

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WINCHENDON, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2022



TOWN OF WINCHENDON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 3, 2023 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 3, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Winchendon, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022.

Financial Highlights

- The assets and deferred outflows of resources of the Town were in surplus to its liabilities and deferred inflows of resources at the close of the most recent fiscal year by about \$8.2 million (*total net position*), which was over \$4.7 million higher than the prior year. Governmental activities increased over \$3.5 million and business-type activities increased approximately \$1.2 million during the 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 \$12.1 million which is approximately \$0.9 million greater than the prior year. A detailed discussion of this reduction is summarized later in the management discussion and analysis.
- The Town's total long-term debt decreased by nearly \$1.1 million during the current fiscal year due to regular scheduled debt payments.

Overview of the Financial Statements

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

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, similar to private-sector business. The *statement of net position* presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, community development, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town include its water, sewer and transfer station operations.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related

legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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

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

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

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

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

Proprietary Funds – The Town maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its water, sewer and transfer station enterprises.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and transfer station enterprise funds.

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.

Discretely Presented Component Unit— The Winchendon Redevelopment Authority (“WRA”) is presented in a separate column to emphasize that it is legally separate from the Town, but is included because the Town is financially accountable for, and can impose its will on, the organization. The WRA is organized under Massachusetts state law with the authority to administer the Town's redevelopment activities.

The WRA is managed by a five member board, of which four members are appointed by the Town Manager without restriction. The fifth member is appointed by the Governor of the Commonwealth of Massachusetts upon recommendation of the Town Manager.

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

Government-wide Financial Analysis

The condensed statement of net position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and other assets	\$ 18,245,347	\$ 17,829,694	\$ 3,662,954	\$ 3,622,894	\$ 21,908,301	\$ 21,452,588
Capital assets, net	29,354,455	27,612,268	16,247,840	15,989,771	45,602,295	43,602,039
Total assets	47,599,802	45,441,962	19,910,794	19,612,665	67,510,596	65,054,627
<u>Deferred outflows of resources</u>	6,155,992	7,181,230	111,166	129,679	6,267,158	7,310,909
<u>Liabilities</u>						
Long-term liabilities	43,842,329	49,029,008	3,339,477	4,311,953	47,181,806	53,340,961
Other liabilities	3,096,794	3,785,802	196,613	203,374	3,293,407	3,989,176
Total liabilities	46,939,123	52,814,810	3,536,090	4,515,327	50,475,213	57,330,137
<u>Deferred inflows of resources</u>	14,880,637	11,421,793	268,716	206,255	15,149,353	11,628,048
<u>Net Position</u>						
Net investment in capital assets	26,362,899	24,665,931	12,793,372	12,463,624	39,156,271	37,129,555
Restricted	4,606,714	4,278,632	-	-	4,606,714	4,278,632
Unrestricted	(39,033,579)	(40,557,974)	3,423,782	2,557,138	(35,609,797)	(38,000,836)
Total Net Position (deficit)	\$ (8,063,966)	\$ (11,613,411)	\$ 16,217,154	\$ 15,020,762	\$ 8,153,188	\$ 3,407,351

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the Town were in surplus to its liabilities and deferred inflows of resources at the close of the most recent fiscal year by nearly \$8.2 million (*total net position*).

The largest portion (approximately \$39.2 million of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its

capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net position (approximately \$4.6 million) represents resources that are subject to external restrictions on how they may be used.

The remainder, unrestricted, represents a deficit balance primarily due to the recognition of net pension and net other postemployment benefit liabilities. The Town does not have a funding mechanism in place for its net other postemployment benefit liability, therefore we expect this deficit to exist for the foreseeable future. The condensed statement of changes in net position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 2,096,255	\$ 1,521,861	\$ 2,461,067	\$ 1,887,013	\$ 4,557,322	\$ 3,408,874
Operating grants and contributions	18,314,190	20,413,122	54,371	68,334	18,368,561	20,481,456
Capital grants and contributions	5,074,210	1,845,140	-	-	5,074,210	1,845,140
General revenues:						
Property taxes	13,802,368	13,142,451	-	-	13,802,368	13,142,451
Intergovernmental	1,959,076	1,713,197	-	-	1,959,076	1,713,197
Other	1,655,085	1,678,037	111,460	66,861	1,766,545	1,744,898
Total Revenues	42,901,184	40,313,808	2,626,898	2,022,208	45,528,082	42,336,016
<u>Expenses</u>						
General government	2,493,804	2,918,010	-	-	2,493,804	2,918,010
Public safety	5,380,473	4,822,707	-	-	5,380,473	4,822,707
Education	25,533,897	24,474,060	-	-	25,533,897	24,474,060
Public works	3,266,409	2,042,275	-	-	3,266,409	2,042,275
Health and human services	687,551	833,399	-	-	687,551	833,399
Culture and recreation	476,393	413,893	-	-	476,393	413,893
Community development	29,768	1,019	-	-	29,768	1,019
Debt service	115,995	99,333	-	-	115,995	99,333
Water	-	-	1,194,224	1,132,248	1,194,224	1,132,248
Sewer	-	-	1,400,624	1,378,277	1,400,624	1,378,277
Transfer station	-	-	203,107	192,155	203,107	192,155
Total Expenses	37,984,290	35,604,696	2,797,955	2,702,680	40,782,245	38,307,376
Change in net position before transfers	4,916,894	4,709,112	(171,057)	(680,472)	4,745,837	4,028,640
Transfers	(1,367,449)	(273,356)	1,367,449	273,356	-	-
Change in net position	3,549,445	4,435,756	1,196,392	(407,116)	4,745,837	4,028,640
Net position, beginning of year	(11,613,411)	(16,122,105)	15,020,762	15,427,878	3,407,351	(694,227)
Prior period adjustment	-	72,938	-	-	-	72,938
Net position, end of year	<u>\$ (8,063,966)</u>	<u>\$ (11,613,411)</u>	<u>\$ 16,217,154</u>	<u>\$ 15,020,762</u>	<u>\$ 8,153,188</u>	<u>\$ 3,407,351</u>

Governmental Activities – Net position in governmental activities increased over \$3.5 million from the prior year. Total revenues increased nearly \$2.6 million over the prior year. Operating grants and contributions make up the largest portion of the Town's total revenue at approximately 42.7% and property taxes makes up the next largest at approximately 32.2%. Operating grants decreased nearly \$2.1 million due to lower payments to the teachers retirement system made on behalf of the Town by the

Commonwealth. Property taxes increased nearly \$0.7 million due to normal growth in the tax levy. No other revenues exceed 10% of the Town's total revenues.

The Town's total expenses were \$2.3 million lower than the prior year mainly due to the lower on behalf payments to the teacher retirement system noted above. The Town's largest expense category is education, which the Town continues to devote substantial resources. Education expenses totaled approximately 67.2% of total fiscal year expenses down from the prior year of 68.7%. Public Safety expenses were 14.2% of total expenses up from the prior year 13.5%. No other expense categories were greater than 10% of total expenses.

Business-Type Activities – Major revenue sources consist of revenue from user charges, which were nearly \$0.6 million higher by type from the prior year from rate increases.

Water, sewer and transfer station expenses represented 42.7%, 50.1% and 7.3% of total fiscal year 2022 business-type activities expenses, respectively. Overall expenses were consistent with the prior fiscal year for all activities.

Financial Analysis of the Government's Funds

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

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reflected a combined ending fund balance of nearly \$12.1 million; nearly \$0.9 million higher than the prior year.

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 \$3.8 million, while total fund balance was approximately \$5.9 million. The increase of almost \$0.2 million from the prior year was due to the positive operations.

The capital projects major fund had a fund balance of over \$0.7 million which was consistent with the prior year. The aggregate nonmajor funds had a restricted fund balance of nearly \$5.5 million and nonspendable fund balances of over \$0.3 million. The total nonmajor fund balance increased over \$0.7 million due to higher donation and school revolving revenues.

