
Total Liabilities	<u>17,284,478</u>	<u>17,523,516</u>	<u>4,517,893</u>	<u>4,058,040</u>	<u>21,802,371</u>	<u>21,581,556</u>
Deferred Inflows of Resources	<u>773,450</u>	<u>373,599</u>	<u>3,870,847</u>	<u>3,669,977</u>	<u>4,644,297</u>	<u>4,043,576</u>
Net Position:						
Net investment in capital assets	11,681,833	11,655,094	3,927,368	4,016,435	15,609,201	15,671,529
Restricted	3,106,634	2,188,456	1,062,810	959,154	4,169,444	3,147,610
Unrestricted	<u>(10,266,332)</u>	<u>(9,208,696)</u>	<u>(152,025)</u>	<u>92,136</u>	<u>(10,418,357)</u>	<u>(9,116,560)</u>
Total Net Position	<u>\$ 4,522,135</u>	<u>\$ 4,634,854</u>	<u>\$ 4,838,153</u>	<u>\$ 5,067,725</u>	<u>\$ 9,360,288</u>	<u>\$ 9,702,579</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position decreased over \$342,000 in fiscal year 2021. Expenses in governmental activities included approximately \$488,000 in noncash personnel expenses related to net pension and OPEB liabilities in fiscal year 2021, which are the primary contributors to this decrease.

The largest portion (approximately \$15.6 million) of the Town's overall net position reflects its investment in capital assets less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position (approximately \$4.2 million) represents resources that are subject to restrictions on how they may be used.

The remaining category represents unrestricted net position, which currently has a deficit balance of approximately \$10.4 million. The Town reports deficits in unrestricted net position in both is governmental and business-type activities. These deficits are due primarily to the recording of long-term liabilities associated with net pension and net OPEB liabilities. At June 30, 2021, the Town reported long-term liabilities of approximately \$12.0 million in its governmental activities and \$2.6 million in its business-type activities related to net pension and net OPEB liabilities. The Town expects to continue reporting deficits in its governmental activities unrestricted net position for the foreseeable future.

The condensed comparative statements of activities for the past two fiscal years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,948,501	\$ 1,948,568	\$ 4,250,312	\$ 4,261,414	\$ 6,198,813	\$ 6,209,982
Operating grants and contributions	426,519	368,170	-	-	426,519	368,170
Capital grants and contributions	151,438	250,088	-	-	151,438	250,088
General revenues:						
Property taxes	11,700,683	11,374,120	-	-	11,700,683	11,374,120
Excise taxes	766,794	703,394	-	-	766,794	703,394
Intergovernmental	574,617	574,617	-	-	574,617	574,617
Other	99,382	81,516	115,635	118,404	215,017	199,920
Total Revenues	<u>15,667,934</u>	<u>15,300,473</u>	<u>4,365,947</u>	<u>4,379,818</u>	<u>20,033,881</u>	<u>19,680,291</u>
Expenses:						
General government	1,544,934	1,490,024	-	-	1,544,934	1,490,024
Public safety	4,463,945	4,889,631	-	-	4,463,945	4,889,631
Education	7,333,983	7,074,244	-	-	7,333,983	7,074,244
Public works	1,701,478	1,782,690	-	-	1,701,478	1,782,690
Health and human services	177,477	154,030	-	-	177,477	154,030
Culture and recreation	375,958	394,463	-	-	375,958	394,463
Interest expense	197,878	202,656	-	-	197,878	202,656
Utility services	-	-	4,580,519	4,444,753	4,580,519	4,444,753
Total Expenses	<u>15,795,653</u>	<u>15,987,738</u>	<u>4,580,519</u>	<u>4,444,753</u>	<u>20,376,172</u>	<u>20,432,491</u>
Change in Net Position Before Transfers	(127,719)	(687,265)	(214,572)	(64,935)	(342,291)	(752,200)
Transfers	15,000	-	(15,000)	-	-	-
Change in Net Position	<u>(112,719)</u>	<u>(687,265)</u>	<u>(229,572)</u>	<u>(64,935)</u>	<u>(342,291)</u>	<u>(752,200)</u>
Net Position:						
Beginning of year	4,634,854	5,322,119	5,067,725	5,132,660	9,702,579	10,454,779
End of year	<u>\$ 4,522,135</u>	<u>\$ 4,634,854</u>	<u>\$ 4,838,153</u>	<u>\$ 5,067,725</u>	<u>\$ 9,360,288</u>	<u>\$ 9,702,579</u>

Governmental Activities – Total revenues in fiscal year 2021 increased over \$367,000, or 2%, from the prior fiscal year. This increase was primarily due to an approximate \$327,000 increase in property tax revenue. The Town's largest revenue source is property taxes, which represented approximately 75% and 74% of fiscal year 2021 and 2020 total revenues, respectively. Charges for services represented approximately 12% and 13% of total fiscal year 2021 and 2020 revenues, respectively. Revenues in all categories were consistent with expectations. No other revenue sources were greater than 10% of total revenues in fiscal year 2021 or 2020.

Total expenses decreased approximately \$192,000 in fiscal year 2021. This decrease was due primarily to lower noncash expenses related to the Town's pension and OPEB. Education represents the largest expense category for the Town and is primarily provided through the Wachusett Regional School District. In total, education expenses represented approximately 46% and 44% of total fiscal year 2021 and 2020 expenses, respectively. Public safety expenses represented approximately 28% and 31% of fiscal year 2021 and 2020 total expenses, respectively. Public works expenses represented approximately 11% of total fiscal year 2021 and 2020 expenses. Finally, general government expenses represented 10% and 9% of total fiscal year 2021 and 2020 expenses, respectively. No other expense types were greater than 10% of total expenses in fiscal year 2021 or 2020.

Business-Type Activities – User charges for electric and water services represent virtually all of the revenue reported during fiscal year 2021 and 2020 in the Town’s business-type activities. Revenues were consistent year-over-year, while expenses increased approximately \$136,000, or 3%, year-over-year.

Government Funds Financial Analysis

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of approximately \$4.3 million, which was nearly \$432,000 greater than the prior fiscal year. Of the ending fund balance, over \$1.1 million is available for spending at the government’s discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$1.3 million, while total general fund balance exceeded \$2.2 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents approximately 9.1% of total fiscal year 2021 general fund expenditures, while total fund balance represents approximately 16.3% of that same amount.

The Town’s aggregate nonmajor governmental funds include the Town’s special revenue funds, capital project funds and trust funds. The Town reported a fund balance of approximately \$2.1 million in its nonmajor governmental funds at June 30, 2021, which is nearly \$136,000 higher than the prior year.

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 electric fund was approximately \$2.7 million and net position of the water fund was approximately \$2.2 million.

Fiduciary Fund – The Town’s fiduciary fund is comprised of the Town’s two OPEB trusts. In fiscal year 2021, the Town expended all the assets in its OPEB trust fund to pay retiree health benefits. The only reported balance sheet amounts at June 30, 2021 pertain to an OPEB trust maintained for the benefit of PMLD employees.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. A reconciliation of these differences is found in the 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 totaled approximately \$20.9 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects a decrease of approximately \$640,000. This decrease was a result of current year depreciation expense exceeding capital additions.

Additional information on the Town capital assets can be found in the notes to the financial statements.

Long-Term Debt – The Town issued \$250,000 in state house notes in fiscal year 2021, which were used to fund roadway construction and the purchase of a front-end loader. The Town’s total long-term debt decreased approximately \$359,000 in fiscal year 2021 to approximately \$5.1 million at June 30, 2021.

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 the notes to the financial statements.

Economic Factors and Next Year’s Budget

- Net state aid for fiscal year 2022 is expected to increase to approximate \$676,000.
- The Town enters fiscal year 2022 with approximately \$690,000 in certified free cash.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2021 are approximately 95% of the entire property tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit annually.
- The Town maintains “rainy-day funds” in the form of stabilization funds, which totaled approximately \$577,000 at June 30, 2021.

The above items were considered when the Town accepted its budget for fiscal year 2022 at the June 2021 Town Meeting. The Town set its fiscal year 2022 tax rate on December 3, 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 Administrator, Town Hall, 697 Pleasant Street, Paxton, Massachusetts 01612.