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 June 30, 2022, net position of the water and sewer enterprise funds were approximately \$6.2 million and \$10.1 million, respectively and the transfer station enterprise fund had a deficit fund balance of less than \$0.1 million. The water and sewer enterprise funds net position increased approximately \$0.6 million and \$0.6 million, respectively, mainly from capital contributions from governmental funds.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget was an increase of approximately \$0.1 million or 0.4%. The schedule of budgetary information is provided as *Required Supplementary Information*.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities totaled approximately \$29.4 million and \$16.2 million, respectively. Governmental activities increased approximately \$1.7 million as asset additions exceeded depreciation and amortization. Business-type activities decreased approximately \$0.3 million as depreciation and amortization exceeded asset additions.

The Town has undergone significant capital improvements over the past several years, particularly to its water infrastructure. A significant portion of these improvements were funded with reimbursements from grants provided by the federal government and the Commonwealth of Massachusetts.

Additional information on the Town capital assets can be found in Note III. Subsection C of this report.

Long-term Debt – At June 30, 2022, the Town had total debt outstanding of over \$4.9 million, which represents a decrease of approximately \$1.1 million from the prior year. This was a result of regular scheduled paybacks of \$1.1 million. At June 30, 2022, the Town had over \$2.3 million in general obligation bonds of governmental activities and over \$2.6 million in general obligation bonds and notes of business-type activities.

The Town will receive reimbursements for a portion of any principal payback of debt issued through agreements with the Massachusetts Clean Water Trust MCWT. The Town expects to receive approximately \$0.3 million of principal and approximately \$25,000 of interest in aggregate over the next two years.

State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2022, was approximately \$49.2 million based on an equalized valuation of approximately \$984 million.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s debt can be found in Notes III. Subsections E. and F. of this report.

Economic Factors and Next Year’s Budgets and Rates

- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2022 represents approximately 89% of the entire levy. The Town relies to a lesser, but still moderate, extent on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the 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 relies heavily on intergovernmental receipts from the Commonwealth of Massachusetts. \$15.2 million is anticipated for fiscal 2023 before offsets and State and County charges. This represents almost 50% of the Town's operating budget in the general fund and is approximately \$1.0 million more than what was received in fiscal 2022.
- The Town's housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2023. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.
- Inflation is peaking near 40-year historic highs. This is having adverse impacts on the Town. Wage inflation cannot guarantee that the Town will be able to maintain employees without increasing wages. Energy inflation is causing a spike in energy costs. Price inflation is causing a spike in the price of the delivery and cost of goods and services. The construction building index is nearing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Town continues to monitor this situation

The above items were considered when the Town developed its budget for fiscal year 2023.

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 Manager, Town Hall, 109 Front Street, Winchendon, Massachusetts 01475.

TOWN OF WINCHENDON, MASSACHUSETTS

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

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Winchendon Redevelopment Authority
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 10,349,184	\$ 1,076,690	\$ 11,425,874	\$ 81,938
Investments	2,394,142	-	2,394,142	-
Receivables, net:				
Property taxes	2,284,892	-	2,284,892	-
Motor vehicle excise	309,726	-	309,726	-
User fees	-	828,059	828,059	-
Betterments	-	1,466,746	1,466,746	-
Departmental and other	601,893	-	601,893	-
Intergovernmental	2,305,510	291,459	2,596,969	-
Assets held for development	-	-	-	1,017,056
Capital assets not being depreciated/amortized	4,615,841	838,244	5,454,085	-
Capital assets, net of accumulated depreciation/amortization	24,738,614	15,409,596	40,148,210	-
Total Assets	47,599,802	19,910,794	67,510,596	1,098,994
Deferred Outflows of Resources:				
Related to net other postemployment liability	4,146,017	74,865	4,220,882	-
Related to net pension liability	2,009,975	36,301	2,046,276	-
Total Deferred Outflows of Resources	6,155,992	111,166	6,267,158	-
Liabilities:				
Warrants and accounts payable	1,904,082	167,633	2,071,715	-
Retainage payable	51,924	-	51,924	-
Unearned revenue	507,111	-	507,111	-
Other liabilities	289,914	-	289,914	5,000
Bond anticipation notes payable	343,763	28,980	372,743	-
Noncurrent liabilities:				
Due within one year	577,781	897,692	1,475,473	-
Due in more than one year	43,264,548	2,441,785	45,706,333	-
Total Liabilities	46,939,123	3,536,090	50,475,213	5,000
Deferred Inflows of Resources:				
Related to net other postemployment liability	10,967,954	198,051	11,166,005	-
Related to net pension liability	3,912,683	70,665	3,983,348	-
Total Deferred Inflows of Resources	14,880,637	268,716	15,149,353	-
Net Position				
Net investment in capital assets	26,362,899	12,793,372	39,156,271	-
Restricted for:				
Nonexpendable permanent funds	341,664	-	341,664	-
Expendable permanent funds	394,089	-	394,089	-
Federal and State grants	1,654,834	-	1,654,834	-
Gifts and donations	2,216,127	-	2,216,127	-
Other purposes	-	-	-	1,093,994
Unrestricted	(39,033,579)	3,423,782	(35,609,797)	-
Total Net Position	\$ (8,063,966)	\$ 16,217,154	\$ 8,153,188	\$ 1,093,994

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Primary Government Total	Component Unit Winchendon Redevelopment Authority
<u>Primary Government</u>								
Governmental activities:								
General government	\$ 2,493,804	\$ 528,955	\$ 92,975	\$ 186,510	\$ (1,685,364)		\$ (1,685,364)	
Public safety	5,380,473	1,292,592	222,611	115,000	(3,750,270)		(3,750,270)	
Education	25,533,897	149,968	17,585,880	190,000	(7,608,049)		(7,608,049)	
Public works	3,266,409	11,534	1,155	3,078,700	(175,020)		(175,020)	
Health and human services	687,551	55,493	348,685	304,000	20,627		20,627	
Culture and recreation	476,393	-	47,325	1,200,000	770,932		770,932	
Community development	29,768	57,713	15,559	-	43,504		43,504	
Interest expense	115,995	-	-	-	(115,995)		(115,995)	
Total governmental activities	37,984,290	2,096,255	18,314,190	5,074,210	(12,499,635)		(12,499,635)	
<u>Business-type activities:</u>								
Water	1,194,224	1,079,918	-	-		\$ (114,306)	(114,306)	
Sewer	1,400,624	1,152,123	54,371	-		(194,130)	(194,130)	
Transfer station	203,107	229,026	-	-		25,919	25,919	
Total business-type activities	2,797,955	2,461,067	54,371	-		(282,517)	(282,517)	
Total Primary Government	\$ 40,782,245	\$ 4,557,322	\$ 18,368,561	\$ 5,074,210	(12,499,635)	(282,517)	(12,782,152)	
Component unit:								
Winchendon Redevelopment Authority	\$ 15,729	\$ 2,605	\$ -	\$ -				\$ (13,124)
<u>General Revenues:</u>								
Property taxes					13,802,368	-	13,802,368	-
Motor vehicle and other excise					1,392,746	-	1,392,746	-
Intergovernmental					1,959,076	-	1,959,076	-
Penalties and interest on taxes					208,607	-	208,607	-
Interest income					53,732	-	53,732	87
Other revenue					-	111,460	111,460	-
Transfers (net)					(1,367,449)	1,367,449	-	-
Total general revenues and transfers					16,049,080	1,478,909	17,527,989	87
Change in Net Position					3,549,445	1,196,392	4,745,837	(13,037)
<u>Net Position:</u>								
Beginning of year					(11,613,411)	15,020,762	3,407,351	1,107,031
End of year					\$ (8,063,966)	\$ 16,217,154	\$ 8,153,188	\$ 1,093,994