TOWN OF PAXTON, MASSACHUSETTS

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

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,693,218	\$ 5,270,527	\$ 8,963,745
Investments	1,172,778	1,123,693	2,296,471
Receivables, net of allowances:			
Property taxes	179,705	-	179,705
Excise taxes	62,563	-	62,563
Departmental, user charges and other	340,202	446,862	787,064
Intergovernmental	17,803	-	17,803
Prepaid items	-	312,269	312,269
Inventories	-	93,820	93,820
Land	2,673,115	641,719	3,314,834
Construction in-progress	-	33,709	33,709
Depreciable capital assets, net	13,197,951	4,352,955	17,550,906
Total Assets	21,337,335	12,275,554	33,612,889
Deferred Outflows of Resources:			
Other postemployment benefits	-	24,287	24,287
Pensions	1,242,728	927,052	2,169,780
Total Deferred Outflows of Resources	1,242,728	951,339	2,194,067
Liabilities:			
Warrants and accounts payable	355,607	465,080	820,687
Customer deposits	-	31,950	31,950
Unearned revenues	259,735	-	259,735
Deposits and escrows	102,145	-	102,145
Accrued interest	80,315	9,906	90,221
Other liabilities	14,226	-	14,226
Noncurrent liabilities:			
Due within one year	671,318	77,835	749,153
Due in more than one year	15,801,132	3,933,122	19,734,254
Total Liabilities	17,284,478	4,517,893	21,802,371
Deferred Inflows of Resources:			
Electric department items	-	3,409,681	3,409,681
Other postemployment benefits	-	296,452	296,452
Pensions	773,450	164,714	938,164
Total Deferred Inflows of Resources	773,450	3,870,847	4,644,297
Net Position:			
Net investment in capital assets	11,681,833	3,927,368	15,609,201
Restricted for:			
Nonexpendable permanent funds	438,960	-	438,960
Expendable permanent funds	225,863	-	225,863
Revolving funds	1,287,028	-	1,287,028
Depreciation	-	1,062,810	1,062,810
Other purposes	1,154,783	-	1,154,783
Unrestricted	(10,266,332)	(152,025)	(10,418,357)
Total Net Position	\$ 4,522,135	\$ 4,838,153	\$ 9,360,288

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,544,934	\$ 153,309	\$ 208,960	\$ -	\$ (1,182,665)		\$ (1,182,665)
Public safety	4,463,945	1,326,349	135,636	-	(3,001,960)		(3,001,960)
Education	7,333,983	-	20,370	-	(7,313,613)		(7,313,613)
Public works	1,701,478	374,889	-	151,438	(1,175,151)		(1,175,151)
Health and human services	177,477	48,597	46,647	-	(82,233)		(82,233)
Culture and recreation	375,958	45,357	14,906	-	(315,695)		(315,695)
Interest expense	197,878	-	-	-	(197,878)		(197,878)
Total Governmental Activities	15,795,653	1,948,501	426,519	151,438	(13,269,195)		(13,269,195)
Business-Type Activities:							
Electric	3,431,982	3,108,880	-	-		\$ (323,102)	(323,102)
Water	1,148,537	1,141,432	-	-		(7,105)	(7,105)
Total Business-Type Activities	4,580,519	4,250,312	-	-		(330,207)	(330,207)
Total Primary Government	\$ 20,376,172	\$ 6,198,813	\$ 426,519	\$ 151,438		(330,207)	(13,599,402)
General Revenues:							
Property taxes					11,700,683	-	11,700,683
Motor vehicle and other excise taxes					766,794	-	766,794
Grants and contributions not restricted to to specific programs					574,617	-	574,617
Penalties and interest on taxes					31,618	-	31,618
Unrestricted investment income					67,764	115,635	183,399
Transfers, net					15,000	(15,000)	-
Total General Revenues and Transfers					13,156,476	100,635	13,257,111
Change in Net Position					(112,719)	(229,572)	(342,291)
Net Position:							
Beginning of year					4,634,854	5,067,725	9,702,579
End of year					\$ 4,522,135	\$ 4,838,153	\$ 9,360,288

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2021

	General Fund	Nonmajor Governmental Funds	Total
Assets:			
Cash and cash equivalents	\$ 2,044,952	\$ 1,648,266	\$ 3,693,218
Investments	577,154	595,624	1,172,778
Receivables, net of allowances:			
Property taxes	179,705	-	179,705
Excise taxes	62,563	-	62,563
Departmental, user charges and other	22,625	317,577	340,202
Intergovernmental	-	17,803	17,803
Total Assets	<u>2,886,999</u>	<u>2,579,270</u>	<u>5,466,269</u>
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 2,886,999</u>	<u>\$ 2,579,270</u>	<u>\$ 5,466,269</u>
Liabilities:			
Warrants and accounts payable	\$ 272,614	\$ 82,993	\$ 355,607
Unearned revenues	-	259,735	259,735
Deposits and escrows	102,145	-	102,145
Other liabilities	14,226	-	14,226
Total Liabilities	<u>388,985</u>	<u>342,728</u>	<u>731,713</u>
Deferred Inflows of Resources:			
Unavailable revenues - property taxes	163,615	-	163,615
Unavailable revenues - excise taxes	62,563	-	62,563
Unavailable revenues - departmental and other	22,625	176,302	198,927
Total Deferred Inflows of Resources	<u>248,803</u>	<u>176,302</u>	<u>425,105</u>
Fund Balances:			
Nonspendable	-	438,960	438,960
Restricted	661	1,768,033	1,768,694
Committed	336,868	-	336,868
Assigned	650,315	-	650,315
Unassigned	1,261,367	(146,753)	1,114,614
Total Fund Balances	<u>2,249,211</u>	<u>2,060,240</u>	<u>4,309,451</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,886,999</u>	<u>\$ 2,579,270</u>	<u>\$ 5,466,269</u>

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

Total Governmental Fund Balances		\$	4,309,451
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.			15,871,066
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.			425,105
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:			
Deferred outflows of resources - pensions	1,242,728		
Deferred inflows of resources - pensions	<u>(773,450)</u>		
Net effect of reporting deferred outflows and inflows of resources			469,278
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.			(80,315)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:			
Net other postemployment benefits liability	(3,297,315)		
Net pension liability	(8,716,910)		
Compensated absences	(138,072)		
Capital lease obligations	(287,153)		
Bonds and notes payable	<u>(4,033,000)</u>		
Net effect of reporting long-term liabilities			<u>(16,472,450)</u>
Net Position — Governmental Activities		\$	<u>4,522,135</u>

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Property taxes, net of tax refunds	\$ 11,692,136	\$ -	\$ 11,692,136
Intergovernmental	698,985	380,334	1,079,319
Motor vehicle and other excise taxes	764,727	-	764,727
Licenses and permits	104,168	-	104,168
Penalties and interest on taxes	31,618	-	31,618
Fines and forfeitures	15,094	-	15,094
Departmental and other revenues	461,630	1,330,782	1,792,412
Contributions and donations	-	73,255	73,255
Investment income	9,651	58,113	67,764
Total Revenues	<u>13,778,009</u>	<u>1,842,484</u>	<u>15,620,493</u>
Expenditures:			
Current:			
General government	882,706	361,098	1,243,804
Public safety	2,224,947	862,444	3,087,391
Education	7,079,261	-	7,079,261
Public works	1,322,773	292,547	1,615,320
Health and human services	69,375	57,599	126,974
Culture and recreation	219,470	75,328	294,798
Pension and fringe benefits	1,223,867	-	1,223,867
State and county charges	48,950	-	48,950
Debt service:			
Principal	548,549	-	548,549
Interest	185,044	-	185,044
Total Expenditures	<u>13,804,942</u>	<u>1,649,016</u>	<u>15,453,958</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26,933)</u>	<u>193,468</u>	<u>166,535</u>
Other Financing Sources (Uses):			
Proceeds from state house notes	-	250,000	250,000
Transfers in	322,698	-	322,698
Transfers out	-	(307,698)	(307,698)
Total Other Financing Sources (Uses)	<u>322,698</u>	<u>(57,698)</u>	<u>265,000</u>
Change in Fund Balances	295,765	135,770	431,535
Fund Balances:			
Beginning of the year	1,953,446	1,924,470	3,877,916
End of the year	<u>\$ 2,249,211</u>	<u>\$ 2,060,240</u>	<u>\$ 4,309,451</u>

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

	Business-Type Activities		
	Electric	Water	Total
Operating Revenues:			
Charges for services	\$ 3,049,520	\$ 1,114,597	\$ 4,164,117
Other operating revenues	59,360	26,835	86,195
Total Operating Revenues	3,108,880	1,141,432	4,250,312
Operating Expenses:			
Payroll and personnel costs	1,078,958	165,119	1,244,077
Operating costs	2,153,444	836,075	2,989,519
Depreciation	198,597	110,351	308,948
Total Operating Expenses	3,430,999	1,111,545	4,542,544
Operating (Loss) Income	(322,119)	29,887	(292,232)
Nonoperating Revenues (Expenses):			
Investment income	114,728	907	115,635
Interest expenses	(983)	(36,992)	(37,975)
Total Nonoperating Revenues (Expenses)	113,745	(36,085)	77,660
Loss Before Transfers	(208,374)	(6,198)	(214,572)
Transfers:			
Transfers out	-	(15,000)	(15,000)
Total Transfers	-	(15,000)	(15,000)
Change in Net Position	(208,374)	(21,198)	(229,572)
Net Position:			
Beginning of the year	2,875,309	2,192,416	5,067,725
End of the year	\$ 2,666,935	\$ 2,171,218	\$ 4,838,153

See accompanying notes to basic financial statements.

TOWN OF PAXTON, 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**

Change in Fund Balances — Total Governmental Funds \$ 431,535

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. Capital asset activity in the current fiscal year included:

Capital asset additions	554,273	
Depreciation expense	<u>(1,035,712)</u>	
Net effect of reporting capital activity		(481,439)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 47,441

The issuance of long-term debt provides current financial resources to the 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, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Issuance of long-term debt	(250,000)	
Repayments of long-term debt	548,549	
Repayments of capital lease obligations	<u>89,629</u>	
Net effect of reporting long-term debt activity		388,178

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:

Net other postemployment benefits liability	45,232	
Net pension liability	(533,628)	
Compensated absences	(13,636)	
Accrued interest	<u>3,598</u>	
Net effect of reporting long-term liabilities		<u>(498,434)</u>

Change in Net Position — Governmental Activities \$ (112,719)

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

	Business-Type Activities		
	Electric	Water	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 4,685,500	\$ 585,027	\$ 5,270,527
Investments	1,123,693	-	1,123,693
User charges receivables, net of allowances	268,283	178,579	446,862
Inventories and other current assets	124,598	-	124,598
Total Current Assets	<u>6,202,074</u>	<u>763,606</u>	<u>6,965,680</u>
Noncurrent Assets:			
Net other postemployment benefit asset	281,491	-	281,491
Land	319	641,400	641,719
Construction in-progress	33,709	-	33,709
Depreciable capital assets, net	2,088,674	2,264,281	4,352,955
Total Noncurrent Assets	<u>2,404,193</u>	<u>2,905,681</u>	<u>5,309,874</u>
Total Assets	<u>8,606,267</u>	<u>3,669,287</u>	<u>12,275,554</u>
Deferred Outflows of Resources:			
Other postemployment benefits	24,287	-	24,287
Pensions	919,167	7,885	927,052
Total Deferred Outflows of Resources	<u>943,454</u>	<u>7,885</u>	<u>951,339</u>
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	296,043	169,037	465,080
Customer deposits	31,950	-	31,950
Accrued interest	-	9,906	9,906
Compensated absences	-	6,168	6,168
Current portion of long-term debt	-	71,667	71,667
Total Current Liabilities	<u>327,993</u>	<u>256,778</u>	<u>584,771</u>
Noncurrent liabilities:			
Compensated absences	-	11,454	11,454
Net other postemployment benefits liability	-	148,155	148,155
Net pension liability	2,688,855	55,310	2,744,165
Long-term debt	-	1,029,348	1,029,348
Total Noncurrent Liabilities	<u>2,688,855</u>	<u>1,244,267</u>	<u>3,933,122</u>
Total Liabilities	<u>3,016,848</u>	<u>1,501,045</u>	<u>4,517,893</u>
Deferred Inflows of Resources:			
Purchased power adjustment	664,769	-	664,769
Contribution in aid of construction	268,063	-	268,063
Rate stabilization reserve	2,476,849	-	2,476,849
Other postemployment benefits	296,452	-	296,452
Pensions	159,805	4,909	164,714
Total Deferred Inflows of Resources	<u>3,865,938</u>	<u>4,909</u>	<u>3,870,847</u>
Net Position:			
Net investment in capital assets	2,122,702	1,804,666	3,927,368
Restricted for depreciation	1,062,810	-	1,062,810
Unrestricted	(518,577)	366,552	(152,025)
Total Net Position	<u>\$ 2,666,935</u>	<u>\$ 2,171,218</u>	<u>\$ 4,838,153</u>

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

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

	Business-Type Activities		
	Electric	Water	Total
Cash Flows from Operating Activities:			
Receipts from user charges	\$ 2,979,069	\$ 1,122,364	\$ 4,101,433
Receipts from other operating revenues	59,360	26,835	86,195
Payments to employees	(990,950)	(159,413)	(1,150,363)
Payments to vendors	(2,157,426)	(765,112)	(2,922,538)
Net Cash (Used in) Provided By Operating Activities	(109,947)	224,674	114,727
Cash Flows from Noncapital Financial Activities:			
Transfers out	-	(15,000)	(15,000)
Net Cash Used in Noncapital Financing Activities	-	(15,000)	(15,000)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(152,230)	2,233	(149,997)
Principal repayments on long-term debt	-	(69,884)	(69,884)
Interest payments	(983)	(37,545)	(38,528)
Net Cash Used in Capital and Related Financing Activities	(153,213)	(105,196)	(258,409)
Cash Flow from Investing Activities:			
Investment income	114,728	907	115,635
Investment of operating cash	238,844	-	238,844
Net Cash Provided By Investing Activities	353,572	907	354,479
Change in Cash and Cash Equivalents	90,412	105,385	195,797
Cash and Cash Equivalents:			
Beginning of the year	4,595,088	479,642	5,074,730
End of the year	\$ 4,685,500	\$ 585,027	\$ 5,270,527
Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided By Operating Activities:			
Operating (Loss) Income	\$ (322,119)	\$ 29,887	\$ (292,232)
Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used in) Provided By Operating Activities:			
Depreciation expense	198,597	110,351	308,948
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	(59,125)	7,767	(51,358)
Warrants payable and other current liabilities	(15,308)	70,963	55,655
Accrued and deferred benefits payable	88,008	5,706	93,714
Net Cash (Used in) Provided By Operating Activities	\$ (109,947)	\$ 224,674	\$ 114,727

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	Electric OPEB Trust (a)
Assets:	
Cash and cash equivalents	\$ 35,511
Invested with MMWEC	<u>865,883</u>
Total Assets	<u>901,394</u>
Liabilities:	
Warrants payable and other liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Position:	
Restricted for other postemployment benefits	<u>901,394</u>
Total Net Position	<u><u>\$ 901,394</u></u>

(a) As of December 31, 2020.

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2021

	Town OPEB Trust	Electric OPEB Trust (a)
Additions:		
Employer contributions	\$ 80,350	\$ 39,335
Net investment income	-	106,756
Total Additions	80,350	146,091
Deductions:		
Health benefits to retirees and survivors	113,805	39,335
Total Deductions	113,805	39,335
Change in Net Position	(33,455)	106,756
Net Position:		
Beginning of the year	33,455	794,638
End of the year	\$ -	\$ 901,394

(a) As of and for the year ended December 31, 2020.

See accompanying notes to basic financial statements.

TOWN OF PAXTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Paxton (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town.

A. Reporting Entity

The Town is located in Worcester County, approximately forty-five miles west of the City of Boston and borders the City of Worcester. The Town was incorporated in 1765. The governing structure utilizes an open town meeting format with an elected three-member Board of Selectmen and an appointed Town Administrator, who 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, water and electricity. The electric and water activities 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. The component unit discussed below is included in the Town's reporting entity because of the significance of its operations or financial relationships with the Town.

Paxton Municipal Light Department – Paxton Municipal Light Department, (“PMLD” or “Electric”), which provides electrical services to the Town’s inhabitants, is required to be included as a component unit of the Town. PMLD accounts for its operations on a calendar year basis. The net position and results of PMLD’s operations as of and for the year ended December 31, 2020 have been included in the Town’s proprietary funds financial statements. The PMLD issued stand-alone audited financial statements from another auditor, which can be obtained from the PMLD. PMLD is located at 578 Pleasant Street, Paxton Massachusetts 01612.

The Town is a member community of the Wachusett Regional School District, which provides educational services to five area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town’s assessment was \$6,830,064. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District’s administrative office located at Jefferson School, 1745 Main Street, Jefferson, MA 01522.

In addition, the Town is a member community of the Bay Path Regional Vocational Technical School, which belongs to the Southern Worcester County Regional Vocational School District. This joint venture assesses each of the ten 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 assessment was \$249,197. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 57 Old Muggett Hill Road, Charlton, MA 01507.

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 nonfiduciary activities of the primary government and its component units. The effect of material interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by user fees. Likewise, the primary government is reported separately from the legally separate component unit 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 governmental funds are aggregated and presented in a single column.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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 incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

The Town reports its electric and water enterprises as major proprietary funds.

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 its two other postemployment benefits ("OPEB") trust funds and agency funds as fiduciary funds. The OPEB trust funds have been established by the Town and PMLD. However, in fiscal year 2021, the Town drew down previously funded amounts in its OPEB trust to fund retiree health benefits paid; the Town OPEB Plan does not report any assets at June 30, 2021.

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 for the Town and its component unit are reported 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.

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 up to the statutory interest percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water usage 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 expected to be significant. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

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 PMLD, materials and supplies are inventories of parts and accessories purchased for use in PMLD'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 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.