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

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

	General Fund	Capital Projects	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,039,967	\$ 1,263,988	\$ 800,728	\$ 3,244,501	\$ 10,349,184
Investments	1,776,140	-	-	618,002	2,394,142
Receivables, net of allowance for uncollectibles:					
Property taxes	2,284,892	-	-	-	2,284,892
Motor vehicle excise	309,726	-	-	-	309,726
Departmental and other	596,976	-	-	4,917	601,893
Intergovernmental	22,011	-	-	2,283,499	2,305,510
Total Assets	10,029,712	1,263,988	800,728	6,150,919	18,245,347
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 10,029,712	\$ 1,263,988	\$ 800,728	\$ 6,150,919	\$ 18,245,347
Liabilities					
Warrants and accounts payable	\$ 783,604	\$ 206,038	\$ 293,617	\$ 620,823	\$ 1,904,082
Retainage Payable	-	-	-	51,924	51,924
Unearned revenue	-	-	507,111	-	507,111
Other liabilities	289,914	-	-	-	289,914
Bond anticipation notes payable	-	343,763	-	-	343,763
Total Liabilities	1,073,518	549,801	800,728	672,747	3,096,794
Deferred Inflows of Resources					
Unavailable revenue - property taxes	2,152,322	-	-	-	2,152,322
Unavailable revenue - excise taxes	309,726	-	-	-	309,726
Unavailable revenue - other	596,976	-	-	4,917	601,893
Total Deferred Inflows of Resources	3,059,024	-	-	4,917	3,063,941
Fund Balances					
Nonspendable	-	-	-	341,664	341,664
Restricted	493,190	1,048,396	-	5,459,875	7,001,461
Committed	659,260	-	-	-	659,260
Assigned	927,792	-	-	-	927,792
Unassigned:					
General stabilization	1,318,429	-	-	-	1,318,429
Other	2,498,499	(334,209)	-	(328,284)	1,836,006
Total Fund Balances	5,897,170	714,187	-	5,473,255	12,084,612
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,029,712	\$ 1,263,988	\$ 800,728	\$ 6,150,919	\$ 18,245,347

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Total</u>
Total Governmental Fund Balances	\$ 12,084,612
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,354,455
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	3,063,941
Deferred outflows and inflows of resources to be recognized in future years' expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net other postemployment liability	4,146,017
Deferred inflows related to net other postemployment liability	(10,967,954)
Deferred outflows related to net pension liability	2,009,975
Deferred inflows related to net pension liability	<u>(3,912,683)</u>
Net effect of reporting deferred outflows and inflows of resources	(8,724,645)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the government funds:	
Bonds and notes payable	(2,305,000)
Landfill monitoring	(243,000)
Lease obligations	(342,793)
Compensated absences	(901,839)
Net pension liability	(20,866,008)
Net other postemployment benefits liability	<u>(19,183,689)</u>
Net effect of reporting long-term liabilities	<u>(43,842,329)</u>
Net Position of Governmental Activities	\$ <u>(8,063,966)</u>

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 13,643,804	\$ -	\$ -	\$ -	\$ 13,643,804
Intergovernmental	16,006,622	-	1,122,679	5,784,750	22,914,051
Motor vehicle and other excises	1,396,469	-	-	-	1,396,469
Departmental and other revenue	1,232,492	-	-	519,153	1,751,645
Licenses and permits	235,152	-	-	-	235,152
Penalties and interest on taxes	208,607	-	-	-	208,607
Fines and forfeitures	26,667	-	-	-	26,667
Investment income	41,889	-	-	11,843	53,732
Contributions and donations	-	-	-	2,433,425	2,433,425
Total Revenues	32,791,702	-	1,122,679	8,749,171	42,663,552
Expenditures:					
Current:					
General government	1,619,263	82,607	-	648,430	2,350,300
Public safety	3,447,873	-	-	530,820	3,978,693
Education	17,872,630	23,820	-	4,261,588	22,158,038
Public works	1,698,159	523,217	959,976	1,875,076	5,056,428
Health and human services	499,406	1,350	-	76,967	577,723
Culture and recreation	232,122	288	-	581,640	814,050
Community development	-	-	-	29,768	29,768
Pension and fringe benefits	4,094,841	-	-	-	4,094,841
State and county assessments	1,136,862	-	-	-	1,136,862
Debt service:					
Principal	349,888	-	-	-	349,888
Interest	115,995	-	-	-	115,995
Total Expenditures	31,067,039	631,282	959,976	8,004,289	40,662,586
Excess (Deficiency) of Revenues Over Expenditures	1,724,663	(631,282)	162,703	744,882	2,000,966
Other Financing Sources (Uses)					
Proceeds from lease obligations	-	233,512	-	-	233,512
Transfers in	20,191	997,084	-	100,000	1,117,275
Transfers out	(1,575,233)	(614,282)	(162,703)	(132,506)	(2,484,724)
Total Other Financing (Uses) Sources	(1,555,042)	616,314	(162,703)	(32,506)	(1,133,937)
Net Change in Fund Balances	169,621	(14,968)	-	712,376	867,029
Fund Balances - Beginning of year	5,727,549	729,155	-	4,760,879	11,217,583
Fund Balances - End of year	\$ 5,897,170	\$ 714,187	\$ -	\$ 5,473,255	\$ 12,084,612

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 867,029**

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

Capital outlays	3,466,932	
Depreciation/amortization expense	(1,724,745)	
Net effect of reporting capital assets		1,742,187

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

Proceeds from lease obligations	(233,512)	
Repayments of debt	215,000	
Net effect of reporting long-term debt		(18,512)

Revenues in the Statement of Activities that do not provide current financial resources are not available in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the net difference between years.

237,632

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Landfill monitoring	27,000	
Compensated absences	98,806	
Lease obligations	134,888	
Related to net pension liability	113,515	
Related to net other postemployment liability	346,900	
Net effect of reporting long-term liabilities		721,109

Change in Net Position of Governmental Activities **\$ 3,549,445**

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2022

	Business-Type Activities			
	Water	Sewer	Transfer Station	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 131,095	\$ 777,235	\$ 168,360	\$ 1,076,690
Receivables (net):				
User charges	430,067	397,992	-	828,059
Betterments	-	131,596	-	131,596
Intergovernmental	-	221,936	-	221,936
Total current assets	<u>561,162</u>	<u>1,528,759</u>	<u>168,360</u>	<u>2,258,281</u>
Noncurrent assets:				
Receivables (net):				
Betterments	-	1,335,150	-	1,335,150
Intergovernmental	-	69,523	-	69,523
Capital assets not being depreciated/amortized	515,374	322,870	-	838,244
Capital assets (net of depreciation/amortization)	<u>6,721,545</u>	<u>8,688,051</u>	<u>-</u>	<u>15,409,596</u>
Total noncurrent assets	<u>7,236,919</u>	<u>10,415,594</u>	<u>-</u>	<u>17,652,513</u>
Total Assets	<u>7,798,081</u>	<u>11,944,353</u>	<u>168,360</u>	<u>19,910,794</u>
Deferred Outflows of Resources:				
Related to net other postemployment liability	9,294	48,907	16,664	74,865
Related to net pension liability	<u>4,502</u>	<u>23,717</u>	<u>8,082</u>	<u>36,301</u>
Total Deferred Outflows of Resources	<u>13,796</u>	<u>72,624</u>	<u>24,746</u>	<u>111,166</u>
Liabilities				
Current liabilities:				
Warrants and accounts payable	66,482	85,639	15,512	167,633
Bond anticipation notes payable	28,980	-	-	28,980
Bonds and notes payable	<u>56,871</u>	<u>840,821</u>	<u>-</u>	<u>897,692</u>
Total current liabilities	<u>152,333</u>	<u>926,460</u>	<u>15,512</u>	<u>1,094,305</u>
Noncurrent liabilities:				
Net other postemployment benefits liability	43,005	226,295	77,105	346,405
Net pension liability	46,734	246,205	83,909	376,848
Bonds and notes payable	<u>1,354,460</u>	<u>364,072</u>	<u>-</u>	<u>1,718,532</u>
Total noncurrent liabilities	<u>1,444,199</u>	<u>836,572</u>	<u>161,014</u>	<u>2,441,785</u>
Total Liabilities	<u>1,596,532</u>	<u>1,763,032</u>	<u>176,526</u>	<u>3,536,090</u>
Deferred Inflows of Resources:				
Related to net other postemployment liability	24,588	129,380	44,083	198,051
Related to net pension liability	<u>8,764</u>	<u>46,166</u>	<u>15,735</u>	<u>70,665</u>
Total Deferred Inflows of Resources	<u>33,352</u>	<u>175,546</u>	<u>59,818</u>	<u>268,716</u>
Net Position				
Net investment in capital assets	5,310,214	7,483,158	-	12,793,372
Restricted	<u>871,779</u>	<u>2,595,241</u>	<u>(43,238)</u>	<u>3,423,782</u>
Total Net Position	<u>\$ 6,181,993</u>	<u>\$ 10,078,399</u>	<u>\$ (43,238)</u>	<u>\$ 16,217,154</u>