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-progress) are depreciated by the Town and the PMLD on a straight-line-basis.

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

Land improvements	40 years
Buildings and improvements	10 – 50 years
Vehicles, machinery and equipment	5 – 25 years
Infrastructure	15 – 50 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.

Unearned Revenues – Amounts collected in advance from federal and state agencies are reported as unearned revenues, if material.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. 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, if material. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town insures for workers' compensation, health, unemployment benefits, casualty, theft and other losses. Uninsured losses are recorded as expenditures when incurred.

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 reports deferred outflows of resources in its government-wide financial statements relative to OPEB and pension-related transactions. These amounts will be recognized as an outflow of resources over the next five years. The Town does not report deferred outflows of resources in its governmental funds financial statements.

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 reports deferred inflows of resources in its government-wide financial statements relative to certain PMLD transactions, OPEB and pension-related transactions. The deferred OPEB and pensions will be recognized as reductions to OPEB and pension expense within the next five years. The Town reports unavailable revenues as deferred inflows of resources in its governmental funds

financial statements. These amounts will be recognized as an inflow of resources in the period that the amounts become available.

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 – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) 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.

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

Expendable perpetual funds represent the spendable, yet restricted, amount of various trust funds that support governmental programs.

Revolving funds represent assets that have been accumulated from specific services not supported by the Town's general appropriation.

Depreciation fund is used by the PMLD to account for cash reserved for plant improvements, decommissioning, contractual commitments and deferred costs related to such commitments that the PLMD board determines are above market value.

Other purposes represent assets that are restricted by donors or the Town's legislative body for specific governmental programs and uses.

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 administered by the Massachusetts Municipal Depository Trust (the "MMDT"). 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.

Deposits and Investments of the Town (excludes the PMLD)

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2021, all of the Town's bank deposits were fully insured by the Federal Depository Insurance Corporation ("FDIC"), the Depositors Insurance Fund ("DIF") or other forms of collateralization and was therefore unexposed 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 does not have a formal investment policy related to custodial credit risk. All of the Town's investments are registered in its name and cannot be pledged or assigned, accordingly the Town is not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – 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:

Investments by Fair Value Level	June 30, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 205,138	\$ 205,138	\$ -	\$ -
U.S. Governmental agency obligations	186,832	433,289	-	-
Corporate bonds	479,853	-	479,853	-
Total debt securities	871,823	638,427	479,853	-
Mutual funds	300,955	300,955	-	-
Total investments by fair value level	\$ 1,172,778	\$ 939,382	\$ 479,853	\$ -

Concentration of Credit Risk: Investments – The Town’s investment policy prohibits any investment (excluding U.S. Treasuries or agencies and MMDT) to exceed 10% of the Town’s investments. The Town’s investments in U.S. Treasury notes and other government obligations of federal agencies represented approximately 33% of the Town’s total investments at June 30, 2021. There were no other individual investments representing more than 5% of the Town’s total investments.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. 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. In practice, the Town mitigates interest rate risk by managing the duration of its investments. At June 30, 2021, the Town had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less Than 1	1 to 5	6 to 10
U.S. government obligations	\$ 391,970	\$ 138,105	\$ 253,865	\$ -
Corporate bonds	479,853	106,564	373,289	-
Total investments with maturities	871,823	\$ 244,669	\$ 627,154	\$ -
Mutual funds	300,955			
Total Town investments	\$ 1,172,778			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s investment policy seeks to mitigate this risk using a capital preservation strategy. In practice, the Town seeks to purchase investment grade securities with a high concentration of securities rated A or above as determined by credit rating agencies.

The following table summarizes the credit ratings of the Town's investments in debt securities at June 30, 2021:

Moody's Rating	U.S Government Obligations	Corporate Bonds	Total
Aaa	\$ 391,970	\$ -	\$ 391,970
A1	-	33,090	33,090
A2	-	95,418	95,418
A3	-	54,409	54,409
Baa1	-	161,069	161,069
Baa2	-	135,867	135,867
	<u>\$ 391,970</u>	<u>\$ 479,853</u>	<u>\$ 871,823</u>

Deposits and Investments of the PMLD (as of December 31, 2020)

Custodial Credit Risk: Deposits –The PMLD's policy for custodial credit risk of deposits is to rely on FDIC and DIF insurance coverage for deposits held at each financial institution. All of the PMLD's funds are deposited with the Town. All PMLD deposits were fully insured at December 31, 2020.

Custodial Credit Risk: Investments –The PMLD's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the PMLD. At December 31, 2020, the PMLD was not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the PMLD's investments carried at fair value on a recurring basis as of December 31, 2020:

Investments by Fair Value Level	December 31, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Government obligations	\$ 495,064	\$ 495,064	\$ -	\$ -
Corporate bonds	<u>583,515</u>	<u>-</u>	<u>583,515</u>	<u>-</u>
Total debt securities	<u>1,078,579</u>	<u>495,064</u>	<u>583,515</u>	<u>-</u>
Mutual funds	<u>45,114</u>	<u>-</u>	<u>45,114</u>	<u>-</u>
Total investments by fair value level	<u>\$ 1,123,693</u>	<u>\$ 495,064</u>	<u>\$ 628,629</u>	<u>\$ -</u>

Concentration of Credit Risk: Investments –The PMLD's investments in U.S. Treasury notes and other government obligations of federal agencies represented approximately 42% of the PMLD's total investments at December 31, 2020. No other individual investment represented more than 5% of the PMLD's total investments.

Interest Rate Risk: Investments –The PMLD 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. In practice, the PMLD mitigates interest rate risk by managing the duration of its investments. At December 31, 2020, the PMLD had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Time Until Maturity (in years)</u>		
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
U.S. government obligations	\$ 495,064	\$ 34,422	\$ 313,698	\$ 146,944
Corporate bonds	583,515	34,287	393,545	155,683
Total investments with maturities	1,078,579	<u>\$ 68,709</u>	<u>\$ 707,243</u>	<u>\$ 302,627</u>
Mutual funds	45,114			
Total PMLD investments	<u>\$ 1,123,693</u>			

Credit Risk: Investments – The following table summarizes the credit ratings of the PMLD's investments in debt securities at December 31, 2020:

<u>S&P Rating</u>	<u>U.S</u>		<u>Total</u>
	<u>Government Obligations</u>	<u>Corporate Bonds</u>	
AA+	\$ 495,064	\$ 52,858	\$ 547,922
AA	-	133,643	133,643
A+	-	142,703	142,703
A	-	135,508	135,508
A-	-	85,627	85,627
BBB+	-	33,176	33,176
	<u>\$ 495,064</u>	<u>\$ 583,515</u>	<u>\$ 1,078,579</u>

B. Receivables

Receivables as of June 30, 2021 for the Town's major governmental funds and nonmajor governmental funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Real estate taxes	\$ 93,336	\$ -	\$ 93,336
Personal property taxes	489	-	489
Tax liens	85,880	-	85,880
Excise taxes	76,563	(14,000)	62,563
Departmental and other	566,683	(267,000)	299,683
Title V loan receivables	40,519	-	40,519
Intergovernmental	<u>17,803</u>	<u>-</u>	<u>17,803</u>
	<u>\$ 881,273</u>	<u>\$ (281,000)</u>	<u>\$ 600,273</u>

Receivables reported in the Town's proprietary funds were entirely related to user charges.

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:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 77,735	\$ -	\$ 77,735
Tax liens	85,880	-	85,880
Excise taxes	62,563	-	62,563
Departmental and other	<u>22,625</u>	<u>176,302</u>	<u>198,927</u>
	<u>\$ 248,803</u>	<u>\$ 176,302</u>	<u>\$ 425,105</u>