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2022**

	Business-Type Activities			
	Water	Sewer	Transfer Station	Total
Operating Revenues:				
Charges for services	\$ 1,079,918	\$ 1,152,123	\$ 229,026	\$ 2,461,067
Other	37,096	24,700	-	61,796
Total Operating Revenues	<u>1,117,014</u>	<u>1,176,823</u>	<u>229,026</u>	<u>2,522,863</u>
Operating Expenses:				
Operating costs	924,523	1,011,858	203,107	2,139,488
Depreciation/amortization	233,524	319,916	-	553,440
Total Operating Expenses	<u>1,158,047</u>	<u>1,331,774</u>	<u>203,107</u>	<u>2,692,928</u>
Operating Income (Loss)	<u>(41,033)</u>	<u>(154,951)</u>	<u>25,919</u>	<u>(170,065)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental	-	54,371	-	54,371
Betterments	-	49,664	-	49,664
Interest expense	(36,177)	(68,850)	-	(105,027)
Total Nonoperating Revenues (Expenses)	<u>(36,177)</u>	<u>35,185</u>	<u>-</u>	<u>(992)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(77,210)</u>	<u>(119,766)</u>	<u>25,919</u>	<u>(171,057)</u>
Transfers				
Transfers (net)	<u>650,791</u>	<u>716,658</u>	<u>-</u>	<u>1,367,449</u>
Change in Net Position	<u>573,581</u>	<u>596,892</u>	<u>25,919</u>	<u>1,196,392</u>
Total Net Position - Beginning of Year	<u>5,608,412</u>	<u>9,481,507</u>	<u>(69,157)</u>	<u>15,020,762</u>
Total Net Position - End of Year	<u>\$ 6,181,993</u>	<u>\$ 10,078,399</u>	<u>\$ (43,238)</u>	<u>\$ 16,217,154</u>

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

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

	Business-Type Activities			
	Water	Sewer	Transfer Station	Total
Cash Flows from Operating Activities:				
Receipts from users	\$ 964,958	\$ 1,110,199	\$ 229,026	\$ 2,304,183
Other income	37,096	24,700	-	61,796
Payments to employees	(210,416)	(10,928)	(47,133)	(268,477)
Payments to vendors	(777,707)	(926,901)	(152,997)	(1,857,605)
Net Cash Provided by (Used in) Operating Activities	13,931	197,070	28,896	239,897
Cash Flows from Noncapital Financing Activities:				
Transfers, net	650,791	716,658	-	1,367,449
Net Cash Provided by (Used in) Noncapital Financing Activities	650,791	716,658	-	1,367,449
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(498,989)	(312,520)	-	(811,509)
Proceeds from capital betterments	-	250,259	-	250,259
Proceeds from capital grants	-	264,233	-	264,233
Payment of bond anticipation notes (net of proceeds)	(28,481)	-	-	(28,481)
Principal payments on bonds	(55,357)	(827,831)	-	(883,188)
Interest expense	(36,177)	(68,850)	-	(105,027)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(619,004)	(694,709)	-	(1,313,713)
Net Change in Cash and Cash Equivalents	45,718	219,019	28,896	293,633
Cash and Cash Equivalents				
Beginning of the year	85,377	558,216	139,464	783,057
End of the year	<u>\$ 131,095</u>	<u>\$ 777,235</u>	<u>\$ 168,360</u>	<u>\$ 1,076,690</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating Income (Loss)	\$ (41,033)	\$ (154,951)	\$ 25,919	\$ (170,065)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation/amortization	233,524	319,916	-	553,440
Changes in assets, deferred outflows, liabilities and deferred inflows				
Receivables (net)	(114,960)	(41,924)	-	(156,884)
Deferred outflows of resources	2,299	12,093	4,121	18,513
Deferred inflows of resources	7,752	40,804	13,905	62,461
Liabilities (net)	(73,651)	21,132	(15,049)	(67,568)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 13,931</u>	<u>\$ 197,070</u>	<u>\$ 28,896</u>	<u>\$ 239,897</u>

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2022

	<u>Private Purpose Trust Funds</u>
Assets	
Cash and cash equivalents	\$ -
Investments	<u>460,905</u>
Total Assets	<u>460,905</u>
Liabilities	
Warrants payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Held in trust for other purposes	<u>460,905</u>
Total Net Position	<u><u>\$ 460,905</u></u>

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

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

	Private Purpose Trust Funds
Additions:	
Investment income	\$ 8,213
Contributions	-
Total Additions	<u>8,213</u>
Deductions:	
Education - scholarships	<u>2,080</u>
Total Deductions	<u>2,080</u>
Change in Net Position	6,133
Total Net Position - Beginning	<u>454,772</u>
Total Net Position - Ending	<u><u>\$ 460,905</u></u>

See accompanying notes to basic financial statements.

TOWN OF WINCHENDON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town, which is approximately forty-four square miles, is located in Worcester County and is bordered by the State of New Hampshire on its northern side. The Town was incorporated as a town in 1764. An elected five-member Board of Selectmen governs the Town and an appointed Town Manager oversees the Town's daily executive and administrative duties. Selectmen serve three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12, water, sewer and solid waste services, street maintenance, parks and recreational facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria including: being financially accountable, and able to impose its will; appointing a voting majority of the component units' governing body and if the potential for the component unit to provide specific financial benefits or to impose specific financial burdens on the Town.

Discretely Presented Component Unit – The Winchendon Redevelopment Authority ("WRA") is presented in a separate column to emphasize that it is legally separate from the Town, but is included because the Town is financially accountable for, and can impose its will on, the organization. The WRA is organized under Massachusetts state law with the authority to administer the Town's redevelopment activities. The WRA is managed by a five member board, of which four members are appointed by the Town Manager without restriction. The fifth member is appointed by the Governor of the Commonwealth of Massachusetts upon recommendation of the Town Manager. A stand-alone report has not been issued for the WRA as of and for the fiscal year ended June 30, 2022.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise the primary government is reported separately from 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 funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

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

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

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

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

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

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

These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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

Capital Projects Fund – is used to account for all financial resources that are restricted, committed or assigned for the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

Nonmajor Governmental Funds – consist of other special revenue 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:

The *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.

The *Permanent Funds* are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation/amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major enterprise proprietary funds:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer Enterprise Fund – accounts user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Transfer Station Enterprise Fund – accounts for user charges collected to finance costs associated with operating facilities for the disposal of household waste and recycling.

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 may not be used to support the governmental programs.

The government reports the following fiduciary funds:

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

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

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

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

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Interest accrues on delinquent taxes to the statutory rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Motor vehicle excise taxes are primarily assessed in January every year and are due 30 days thereafter; subsequent vehicle transaction and catch-up billings are assessed periodically throughout the remaining calendar year. Excise tax billings are based on motor vehicle records and amounts as determined by the Commonwealth of Massachusetts; the timing of the Town’s billings is additionally predicated on when such records are received from the Commonwealth.

User fees consist of water and sewer fees. Water and sewer user fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date.

Real estate taxes, water and sewer user fees, and special assessments/betterments are secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances

comprised of those outstanding amounts greater than five years old, if material. The allowance for uncollectible balances for other receivables is estimated based on historical trends and specific account analysis.

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

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

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

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

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	40 - 50 years
Buildings and improvements	40 years
Equipment, furniture, fixtures and vehicles	5 - 10 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 except for the Health Claims Internal Service Fund that retains any interest earned.

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 the 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 fund financial statements only if they have matured.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that qualifies for reporting as a deferred outflow reported on the government-wide statement of net position that relates to outflows from changes in the net pension liability and net other postemployment benefits liability. These outflows will be recognized in pension expense in future years as more fully described in Note III, subsection A and employee benefits expense in future years as more fully described in Note III, subsection C.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items which qualify for reporting in this category. The first arises under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, excise taxes, and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other types of items that qualify for reporting as a deferred outflow are reported on the government-wide statement of net position. These relates to outflows from changes in the net pension liability which will be recognized in pension expense in future years as more fully described in Note III, subsection A and employee benefits expense in future years as more fully described in Note III, subsection C.