C. Interfund Transfers

During fiscal year 2021, the Town recorded transfers of \$300,000 from its ambulance receipts reserved for appropriation fund, \$7,698 from its Title V revolving account and \$15,000 from its water enterprise to supplement its general fund budget.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,673,115	\$ -	\$ -	\$ 2,673,115
Capital assets being depreciated:				
Buildings and improvements	22,236,175	21,630	-	22,257,805
Infrastructure	3,584,733	266,410	-	3,851,143
Machinery and equipment	4,348,491	266,233	-	4,614,724
Vehicles	1,377,273	-	-	1,377,273
Total capital assets being depreciated	31,546,672	554,273	-	32,100,945
Less accumulated depreciation for:				
Buildings and improvements	(12,062,704)	(480,127)	-	(12,542,831)
Infrastructure	(1,712,205)	(211,139)	-	(1,923,344)
Machinery and equipment	(3,262,322)	(235,904)	-	(3,498,226)
Vehicles	(830,051)	(108,542)	-	(938,593)
Total accumulated depreciation	(17,867,282)	(1,035,712)	-	(18,902,994)
Total capital assets being depreciated, net	13,679,390	(481,439)	-	13,197,951
Total governmental activities capital assets, net	\$ 16,352,505	\$ (481,439)	\$ -	\$ 15,871,066
<u>Business-Type Activities - Combined:</u>				
Capital assets not being depreciated:				
Land	\$ 641,719	\$ -	\$ -	\$ 641,719
Construction in-progress	-	33,709	-	33,709
Total capital assets not being depreciated	641,719	33,709	-	675,428
Capital assets being depreciated:				
Electric plant	6,624,153	118,521	(4,023)	6,738,651
Buildings and improvements	696,400	-	-	696,400
Infrastructure	4,433,632	-	-	4,433,632
Machinery and equipment	58,139	-	-	58,139
Vehicles	76,334	-	-	76,334
Total capital assets being depreciated	11,888,658	118,521	(4,023)	12,003,156
Less accumulated depreciation for:				
Electric plant	(4,455,403)	(198,597)	4,023	(4,649,977)
Buildings and improvements	(439,945)	(15,030)	-	(454,975)
Infrastructure	(2,377,459)	(82,797)	-	(2,460,256)
Machinery and equipment	(31,075)	(2,541)	-	(33,616)
Vehicles	(41,394)	(9,983)	-	(51,377)
Total accumulated depreciation	(7,345,276)	(308,948)	4,023	(7,650,201)
Total capital assets being depreciated, net	4,543,382	(190,427)	-	4,352,955
Total business-type activities capital assets, net	\$ 5,185,101	\$ (156,718)	\$ -	\$ 5,028,383

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities: PMLD</u></i>				
Capital assets not being depreciated:				
Land	\$ 319	\$ -	\$ -	\$ 319
Construction in-progress	-	33,709	-	33,709
Total capital assets not being depreciated	319	33,709	-	34,028
Capital assets being depreciated:				
Distribution plant	5,074,683	71,593	(4,023)	5,142,253
General plant	1,549,470	46,928	-	1,596,398
Total capital assets being depreciated	6,624,153	118,521	(4,023)	6,738,651
Less accumulated depreciation for:				
Distribution plant	(3,902,638)	(124,385)	4,023	(4,023,000)
General plant	(552,765)	(74,212)	-	(626,977)
Total accumulated depreciation	(4,455,403)	(198,597)	4,023	(4,649,977)
Total capital assets being depreciated, net	2,168,750	(80,076)	-	2,088,674
Total PMLD capital assets, net	<u>\$ 2,169,069</u>	<u>\$ (46,367)</u>	<u>\$ -</u>	<u>\$ 2,122,702</u>
<i><u>Business-Type Activities: Water</u></i>				
Capital assets not being depreciated:				
Land	\$ 641,400	\$ -	\$ -	\$ 641,400
Capital assets being depreciated:				
Buildings and improvements	696,400	-	-	696,400
Infrastructure	4,433,632	-	-	4,433,632
Machinery and equipment	58,139	-	-	58,139
Vehicles	76,334	-	-	76,334
Total capital assets being depreciated	5,264,505	-	-	5,264,505
Less accumulated depreciation for:				
Buildings and improvements	(439,945)	(15,030)	-	(454,975)
Infrastructure	(2,377,459)	(82,797)	-	(2,460,256)
Machinery and equipment	(31,075)	(2,541)	-	(33,616)
Vehicles	(41,394)	(9,983)	-	(51,377)
Total accumulated depreciation	(2,889,873)	(110,351)	-	(3,000,224)
Total capital assets being depreciated, net	2,374,632	(110,351)	-	2,264,281
Total Water capital assets, net	<u>\$ 3,016,032</u>	<u>\$ (110,351)</u>	<u>\$ -</u>	<u>\$ 2,905,681</u>

Depreciation expense was charged to functions/programs in the governmental activities as follows:

General government	\$ 14,960
Public safety	445,740
Education	242,705
Public works	298,540
Health and human services	12,342
Culture and recreation	<u>21,425</u>
	<u>\$ 1,035,712</u>

E. Purchased Power Working Capital

The PMLD is a member and participant of the Massachusetts Municipal Wholesale Electric Company (“MMWEC”). A 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 PMLD’s monthly invoice payments. The income earned from the purchased power working capital fund applicable to the PMLD’s deposit is applied as a credit to MMWEC’s power sales billings. The balance in the purchased power working capital funds as of December 31, 2020 is \$440,314 and is reported in the PMLD’s current assets.

F. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund its current operating costs as well as capital projects. Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year. The following summarizes the activity in temporary debt for fiscal year 2021:

Type	Interest Rate	Maturity Date	July 1, 2020	Increases	Decreases	June 30, 2021
BAN	0.60%	matured	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ (130,000)</u>	<u>\$ -</u>

G. Long-Term Obligations

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

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

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 2,455,000	\$ -	\$ (315,000)	\$ 2,140,000	\$ 315,000
Direct borrowings and placements	1,876,549	250,000	(233,549)	1,893,000	241,000
Capital lease obligations	376,782	-	(89,629)	287,153	66,993
Compensated absences	124,436	13,636	-	138,072	48,325
Net OPEB liability	3,342,547	63,679	(108,911)	3,297,315	-
Net pension liability	8,825,568	-	(108,658)	8,716,910	-
Total Governmental Activities	<u>\$ 17,000,882</u>	<u>\$ 327,315</u>	<u>\$ (855,747)</u>	<u>\$ 16,472,450</u>	<u>\$ 671,318</u>
Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Business-Type Activities - Water:</i>					
Direct borrowings and placements	1,140,997	-	(60,395)	1,080,602	61,708
Capital lease obligation	29,902	-	(9,489)	20,413	9,959
Compensated absences	13,269	4,353	-	17,622	6,168
Net OPEB liability	150,188	2,861	(4,894)	148,155	-
Net pension liability	56,000	19,494	(20,184)	55,310	-
Total Water	<u>\$ 1,390,356</u>	<u>\$ 26,708</u>	<u>\$ (94,962)</u>	<u>\$ 1,322,102</u>	<u>\$ 77,835</u>
<i>Business-Type Activities - PMLD:</i>					
Net OPEB asset	\$ (218,092)	\$ 63,470	\$ (126,869)	\$ (281,491)	\$ -
Net pension liability	2,204,750	1,482,442	(998,337)	2,688,855	-
Total PMLD	<u>\$ 1,986,658</u>	<u>\$ 1,545,912</u>	<u>\$ (1,125,206)</u>	<u>\$ 2,407,364</u>	<u>\$ -</u>

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

General obligation bonds and notes payable outstanding at June 30, 2021 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.50 - 5.00%	\$ 2,455,000	\$ -	\$ (315,000)	\$ 2,140,000
USDA note payable	4.38%	1,450,000	-	(50,000)	1,400,000
State House serial loan notes payable	2.20 - 3.80%	419,000	250,000	(176,000)	493,000
MCWT notes payable	4.50 - 5.63%	7,549	-	(7,549)	-
Total Governmental Activities		<u>\$ 4,331,549</u>	<u>\$ 250,000</u>	<u>\$ (548,549)</u>	<u>\$ 4,033,000</u>
<i>Business-Type Activities - Water:</i>					
MCWT notes payable	2.00%	<u>\$ 1,140,997</u>	<u>\$ -</u>	<u>\$ (60,395)</u>	<u>\$ 1,080,602</u>
Total Water		<u>\$ 1,140,997</u>	<u>\$ -</u>	<u>\$ (60,395)</u>	<u>\$ 1,080,602</u>

Debt service requirements on long-term debt at June 30, 2021 are as follows:

Year Ended June 30,	Governmental Activities				Business-Type Activities: Water	
	General Obligation Bonds		Direct Borrowings and Placements		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 315,000	\$ 94,643	\$ 241,000	\$ 73,653	\$ 61,708	\$ 21,612
2023	315,000	82,043	166,000	65,652	63,049	20,378
2024	315,000	68,262	121,000	60,969	64,419	19,117
2025	315,000	54,482	95,000	57,275	65,819	17,828
2026	315,000	40,702	90,000	54,075	67,250	16,512
2027 - 2031	565,000	37,926	280,000	230,700	358,816	61,792
2032 - 2036	-	-	250,000	175,000	399,541	24,316
2037 - 2041	-	-	250,000	120,312	-	-
2042 - 2046	-	-	250,000	65,625	-	-
2047 - 2049	-	-	150,000	13,125	-	-
	<u>\$ 2,140,000</u>	<u>\$ 378,058</u>	<u>\$ 1,893,000</u>	<u>\$ 916,386</u>	<u>\$ 1,080,602</u>	<u>\$ 181,555</u>

At June 30, 2021, no amounts were authorized and unissued for additional borrowings.

H. Capital Lease Obligations

The Town is party to several noncancellable leases for machinery and vehicles. For financial reporting purposes, these leases are accounted for as capital leases. The future minimum lease payments on these capital lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

Fiscal Year Ended June 30,	Amount
2022	\$ 90,006
2023	53,897
2024	42,923
2025	33,399
2026	33,399
2027 - 2029	<u>100,199</u>
Total minimum lease payments	353,823
Less amount representing interest	<u>(46,257)</u>
Present value of minimum lease payments	<u>\$ 307,566</u>

Assets acquired through capital leases were as follows:

Asset Description	Amount
DPW truck	\$ 56,980
Water truck	49,914
Ambulance	288,204
Police cruisers	<u>101,052</u>
Total cost	496,150
Less accumulated depreciation	<u>(138,389)</u>
Net carrying value	<u>\$ 357,761</u>

I. Fund Balances

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2021 are detailed as follows:

	General	Nonmajor Governmental Funds	Total
Nonspendable:			
Nonexpendable trust funds	\$ -	\$ 438,960	\$ 438,960
Restricted:			
General government	-	392,531	392,531
Public safety	-	595,718	595,718
Health and human services	-	373,308	373,308
Culture and recreation	-	274,203	274,203
Other purposes	661	132,273	132,934
Committed:			
General government articles	9,146	-	9,146
Public works articles	208,108	-	208,108
Capital stabilization	119,614	-	119,614
Assigned:			
Encumbrances	31,117	-	31,117
Subsequent year expenditures	619,198	-	619,198
Unassigned:			
General stabilization	457,541	-	457,541
Unrestricted	803,826	(146,753)	657,073
	<u>\$ 2,249,211</u>	<u>\$ 2,060,240</u>	<u>\$ 4,309,451</u>

Stabilization Funds – The Town maintains general and capital stabilization funds. The use of stabilization funds requires the vote of two-thirds of Town Meeting. The fund balance in the Town’s general stabilization fund is reported as unassigned, while the fund balance in the capital stabilization fund is reported as committed in the Town’s general fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Controller as assigned, and (2) classify encumbrances that result from an action of the Town Council 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 \$31,117 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

J. Excess of Expenditures Over Appropriations and Deficits

During the year ended June 30, 2021, there were no material instances where expenditures exceeded appropriations. The Town reported deficits of \$146,753 in its nonmajor governmental funds at June 30, 2021. These deficits were primarily due COVID-19 related federal awards, for which the Town expects to be reimbursed in fiscal year 2022.

III. Other Information

A. Retirement Systems

Pension Plan Description – The Town contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Law (“MGL”). The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement 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.

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

Active members	7,17
Inactive members entitled to, but not receiving benefits	2,414
Inactive members (or beneficiaries) currently receiving benefits	<u>3,941</u>
	<u>13,492</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, 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 for all Massachusetts public pension systems. The Retirement 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 Retirement System.

The Retirement 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 Retirement System's benefit terms in fiscal year 2021.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Town (including the PMLD) contributed \$837,613 to the Retirement System in fiscal year 2021, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 22% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town reported a liability of \$11,461,075 for its proportionate share of the net pension liability. The net pension liability reported by the Retirement System at December 31, 2020 (used for fiscal year-end June 30, 2021) is \$11,062,069. The difference between these two figures is attributable to the difference in fiscal year ends between the Town and the PMLD, which results in a one-year lag.

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 and rolled forward to December 31, 2020. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. The Retirement System changed several actuarial assumptions used in the latest valuation update; the most notable assumption change was a reduction in the discount rate to 7.5% from 7.65%.

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 Retirement System relative to the projected contributions of all employers. The Town and PMLD's proportionate share were approximately 1.25% and 1.26% at December 31, 2020 and December 31, 2019, respectively.

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

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement 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 \$1,514,808 in pension expense in the statement of activities in fiscal year 2021.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,830	\$ 243,782
Changes of assumptions	693,344	-
Net difference between projected and actual earnings on pension plan investments	-	527,081
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,253,797	167,301
Contributions subsequent to the measurement date	202,809	-
	<u>\$ 2,169,780</u>	<u>\$ 938,164</u>

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

<u>Year ended June 30,</u>	
2022	\$ 604,906
2023	368,415
2024	68,646
2025	185,440
2026	4,209
	<u>\$ 1,231,616</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The significant actuarial assumptions used in the latest actuarial valuation included:

Salary increases	Group 1: 4.25% - 6.00%, based on service Group 4: 4.75% - 7.00%, based on service
Inflation	2.2% per year (previously 2.4%)
Asset valuation method	Market value
Investment rate of return	7.5%, net of pension plan investment expenses (previously 7.65%)
Mortality rates	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018
Disabled life mortality	Based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018

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 Retirement System’s target allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
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 was 7.5% (previously 7.65%). 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 in accordance with MGL. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability (inclusive of the PMLD) calculated using the discount rate used in the respective entity’s year-end actuarial valuation report and the net pension liability using a discount rate that is 1% lower or higher than the current rate(s)::

Employer	Current Discount Rate	Net Pension Liability At		
		1% Decrease	Current Rate	1% Increase
Town	7.50%	\$ 10,738,931	\$ 8,716,910	\$ 7,010,091
Water	7.50%	68,140	55,310	44,480
PMLD	7.65%	3,281,103	2,688,855	2,188,718

B. Other Postemployment Benefits

In addition to the pension benefits previously described, the Town and PMLD provide health and life insurance benefits (other postemployment benefits, or OPEB) to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “OPEB Plans”).

The Town and PMLD operate OPEB Plans, while all benefits are provided through the Town’s insurance program. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. Neither OPEB Plan issues stand-alone financial statements

The Town’s net OPEB liability was determined using an alternative measurement method, which is an approach that includes the same broad measurement steps as an actuarial valuation (i.e., projecting benefit payments, discounting projected benefit payments to a present value and attributing the present value of projected benefit payments to periods using an actuarial cost method). The Town is permitted to use an alternative measurement method as there are fewer than one hundred employees (active and inactive) eligible to receive OPEB benefits. The PMLD’s net OPEB liability was determined using an actuarial valuation.

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

	Town	Electric
Inactive employees or beneficiaries receiving benefits	18	8
Active employees	32	7
	<u>50</u>	<u>15</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established by and may be amended by the Town. Retirees currently contribute 60% of the costs for medical and dental insurance and the Town pays the remainder. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2021, the average contribution rate was approximately 2% and 6% of covered payroll for the Town and PLMD, respectively.

Net OPEB Liability (Asset) – The Town’s net OPEB liability was measured as of June 30, 2021 using an alternative measurement method, while the PMLD’s net OPEB liability was measured as of December 31, 2020 using an actuarial valuation as of January 1, 2020. The components of the net OPEB liability reported by the Town at June 30, 2021 and the PMLD at December 31, 2020 were as follows:

	Town	Electric
Total OPEB liability	\$ 3,445,470	\$ 619,903
Plan fiduciary net position	-	(901,394)
Net OPEB liability (asset)	<u>\$ 3,445,470</u>	<u>\$ (281,491)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	145.4%

The total OPEB liabilities for the separate OPEB Plans were determined using the following key actuarial assumptions in the most recent valuations applies to all periods included in the measurement, unless otherwise specified:

	Town OPEB Plan
Fiscal year ended	June 30, 2021
Valuation date	June 30, 2020
Valuation type	Alternative measurement method
Asset valuation method	Market value at June 30, 2021
Single equivalent discount rate	2.20%, net of OPEB Plan investment expense (previously 3.5%)
Healthcare cost trend	1% in year 1 grading up to an ultimate rate of 4% per annum in year 3
Life expectancy	The <i>Life Expectancy Table</i> from the National Center for Health Statistics, updated in 2015
	Electric OPEB Plan
Fiscal year ended	December 31, 2020
Valuation date	January 1, 2020
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value at December 31, 2020
Inflation	2.50% per annum
Salary increases	3.00% per annum
Single equivalent discount rate	5.75%, net of OPEB Plan investment expense (previously 6.00%)
Healthcare cost trend	4.50% per annum (previously 5.00%)
Pre-retirement mortality	RP-2014 Employees Mortality Table for Blue Collar Employees projected generationally with scale MP-2016, set forward one year for females
Post-retirement mortality	RP-2014 Employees Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016, set forward one year for females
Disabled mortality	RP-2014 Employees Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016, set forward one year

Long-Term Expected Rate of Return – The long-term expected rates of return on the OPEB Plans’ investments were 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 the PMLD OPEB Plan were as follows:

Asset Class	Electric OPEB Plan	
	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap	35.00%	4.90%
Domestic equity - small/mid cap	13.50%	5.40%
International equity - developed markets	5.00%	6.32%
International equity - emerging markets	2.50%	6.26%
Domestic fixed income	40.00%	1.40%
Cash and cash equivalents	<u>4.00%</u>	<u>0.00%</u>
	<u>100.00%</u>	
Real rate of return		3.43%
Inflation assumption		<u>2.50%</u>
Total nominal rate of return		5.93%
Investment expense		<u>0.25%</u>
Net investment return		<u>5.68%</u>

Town Discount Rate – The discount rate used to measure the total OPEB liability for the Town was 2.2%, which approximated a yield or index rate for twenty-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

PMLD Discount Rate – The discount rate used to measure the total OPEB liability for the PMLD was 5.75% as of December 31, 2020 (previously 6.0%). The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the OPEB Plan’s funding policy.