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

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

Nonexpendable Permanent Funds – represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable Permanent Funds – represent amounts held in trust whereby expenditures are subject to various trust agreements.

Federal and State Grants – represent amounts that have restrictions placed on them from federal and state granting agencies.

Other Purposes – represent amounts that are restricted by donors and state laws for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable – represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact. The Town's non-spendable fund balance reported in the Nonmajor governmental funds consists of the corpus of endowments for the cemetery, the library and various other purposes.

Restricted – represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Articles. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Articles) it employed previously to commit those amounts.

Assigned – represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

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

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

unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,318,429 at June 30, 2022, and, is reported as unassigned fund balance in the General Fund.

The Town maintains an infrastructure/landfill stabilization which may be used for any municipal infrastructure purpose upon two-thirds vote of the Town Meeting. The balance of the fund totals \$457,711 at June 30, 2022, and, is reported as restricted fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$927,792 of encumbrances from Town Meeting article votes in the general fund as assigned. The Town does not report encumbrances in any other fund.

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

	General Fund	Capital Projects Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 341,664	\$ 341,664
Restricted:					
General government	-	-	-	554,322	554,322
Public safety	-	-	-	204,364	204,364
Education	-	-	-	2,494,217	2,494,217
Public works	-	-	-	122,644	122,644
Health and human services	-	-	-	592,406	592,406
Culture and recreation	-	-	-	1,175,550	1,175,550
Employee benefits	-	-	-	115,852	115,852
Infrastructure improvements	457,711	-	-	-	457,711
Capital outlay	-	1,048,396	-	-	1,048,396
Debt service	35,479	-	-	-	35,479
Other purposes	-	-	-	200,520	200,520
Committed:					
Capital outlay	659,260	-	-	-	659,260
Assigned:					
Purchase orders	927,792	-	-	-	927,792
Unassigned:					
General stabilization	1,318,429	-	-	-	1,318,429
Other	2,498,499	(334,209)	-	(328,284)	1,836,006
	<u>\$ 5,897,170</u>	<u>\$ 714,187</u>	<u>\$ -</u>	<u>\$ 5,473,255</u>	<u>\$12,084,612</u>

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred individual fund deficits totaling \$334,209 in the Capital Project major fund and deficits totaling \$328,284 in the nonmajor governmental funds. These deficits will be funded through grants, bond proceeds and available funds in future fiscal years.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$10,976,508 and the banks' balances totaled \$11,671,510. Of the bank balance, \$9,293,127 was covered by either federal depository insurance or by the depositors' insurance fund and the remaining balance was uninsured.

Custodial Credit Risk: Investments – This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investments in U.S. government obligations, corporate fixed income obligations, marketable certificates of deposit, equity mutual funds; and common stock are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. Credit risk is managed under the auspices of a formal policy drafted by the Treasurer and approved by the Board of Selectmen.

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

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

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

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2022:

		Fair Value Measurements Using		
	6/30/22	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Government obligations	\$ 694,998	\$ 440,058	\$ 254,940	\$ -
Corporate bonds	1,228,033	-	1,228,033	-
Negotiable certificates of deposit	303,885	-	303,885	-
Total debt securities	2,226,916	440,058	1,786,858	-
Equity securities:				
Common stock	333,285	333,285	-	-
Mutual funds	294,846	-	294,846	-
Total equity securities	628,131	333,285	294,846	-
Total investments by fair value level	\$ 2,855,047	\$ 773,343	\$ 2,081,704	\$ -
Investments measured at amortized cost				
MMDT	449,366			
Total investments	\$ 3,304,413			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The remaining investments are classified in Level 2. Negotiable certificates of deposit, U.S. government obligations, corporate bonds and mutual funds are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices. The State Treasurer’s investment pool (MMDT) is valued at amortized cost. The MMDT’s investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool.

Interest Rate Risk – The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At June 30, 2022, the Town's investments had the following maturities:

Investment Type	6/30/22	Maturities in Years		
		Less than 1	1 - 5	More than 5
U.S. Government obligations	\$ 694,998	\$ 225,068	\$ 469,930	\$ -
Corporate bonds	1,228,033	-	967,057	260,976
Negotiable certificates of deposit	303,885	124,625	179,260	-
MMDT	449,366	449,366	-	-
Total investments with maturities	<u>\$ 2,676,282</u>	<u>\$ 799,059</u>	<u>\$ 1,616,247</u>	<u>\$ 260,976</u>

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. At June 30, 2022, Town has 14% of its investments in MMDT and 21% in U. S. government obligations.

Credit Risk – Statutes require the Town Treasurer to invest Town government funds in bank deposit, money market, certificate of deposit, repurchase agreements and the State Treasurer's investment pool accounts. Relative to trust funds, certain additional, and in some instances statutorily, pre-approved investment instruments such as corporate bonds, stock equity, mutual funds, and other pooled investment funds may be invested in. 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 U.S. obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

At June 30, 2022, the credit quality ratings of investments were as follows:

	Corporate Fixed Income Securities	U.S. Government Agencies & Treasuries	Total
Aaa	\$ 133,750	\$ 694,988	\$ 828,738
A2	496,443	-	496,443
Baa1	314,648	-	314,648
Baa2	283,192	-	283,192
Not rated	-	-	-
Total	<u>\$ 1,228,033</u>	<u>\$ 694,988</u>	<u>\$ 1,923,021</u>

The Town's investments in negotiable certificates of deposit and the MMDT are unrated.

WRA Deposits – State and local statutes place certain limitations on the nature of deposits and investments available to the WRA. The WRA's deposits are subject to custodial credit risk similar to the risks born by the Town. The WRA does not have a formal deposit policy to mitigate custodial credit risk. At June 30, 2022, all the WRA's bank deposits were covered by federal depository insurance.

B. Receivables

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

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 851,038	\$ -	\$ 851,038
Tax liens	1,433,854	-	1,433,854
Motor vehicle excise	309,726	-	309,726
Septic loans	4,917	-	4,917
Ambulance fees	847,645	(486,461)	361,184
Tax foreclosures	235,792	-	235,792
Intergovernmental	2,305,510	-	2,305,510
Total Governmental Receivables	<u>\$ 5,988,482</u>	<u>\$ (486,461)</u>	<u>\$ 5,502,021</u>

Receivables as of year-end for Town's enterprise funds are as follows:

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
User fees - water	\$ 430,067	\$ -	\$ 430,067
User fees - sewer	397,992	-	397,992
Betterments - sewer	1,466,746	-	1,466,746
Intergovernmental:			
Due from MCWT - sewer	291,459	-	291,459
Total Enterprise Receivables	<u>\$ 2,586,264</u>	<u>\$ -</u>	<u>\$ 2,586,264</u>

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

Receivable type:	General Fund	Other Governmental	Total
Real estate and personal property taxes	\$ 718,468	\$ -	\$ 718,468
Tax liens and deferrals	1,433,854	-	1,433,854
Motor vehicle and other excise taxes	309,726	-	309,726
Ambulance fees	361,184	-	361,184
Tax foreclosures	235,792	-	235,792
Other	-	4,917	4,917
Total	<u>\$ 3,059,024</u>	<u>\$ 4,917</u>	<u>\$ 3,063,941</u>

Betterments – Unapportioned sewer betterments of \$1,335,150 are included in the betterments receivable amount above within the sewer enterprise fund and represent amounts that are expected to be billed in future years for projects that have been funded through long-term debt.