Changes in the Net OPEB Liability (Asset) – The following table summarizes the changes in the net OPEB liability (asset) for the year ended June 30, 2021 (the PMLD’s activity is for the year ended December 31, 2020):

	Town OPEB Plan		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances — beginning of year	\$ 3,526,190	\$ 33,455	\$ 3,492,735
Changes for the year:			
Service cost	222,645	-	222,645
Interest	77,576	-	77,576
Experience differences	(267,136)	-	(267,136)
Employer contributions	-	80,350	(80,350)
Benefit payments	(113,805)	(113,805)	-
Net changes	(80,720)	(33,455)	(47,265)
Balances — end of year	<u>\$ 3,445,470</u>	<u>\$ -</u>	<u>\$ 3,445,470</u>

	Electric OPEB Plan		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset)
	(a)	(b)	(a) - (b)
Balances — beginning of year	\$ 576,546	\$ 794,638	\$ (218,092)
Changes for the year:			
Service cost	28,340	-	28,340
Interest	35,130	-	35,130
Changes in assumptions	(11,137)	-	(11,137)
Experience differences	30,359	-	30,359
Employer contributions	-	39,335	(39,335)
Net investment income	-	106,756	(106,756)
Benefit payments	(39,335)	(39,335)	-
Net changes	43,357	106,756	(63,399)
Balances — end of year	<u>\$ 619,903</u>	<u>\$ 901,394</u>	<u>\$ (281,491)</u>

Sensitivity Analyses – The following table presents the Town’s and PMLD’s net OPEB liability (asset) as well as what these figures would be if they were calculated using the discount rates that were 1% lower or higher than the current discount rates:

Employer	Current Discount Rate	Net OPEB Liability (Asset) At		
		1% Decrease	Current Rate	1% Increase
Town	2.20%	\$ 3,649,527	\$ 3,297,315	\$ 2,970,534
Water	2.20%	163,981	148,155	133,472
PMLD	5.75%	(195,312)	(281,491)	(337,551)

The following table presents the Town’s and PMLD’s net OPEB liability (asset) as well as what these figures would be if they were calculated using the healthcare cost trend rates that were 1% lower or higher than the current healthcare cost trends rates:

Employer	Current Healthcare Cost Trend	Net OPEB Liability (Asset) At		
		1% Decrease	Current Rate	1% Increase
Town	1.0% to 4.0%	\$ 2,863,158	\$ 3,297,315	\$ 3,816,650
Water	1.0% to 4.0%	128,648	148,155	171,490
PMLD	4.50%	(355,317)	(281,491)	(190,963)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021 (the PMLD’s activity is for the year ended December 31, 2020), the Town and PMLD recognized OPEB expense (income) of \$66,540 and \$(97,651, respectively. As the Town uses an alternative measurement method to calculate its total OPEB liability, there are no deferred outflows or inflows of resources reported relative to the net OPEB liability. Deferred outflows and inflows of resources related to the PMLD OPEB Plan at year end were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,287	\$ 205,056
Changes of assumptions	-	15,187
Net difference between projected and actual earnings on OPEB plan investments	-	76,209
	<u>\$ 24,287</u>	<u>\$ 296,452</u>

Deferred outflows and inflows of resources related to OPEB will be recognized into net OPEB expense (benefit) as follows:

Year ended June 30,

2022	(115,986)
2023	(115,984)
2024	(31,712)
2025	(8,483)
	<u>\$ (272,165)</u>

Investment Custody –The PMLD’s OPEB Plan is under the custody of the MMWEC.

Investment Policy –The MMWEC maintains an investment policy for the OPEB Plan assets it manages for the PMLD. Both investment policies seek to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct investment asset classes.

Investment Rate of Return – The annual money-weighted rate of return on investments expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The money-weighted rate of return for the PMLD OPEB Plan was 13.43% for the year ended December 31, 2020.

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.

The PMLD participates in the Massachusetts Municipal Utility Self-Insurance Trust Fund (the “Trust”) with seventeen other Massachusetts municipalities for the purpose of sharing excess liability and officers’ liability risks. General liability coverage provides for \$500,000 per occurrence with a \$50,000 deductible. Environmental insurance coverage provides for \$1,500,000 per occurrence with a \$100,000 deductible. Each participating municipality contributes to the Trust based on its share of the group’s total kilowatt-hour sales. Payments for claims over the deductible limit are funded by Trust assets or, if required, additional contributions from the participants. The PMLD does not present estimated claims incurred but not reported as of December 31, 2020 as its pro rata share of these costs is not material to its financial statements.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, 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”). In total, real property values of approximately \$7.0 million are in dispute with the ATB. The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no such loss provision has been made in the Town’s basic financial statements.

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 SMLD is a participant in certain projects of the MMWEC. The 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 the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No. 1 Project, Nuclear Project Three, Four, Five and 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 the Millstone Unit 3 nuclear unit extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned 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 SMLD has entered into PSAs with MMWEC. Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC’s costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension 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. Also, the Millstone and Seabrook Project Participants are liable for their proportionate share of the uninsured costs of a nuclear accident that might be imposed under the Price-Anderson Act, which has been amended and renewed through the end of 2025.

As of July 1, 2019, MMWEC has not debt service obligations outstanding to the Projects. MMWEC is involved in various legal actions, which in the opinion of MMWEC management will not have a material adverse effect on its financial position.

The PMLD's pro rata share of the MMWEC's total capital expenditures was \$10,192,132 in 2020. The PMLD was billed \$499,271 for capacity, fuel and transmission costs in 2020.

Berkshire Wind Cooperative – The PMLD is a member of the Berkshire Wind Cooperation Corporation (the “Cooperative”). The Cooperative was formed by the MMWEC and sixteen municipal light departments (the “Members”) for the purpose of financing, owning, constructing and operating certain 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. Phase 2 is comprised of two 2.3-megawatt wind turbines, which began commercial operation in November 2019.

MMWEC sells all of the capability of the Berkshire Wind Facility (“Capability”) to the Members under PPAs. Among other things, the PPAs require each Member to pay its pro rata share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility and its pro rata share of the operation and maintenance 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 operations and maintenance costs associated with the PMLD's pro rata share (4.212%) of the Berkshire Wind Facility in which it participates for the year ended December 31, 2020 were \$2,326,374, \$202,360 and \$71,104, respectively.

Future expected debt service payments relative to the Berkshire Wind Cooperative are as follows:

For Years Ending December 31,

2021	\$ 203,819
2022	203,882
2023	203,840
2024	204,103
2025	203,798
2026 to 2030	<u>1,019,545</u>
	<u>\$ 2,038,987</u>

Other Power Supply – PMLD has entered into an All Requirements Bulk Power Sales Agreement (the “All Requirements Agreement”) with MMWEC, under which MMWEC provides, delivers and sells all electric power and energy to PMLD, whether through owned generation, purchase power contracts or other power supply arrangements.

Under the terms of the All Requirements Agreement, PMLD is committed to purchase additional power through MMWEC in the following amounts:

For Years Ending December 31,

2021	\$ 408,932
2022	225,043
2023	167,984
2024	107,796
2025	<u>70,215</u>
	<u>\$ 979,970</u>

E. Transactions Between Town and PMLD

In calendar year 2020, PMLD billed the Town \$201,721 for electricity. At December 31, 2020, \$943 in receivables from the Town was included in PMLD’s accounts receivable balance.

PMLD reimbursed the Town \$348,711 in calendar year 2020 for various services such as police details, public works services, insurance and retirement costs.

IV. Implementation of GASB Pronouncements

A. 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 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.

B. Future Year Implementations

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

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

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

In March 2020, the GASB issued GASB Statement No. 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.

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TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN**

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

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	1.245%	\$ 11,062	\$ 3,761	294.1%	50.3%
2020	1.258%	11,200	3,475	322.3%	47.4%
2019	1.175%	11,657	2,848	409.3%	43.1%
2018	1.183%	9,648	3,037	317.7%	46.4%
2017	0.991%	8,300	2,963	280.1%	42.0%
2016	0.989%	7,061	2,610	270.5%	44.5%
2015	1.052%	6,258	2,509	249.4%	47.9%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 838	\$ 838	\$ -	\$ 3,761	22.3%
2020	766	766	-	3,475	22.0%
2019	654	654	-	2,848	23.0%
2018	599	599	-	3,037	19.7%
2017	481	481	-	2,963	16.2%
2016	445	445	-	2,610	17.0%
2015	416	416	-	2,509	16.6%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN - TOWN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended June 30,			
	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 222,645	\$ 198,835	\$ 235,535	\$ 221,010
Interest	77,576	111,564	106,883	123,766
Experience differences	(267,136)	100,626	(86,470)	(332,068)
Benefit payments	(113,805)	(95,956)	(75,845)	(75,845)
Net Change in Total OPEB Liability	(80,720)	315,069	180,103	(63,137)
Total OPEB Liability:				
Beginning of year	3,526,190	3,211,121	3,031,018	3,094,155
End of year (a)	<u>\$ 3,445,470</u>	<u>\$ 3,526,190</u>	<u>\$ 3,211,121</u>	<u>\$ 3,031,018</u>
Plan Fiduciary Net Position:				
Contributions	\$ 80,350	\$ 95,956	\$ 109,845	\$ 75,845
Net investment (loss) income	-	(1,342)	797	-
Benefit payments	(113,805)	(95,956)	(75,845)	(75,845)
Net Change in Plan Fiduciary Net Position	(33,455)	(1,342)	34,797	-
Plan Fiduciary Net Position:				
Beginning of year	33,455	34,797	-	-
End of year (b)	<u>\$ -</u>	<u>\$ 33,455</u>	<u>\$ 34,797</u>	<u>\$ -</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 3,445,470</u>	<u>\$ 3,492,735</u>	<u>\$ 3,176,324</u>	<u>\$ 3,031,018</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.95%	1.08%	0.00%
Covered payroll	\$ 3,699,131	\$ 3,919,565	\$ 2,254,200	\$ 2,210,000
Net OPEB Liability as a Percentage of Covered Payroll	93.14%	89.11%	140.91%	137.15%

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

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN - TOWN**

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,			
	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	N/A	-4.35%	7.15%	N/A

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

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN - ELECTRIC**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended December 31,			
	2020	2019	2018	2017
Total OPEB Liability:				
Service cost	\$ 28,340	\$ 28,136	\$ 27,803	\$ 25,255
Interest	35,130	33,802	61,977	24,855
Experience differences	30,359	-	(505,131)	-
Changes in assumptions	(11,137)	-	(15,457)	-
Benefit payments	<u>(39,335)</u>	<u>(40,655)</u>	<u>(37,588)</u>	<u>(15,247)</u>
Net Change in Total OPEB Liability	<u>43,357</u>	<u>21,283</u>	<u>(468,396)</u>	<u>34,863</u>
Total OPEB Liability:				
Beginning of year	<u>576,546</u>	<u>555,263</u>	<u>1,023,659</u>	<u>988,796</u>
End of year (a)	<u><u>\$ 619,903</u></u>	<u><u>\$ 576,546</u></u>	<u><u>\$ 555,263</u></u>	<u><u>\$ 1,023,659</u></u>
Plan Fiduciary Net Position:				
Contributions	\$ 39,335	\$ 46,655	\$ 49,588	\$ 15,247
Net investment income (loss)	106,756	129,988	(28,479)	29,760
Benefit payments	<u>(39,335)</u>	<u>(40,655)</u>	<u>(37,588)</u>	<u>(15,247)</u>
Net Change in Plan Fiduciary Net Position	<u>106,756</u>	<u>135,988</u>	<u>(16,479)</u>	<u>29,760</u>
Plan Fiduciary Net Position:				
Beginning of year	<u>794,638</u>	<u>658,650</u>	<u>675,129</u>	<u>645,369</u>
End of year (b)	<u><u>\$ 901,394</u></u>	<u><u>\$ 794,638</u></u>	<u><u>\$ 658,650</u></u>	<u><u>\$ 675,129</u></u>
Net OPEB (Asset) Liability — End of Year (a) - (b)	<u><u>\$ (281,491)</u></u>	<u><u>\$ (218,092)</u></u>	<u><u>\$ (103,387)</u></u>	<u><u>\$ 348,530</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	145.41%	137.83%	118.62%	65.95%
Covered payroll	\$ 609,133	\$ 602,576	\$ 585,025	\$ 671,928
Net OPEB Liability as a Percentage of Covered Payroll	-46.21%	-36.19%	-17.67%	51.87%

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

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN - ELECTRIC**

SCHEDULE OF CONTRIBUTIONS

	Year Ended December 31,			
	2020	2019	2018	2017
Actuarially determined contribution	\$ 14,942	\$ 13,189	\$ 51,690	\$ 46,878
Contributions in relation to the actuarially determined contribution	(39,335)	(46,655)	(49,588)	(15,247)
Contribution (excess) deficiency	<u>\$ (24,393)</u>	<u>\$ (33,466)</u>	<u>\$ 2,102</u>	<u>\$ 31,631</u>
Covered payroll	\$ 609,133	\$ 602,576	\$ 585,025	\$ 671,928
Contribution as a percentage of covered payroll	6.46%	7.74%	8.48%	2.27%

SCHEDULE OF INVESTMENT RETURNS

	Year Ended December 31,			
	2020	2019	2018	2017
Annual money-weighted rate of return, net of net of investment expenses	13.43%	19.61%	-4.18%	4.61%

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

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual		Actual	Positive
	Original	Final	Budgetary	Articles and	Budgetary	(Negative)
	Budget	Budget	Amounts	Encumbrances	Adjusted	Variance
Revenues:						
Property taxes, net of tax refunds	\$ 11,669,177	\$ 11,669,177	\$ 11,752,444		\$ 11,752,444	\$ 83,267
Intergovernmental	677,530	677,530	698,985		698,985	21,455
Motor vehicle and other excise taxes	720,709	720,709	764,727		764,727	44,018
Licenses and permits	78,000	78,000	104,168		104,168	26,168
Penalties and interest on taxes	21,000	21,000	31,618		31,618	10,618
Fines and forfeitures	33,000	33,000	15,094		15,094	(17,906)
Departmental and other revenues	465,768	465,768	461,631		461,631	(4,137)
Investment income	18,400	18,400	8,485		8,485	(9,915)
Total Revenues	13,683,584	13,683,584	13,837,152		13,837,152	153,568
Expenditures:						
General government	1,044,011	1,044,011	898,732	\$ 14,866	913,598	130,413
Public safety	2,352,640	2,352,640	2,224,947	9,793	2,234,740	117,900
Education	7,099,612	7,099,612	7,079,261	-	7,079,261	20,351
Public works	1,659,630	1,659,630	1,322,773	223,512	1,546,285	113,345
Health and human services	95,670	95,670	69,375	-	69,375	26,295
Culture and recreation	232,096	232,096	219,470	200	219,670	12,426
Pension and fringe benefits	1,402,412	1,402,412	1,223,867	-	1,223,867	178,545
State and county charges	48,950	48,950	48,950	-	48,950	-
Debt service	733,744	733,744	733,593	-	733,593	151
Total Expenditures	14,668,765	14,668,765	13,820,968	\$ 248,371	14,069,339	599,426
Other Financing Sources (Uses):						
Transfers in	381,153	381,153	317,398		317,398	(63,755)
Transfers out	(30,300)	(30,300)	-		-	30,300
Total Other Financing Sources (Uses)	350,853	350,853	317,398		317,398	(33,455)
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(634,328)	(634,328)	\$ 333,582		\$ 85,211	\$ 719,539
Other Budgetary Items:						
Prior year articles and encumbrances	263,083	263,083				
Free cash	342,945	342,945				
Other items	28,300	28,300				
Total Other Budgetary Items	634,328	634,328				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF PAXTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2021

An annual budget is legally adopted for the general 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. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The Town's general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue.

A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2021, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 13,837,152
Stabilization revenue	\$ -	\$ 1,165	1,165
Revenue recognition	(60,308)	-	(60,308)
Revenues — GAAP basis	<u>\$ (60,308)</u>	<u>\$ -</u>	<u>\$ 13,778,009</u>
Expenditures — budgetary basis			\$ 13,820,968
Expense recognition	<u>\$ (16,026)</u>	<u>\$ -</u>	<u>(16,026)</u>
Expenditures — GAAP basis	<u>\$ (16,026)</u>	<u>\$ -</u>	<u>\$ 13,804,942</u>
Other Financing Sources (Uses) — budgetary basis			\$ 317,398
Transfer treatment - stabilization	<u>\$ -</u>	<u>\$ 5,300</u>	<u>5,300</u>
Other Financing Sources (Uses) — GAAP basis	<u>\$ -</u>	<u>\$ 5,300</u>	<u>\$ 322,698</u>