MCWT Loan Subsidies – The Town receives debt subsidies as more fully described in Note G that are reported as intergovernmental receivables in the sewer enterprise fund.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated/amortized:				
Land	\$ 1,853,761	\$ -	\$ -	\$ 1,853,761
Construction in progress	565,277	2,196,803	-	2,762,080
Total capital assets not being depreciated/amortized	2,419,038	2,196,803	-	4,615,841
Capital assets being depreciated/amortized:				
Buildings and improvements	34,572,647	162,293	-	34,734,940
Infrastructure	12,136,969	559,683	-	12,696,652
Machinery, equipment and vehicles	13,764,237	314,641	-	14,078,878
Leased machinery, equipment and vehicles	286,043	233,512	-	519,555
Artwork	100,000	-	-	100,000
Total capital assets being depreciated/amortized	60,859,896	1,270,129	-	62,130,025
Less accumulated depreciation/amortization for:				
Buildings and improvements	(21,383,194)	(811,445)	-	(22,194,639)
Infrastructure	(2,804,138)	(331,706)	-	(3,135,844)
Machinery, equipment and vehicles	(11,450,730)	(512,709)	-	(11,963,439)
Leased machinery, equipment and vehicles	(28,604)	(68,885)	-	(97,489)
Total accumulated depreciation/amortization	(35,666,666)	(1,724,745)	-	(37,391,411)
Total capital assets being depreciated/amortized, net	25,193,230	(454,616)	-	24,738,614
Governmental activities capital assets, net	\$ 27,612,268	\$ 1,742,187	\$ -	\$ 29,354,455
<u><i>Business Activities:</i></u>				
Capital assets not being depreciated/amortized:				
Land	\$ 26,735	\$ -	\$ -	\$ 26,735
Construction in process	-	811,509	-	811,509
Total capital assets not being depreciated/amortized	26,735	811,509	-	838,244
Capital assets being depreciated/amortized:				
Buildings and improvements	2,532,440	-	-	2,532,440
Infrastructure	23,498,291	-	-	23,498,291
Machinery, equipment and vehicles	621,088	-	-	621,088
Total capital assets being depreciated/amortized	26,651,819	-	-	26,651,819
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,723,965)	(52,026)	-	(1,775,991)
Infrastructure	(8,560,131)	(473,926)	-	(9,034,057)
Machinery, equipment and vehicles	(404,687)	(27,488)	-	(432,175)
Total accumulated depreciation/amortization	(10,688,783)	(553,440)	-	(11,242,223)
Total capital assets being depreciated/amortized, net	15,963,036	(553,440)	-	15,409,596
Business activities capital assets, net	\$ 15,989,771	\$ 258,069	\$ -	\$ 16,247,840

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-Type Activities - Water:</i></u>				
Capital assets not being depreciated:				
Land	\$ 16,385	\$ -	\$ -	\$ 16,385
Construction in process	-	498,989	-	498,989
Total capital assets not being depreciated	16,385	498,989	-	515,374
Capital assets being depreciated:				
Buildings and improvements	2,210,726	-	-	2,210,726
Infrastructure	8,683,233	-	-	8,683,233
Machinery, equipment and vehicles	538,667	-	-	538,667
Total capital assets being depreciated	11,432,626	-	-	11,432,626
Less accumulated depreciation for:				
Buildings and improvements	(1,509,489)	(41,302)	-	(1,550,791)
Infrastructure	(2,629,617)	(171,209)	-	(2,800,826)
Machinery, equipment and vehicles	(338,451)	(21,013)	-	(359,464)
Total accumulated depreciation	(4,477,557)	(233,524)	-	(4,711,081)
Total capital assets being depreciated, net	6,955,069	(233,524)	-	6,721,545
Water activities capital assets, net	\$ 6,971,454	\$ 265,465	\$ -	\$ 7,236,919
<u><i>Business-Type Activities - Sewer:</i></u>				
Capital assets not being depreciated:				
Land	\$ 10,350	\$ -	\$ -	\$ 10,350
Construction in process	-	312,520	-	312,520
Total capital assets not being depreciated	10,350	312,520	-	322,870
Capital assets being depreciated:				
Buildings and improvements	321,714	-	-	321,714
Infrastructure	14,815,058	-	-	14,815,058
Machinery, equipment and vehicles	82,421	-	-	82,421
Total capital assets being depreciated	15,219,193	-	-	15,219,193
Less accumulated depreciation for:				
Buildings and improvements	(214,476)	(10,724)	-	(225,200)
Infrastructure	(5,930,514)	(302,717)	-	(6,233,231)
Machinery, equipment and vehicles	(66,236)	(6,475)	-	(72,711)
Total accumulated depreciation	(6,211,226)	(319,916)	-	(6,531,142)
Total capital assets being depreciated, net	9,007,967	(319,916)	-	8,688,051
Sewer activities capital assets, net	\$ 9,018,317	\$ (7,396)	\$ -	\$ 9,010,921
<u><i>Business-Type Activities - All:</i></u>				
Business-type activities capital assets, net	\$ 15,989,771	\$ 258,069	\$ -	\$ 16,247,840

For the year ended June 30, 2022, depreciation/amortization expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 45,246	Water	\$ 233,524
Public safety	462,096	Sewer	319,916
Education	608,283	Total Business-Type Activities	<u>\$ 553,440</u>
Public works	477,056		
Health and human services	51,355		
Culture and recreation	80,709		
Total Governmental Activities	<u>\$ 1,724,745</u>		

D. Interfund Receivables, Payables and Transfers

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

Transfers Out	Transfers In					Total	
	General Fund	Capital Projects Funds	Nonmajor Funds	Water Enterprise	Sewer Enterprise		
General Fund	\$ -	\$ 997,084	\$ 100,000	\$ 100,138	\$ 378,011	\$ 1,575,233	(1)
Capital Projects Funds	-	-	-	335,512	278,770	614,282	(2)
ARPA Grant Fund	-	-	-	136,576	26,127	162,703	(2)
Nonmajor Governmental Funds	20,191	-	-	78,565	33,750	132,506	(3)
	<u>\$ 20,191</u>	<u>\$ 997,084</u>	<u>\$ 100,000</u>	<u>\$ 650,791</u>	<u>\$ 716,658</u>	<u>\$ 2,484,724</u>	

- (1) Transfers to capital projects for capital outlays and ban paydowns, transfers to non major funds for employee benefits, transfers to water and sewer enterprise funds to supplement operations and debt service costs.
(2) Transfers to water and sewer enterprise funds for capital outlays.
(3) Transfers to general fund to supplement operations and transfers to water and sewer enterprise funds for capital outlays.

E. Lease Liabilities

The Town has entered into non-cancelable leases for the purchase of an ambulance and a public works truck. These leases qualify as a lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

Assets placed in service through capital lease financing are as follows:

	Amount
<i>Asset:</i>	
Ambulance	\$ 286,043
Mack Truck	233,512
Less: accumulated amortization	(97,489)
Total	<u>\$ 422,067</u>

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

Year Ended June 30,	Principal	Interest	Total
2023	\$ 110,321	\$ 12,115	\$ 122,436
2024	114,218	8,218	122,436
2025	118,254	4,182	122,436
Total	<u>\$ 342,793</u>	<u>\$ 24,515</u>	<u>\$ 367,308</u>

F. Temporary Debt

The Town (excluding component units) is authorized to borrow on a temporary basis to fund the following:

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANs) or state aid anticipation notes (SAANs). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount. Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2022, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	0.37%	Matured	\$ 439,528	\$ -	\$ (439,528)	\$ -
BAN	1.90%	06/16/23	-	343,763	-	343,763
Total Governmental Notes			<u>439,528</u>	<u>343,763</u>	<u>(439,528)</u>	<u>343,763</u>
BAN	0.37%	Matured	57,461	-	(57,461)	-
BAN	1.90%	06/16/23	-	28,980	-	28,980
Total Business-Type Notes			<u>57,461</u>	<u>28,980</u>	<u>(57,461)</u>	<u>28,980</u>
Total Notes Payable			<u>\$ 496,989</u>	<u>\$ 372,743</u>	<u>\$ (496,989)</u>	<u>\$ 372,743</u>

The notes outstanding at year end were for streetlights (\$46,163), library construction (\$297,600) and water infrastructure (\$28,980).

G. Long-Term Obligations

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

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.”

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

Description of Issue	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 2,520,000	\$ -	\$ (215,000)	\$ 2,305,000	\$ 215,000
Notes from direct borrowings and placements	-	-	-	-	-
Lease liabilities	244,169	233,512	(134,888)	342,793	110,321
Compensated absences	1,000,645	151,355	(250,161)	901,839	225,460
Landfill post-closure monitoring	270,000	-	(27,000)	243,000	27,000
Net pension liability	22,139,753	2,638,938	(3,912,683)	20,866,008	-
Net other postemployment benefits	22,854,441	7,297,203	(10,967,955)	19,183,689	-
Total Governmental Activities	<u>\$ 49,029,008</u>	<u>\$ 10,321,008</u>	<u>\$ (15,507,687)</u>	<u>\$ 43,842,329</u>	<u>\$ 577,781</u>
<u>Business-type Activities:</u>					
<u>Water</u>					
Notes from direct borrowings and placements	\$ 1,466,688	\$ -	\$ (55,357)	\$ 1,411,331	\$ 56,871
Net pension liability	49,587	5,911	(8,764)	46,734	-
Net other postemployment benefits liability	51,234	16,359	(24,588)	43,005	-
Total Water Enterprise	<u>1,567,509</u>	<u>22,270</u>	<u>(88,709)</u>	<u>1,501,070</u>	<u>56,871</u>
<u>Sewer</u>					
Notes from direct borrowings and placements	2,032,724	-	(827,831)	1,204,893	840,821
Net pension liability	261,234	31,137	(46,166)	246,205	-
Net other postemployment benefits liability	269,596	86,079	(129,380)	226,295	-
Total Sewer Enterprise	<u>2,563,554</u>	<u>117,216</u>	<u>(1,003,377)</u>	<u>1,677,393</u>	<u>840,821</u>
<u>Transfer Station</u>					
Net pension liability	89,031	10,613	(15,735)	83,909	-
Net other postemployment benefits liability	91,859	29,329	(44,083)	77,105	-
Total Transfer Station Enterprise	<u>180,890</u>	<u>39,942</u>	<u>(59,818)</u>	<u>161,014</u>	<u>-</u>
Total Business-type Activities	<u>\$ 4,311,953</u>	<u>\$ 179,428</u>	<u>\$ (1,151,904)</u>	<u>\$ 3,339,477</u>	<u>\$ 897,692</u>

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

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

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i><u>Governmental Activities:</u></i>					
General obligation bonds	2.00 - 4.00%	\$ 2,520,000	\$ -	\$ (215,000)	\$ 2,305,000
Total Governmental Activities		<u>\$ 2,520,000</u>	<u>\$ -</u>	<u>\$ (215,000)</u>	<u>\$ 2,305,000</u>
<i><u>Business-type Activities - Water:</u></i>					
USDA bond notes	2.25 - 3.25%	\$ 1,466,688	\$ -	\$ (55,357)	\$ 1,411,331
Total Water		<u>1,466,688</u>	<u>-</u>	<u>(55,357)</u>	<u>1,411,331</u>
<i><u>Business-type Activities - Sewer:</u></i>					
USDA bond notes	4.75%	92,461	-	(7,441)	85,020
MCWT notes	1.50 - 2.00%	1,940,263	-	(820,390)	1,119,873
Total Sewer		<u>2,032,724</u>	<u>-</u>	<u>(827,831)</u>	<u>1,204,893</u>
 Total Business-type Activities		<u>\$ 3,499,412</u>	<u>\$ -</u>	<u>\$ (883,188)</u>	<u>\$ 2,616,224</u>

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

<i><u>Governmental Activities:</u></i>				
Year Ending	Principal		Interest	
June 30,	General Obligation	Direct	General Obligation	Direct
2023	\$ 215,000	\$ -	\$ 63,507	\$ -
2024	215,000	-	54,906	-
2025	215,000	-	48,457	-
2026	215,000	-	44,022	-
2027	215,000	-	39,319	-
2028-2032	1,030,000	-	105,900	-
2033	200,000	-	3,000	-
Totals	<u>\$ 2,305,000</u>	<u>\$ -</u>	<u>\$ 359,111</u>	<u>\$ -</u>
<i><u>Business-Type Activities - Water:</u></i>				
Year Ending	Principal		Interest	
June 30,	General Obligation	Direct	General Obligation	Direct
2023	\$ -	\$ 56,871	\$ -	\$ 34,663
2024	-	58,428	-	33,106
2025	-	60,028	-	31,506
2026	-	61,674	-	29,860
2027	-	63,367	-	28,167
2028-2032	-	313,558	-	113,720
2033-2037	-	190,598	-	81,322
2038-2042	-	213,027	-	58,893
2043-2047	-	238,096	-	33,825
2048-2050	-	155,684	-	7,048
Totals	<u>\$ -</u>	<u>\$1,411,331</u>	<u>\$ -</u>	<u>\$ 452,110</u>

Business-Type Activities - Sewer:

Year Ending June 30,	Principal		Interest	
	General Obligation	Direct	General Obligation	Direct
2023	\$ -	\$ 840,821	\$ -	\$ 29,469
2024	-	295,010	-	3,668
2025	-	8,553	-	3,280
2026	-	8,959	-	2,874
2027	-	9,384	-	2,449
2028-2031	-	42,166	-	5,120
Totals	<u>\$ -</u>	<u>\$ 1,204,893</u>	<u>\$ -</u>	<u>\$ 46,860</u>

MCWT Loan Subsidies – The Town has entered into numerous loan agreements with the Massachusetts Clean Water Trust (“MCWT”). It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$291,459 and interest in the amount of \$25,431 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements. Therefore, the principal amount of \$291,459 are reported as receivables in the sewer enterprise fund.

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

Project	Amount
<i>Governmental:</i>	
Beal's Memorial Library repairs	\$ 100,000
Old Murdock Senior Center repairs	956,000
<i>Business-Type:</i>	
Water and sewer line	1,000,000
Total authorized and unissued	<u>\$ 2,056,000</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Worcester County Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of Massachusetts General Laws. The System is administered by the Worcester Regional Retirement Board (the “Board”). Stand-alone financial statements for the year ended December 31, 2021 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Membership – Membership in the System as of December 31, 2021 was as follows:

Retirees and beneficiaries currently receiving benefits	4,112
Active plan members	7,121
Inactive plan members	2,714
Total	<u>13,947</u>

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week.

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

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

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

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

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

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

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

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in fiscal year 2022. There were several material changes made in this update to the actuarial assumptions (see below).

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$1,865,573 to the Retirement System in fiscal year 2022, which equaled the actuarially determined contribution requirement for the fiscal year. Contributions as a percentage of covered payroll was approximately 30.7% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town proportionate share of the net pension liability was \$21,242,856. The net pension liability was measured as of January 1, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2021. There were no material changes to the System’s benefit terms since the actuarial valuation.

The Town’s proportion of the net pension liability is based on a projection of the Town’s long-term share of contributions to the System relative to the projected contributions of all employers. The Town’s proportion were approximately 2.52%.

Fiduciary Net Position – The elements of the System’s basic financial statements (that is, all information about the System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the System’s full financial statements as of and for the year ended December 31, 2021, which can be obtained by contacting the Board.

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

Pension Expense – The Town recognized \$1,750,006 in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions in its governmental activities and sewer enterprise fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 444,291
Net differences between projected and actual earnings on pension plan investments	-	2,997,019
Changes of assumptions	1,826,624	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	219,652	542,038
Total	<u>\$ 2,046,276</u>	<u>\$ 3,983,348</u>

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

<u>Year ended June 30,</u>		
2023	\$	(563,257)
2024		(714,807)
2025		(429,839)
2026		(367,371)
2027		138,202
Total	\$	<u>(1,937,072)</u>

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

Actuarial cost method	Entry Age Normal
Amortization method	Increasing dollar amount at 4%. Annual increase in appropriation is further limited to 9.95%
Remaining amortization period	16 years
Asset valuation method	5-year smoothed market value
Investment rate of return / discount rate	7.25%, net of pension plan investment expense, including inflation
Projected salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Inflation rate	2.4%
Mortality rates:	
Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.
Disabled retiree	RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

Material Changes to Actuarial Assumptions – The discount rate was lowered from 7.50% to 7.25%. Also, healthy mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020, which represents a change from the prior RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. Disabled mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020, which represents a change from the prior 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 System's target allocation as of December 31, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	38%	4.22%
Fixed income	23%	0.70%
Private equity	15%	7.70%
Real Estate	10%	3.60%
Timber/Natural Resources	4%	4.20%
Portfolio Completion Strategies	10%	3.00%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2021 actuarial valuation report was 7.25%, which represents a reduction from the prior discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate.

Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>Current Discount</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Town proportionate share of net pension liability	7.25%	\$ 26,796,266	\$ 21,242,856	\$ 16,550,352

B. Massachusetts Teachers' Retirement System

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

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

For the year ended June 30, 2022, the Commonwealth contributed \$1,871,573 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.107040%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following:

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town Portion
Net pension liability	\$ 24,305,401	\$ (24,305,401)	\$ —
Pension expense	1,950,407	(1,950,407)	—

The Town recognized \$1,950,407 in intergovernmental revenue and pension expense relative to this arrangement.

MTRS issues certain financial information to the public on its website – www.mass.gov/mtrs. A more detailed discussion of its funding policies, actuarial assumptions and other inputs used to measure total pension liability may be found there.

C. Other Postemployment Benefits (OPEB)

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

The Town, however, has not met all requirements under GASB 74 to present this arrangement as a plan and thus the plan does not qualify as a plan under generally accepted accounting principles. Therefore GASB 74 does not apply. The following disclosures include only those disclosures required under GASB 75. This is the initial year of implementation.

An employee hired before April 2, 2012 shall become eligible to retire under this plan upon the completion of 10 years of creditable service and the attainment of age 55 as an active member with 20 years of service regardless of age. Those hired on or after April 2, 2012 shall be eligible to retire upon the attainment of age 60 with 10 years of creditable service.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town's premium-based insurance programs, and these include comprehensive medical and dental insurance as well as group life insurance.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2022:

Active employees	228
Inactives currently receiving benefits	125
Total	<u>353</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contributed 50% of the set premium for medical, dental and life insurance during fiscal 2022. The remainder of the cost is funded from taxation.

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

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	Not applicable; pay as you go plan
Municipal bond rate	3.54% as of June 30, 2022
Single Equivalent Discount Rate	3.54% net of OPEB plan investment expense including inflation.
Inflation	2.5% annually as of June 30, 2022 and for future periods.
Health Care Trend Rate	6.5%; trending down to 5.0% by 2024
Salary Increases	3.5% annually as of June 30, 2022 and for future periods.
Mortality (Healthy and Disabled)	RPH-2014 Total Dataset Headcount-Weighted Fully Generational table using Scale MP-2020
Actuarial Cost Method	Entry age normal

Key assumption changes effective Fiscal Year ending June 30, 2022

Single Equivalent Discount Rate	3.54% previously 2.16%
Mortality Assumptions	Changed from Teachers: RP-2014 White Collar Employees table projected generationally with Scale MP-2016 and Non-teachers: RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016, set forward 1 year for females to RPH-2014 Total Dataset Headcount-Weighted Fully Generational table using Scale MP-2020

Discount Rate – The discount rate used to measure the total OPEB liability was 3.54% which was based on the Bond Buyer’s 20 bond index.

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate as well as if the healthcare cost trend rates are 1.0% lower or higher than the current healthcare cost trend rates:

	Current Rate	1% decrease	Discount Rate	1% increase
Net OPEB Liability	3.54%	\$ 22,910,592	\$ 19,530,094	\$16,834,717

	Current Rate	1% decrease	Healthcare Trend Rate	1% increase
Net OPEB Liability	6.5% to 5.0%	\$ 16,324,860	\$ 19,530,094	\$23,709,499

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 23,267,130	\$ -	\$ 23,267,130
Changes for the year:			
Service cost	1,191,295	-	1,191,295
Interest	522,257	-	522,257
Changes in assumptions	(4,887,938)	-	(4,887,938)
Benefit payments withdrawn from trust	(562,650)	-	(562,650)
Balances at June 30, 2022	<u>\$ 19,530,094</u>	<u>\$ -</u>	<u>\$ 19,530,094</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$209,486. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 4,220,882	\$ 5,713,377
Differences between expected and actual experience	-	5,452,629
	<u>\$ 4,220,882</u>	<u>\$ 11,166,006</u>

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

June 30,	
2023	\$ (1,504,066)
2024	(1,184,558)
2025	(1,167,749)
2026	(1,824,031)
2027	(1,061,714)
thereafter	(203,006)
	<u>\$ (6,945,124)</u>

Net OPEB Liability – The components of the net OPEB liability of the Town as of June 30, 2022 were as follows:

Total OPEB Liability	\$ 19,530,094
Plan fiduciary net position	<u>-</u>
Net OPEB liability	<u>\$ 19,530,094</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%

D. Risk Financing

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation.

The Town is a part of a premium-based self-insurance group which insures for worker's compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association ("MIIA"). The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town's experience history. In addition, the Town is entirely self-insured for police and fire employees' unemployment insurance. Unemployment claims for other Town employees are paid to employees by the Commonwealth of Massachusetts, for which the Town is billed on a monthly basis. All other insurance is carried through conventional carriers. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

E. Commitments and Contingencies

The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2022, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

Grant Compliance – Amounts received 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 amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

Sewer Treatment Plant Capacity – The Town is under a consent decree from the Massachusetts Department of Environmental Protection (“MA DEP”), the U.S. Environmental Protection Agency and U.S. Department of Justice to increase its sewer treatment plant capacity. The total estimated cost of \$15,545,000 represents \$15,500,000 in construction costs and a civil penalty of \$45,000 for failure to respond within required timeframes. In May 1998 and September 2001, the Town authorized borrowing of \$5,000,000 and \$10,500,000, respectively. The Town is currently complying with various interim milestones contained in the decree and the project is substantially completed.

Safe Water Drinking Act – In a prior year, the Town received a first notice from the MA DEP regarding issues to be resolved in order for the Town to comply with the Safe Water Drinking Act. The issues include removal and monitoring of water storage tanks, devices to monitor water leaks, capital project planning, and increased staffing. The cost of compliance cannot be estimated at the current time. However, in all likelihood, the cost of compliance is expected to have a material effect on the Town’s financial condition.

F. Landfill Closure and Post-Closure Care Costs

The Town’s landfill was closed in 1999 and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions (“post-closure care”) at the site for thirty years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining monitoring cost of \$243,000 has been recorded as a governmental activities’ liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Implementation of New GASB Pronouncements

Current Year Implementations –

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

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

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

financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

Future Year Implementations

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

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

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

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

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

IV. Economic Dependence

During the year ended June 30, 2022, approximately 49% of revenues of the general fund were recognized from the Commonwealth of Massachusetts, as-well-as, the federal government.

TOWN OF WINCHENDON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

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

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	2.522865%	2.537101%	2.577348%	2.528315%	2.518111%	2.721136%	2.714029%	2.806321%
Town's proportionate share of the net pension liability (asset)	\$ 21,242,856	\$ 22,539,606	\$ 22,941,749	\$ 22,925,827	\$ 20,533,375	\$ 22,792,062	\$ 19,264,364	\$ 16,699,512
Town's covered payroll	\$ 6,075,619	\$ 6,774,852	\$ 6,534,548	\$ 5,501,629	\$ 5,598,659	\$ 5,627,632	\$ 6,145,760	\$ 5,909,385
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	349.6%	332.7%	351.1%	416.7%	366.8%	405.0%	313.5%	282.6%
Plan fiduciary net position as a percentage of the total pension liability	56.20%	50.30%	47.40%	42.00%	42.00%	42.00%	44.52%	47.94%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	1,865,573	1,706,683	1,569,295	1,407,627	1,274,147	\$ 1,321,787	\$ 1,220,934	\$ 1,109,031
Contributions in relation to the actuarially determined contribution	1,865,573	1,706,683	1,569,295	1,407,627	1,274,147	1,321,787	1,220,934	1,109,031
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	6,075,619	6,774,852	6,534,548	5,501,629	5,598,659	\$ 5,627,632	\$ 6,145,760	\$ 5,909,385
Contributions as a percentage of covered payroll	30.7%	25.2%	24.0%	25.6%	22.8%	23.5%	19.9%	18.8%

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

See accompanying independent auditors' report.

TOWN OF WINCHENDON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS' TEACHER'S RETIREMENT SYSTEM
(In thousands)

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,706,876	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,748,483	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

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

See accompanying independent auditor's report.

TOWN OF WINCHENDON, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Postive
	Budget	Budget	Amounts		Adjusted	(Negative)
Revenues:						
Property taxes	\$ 13,683,733	\$ 13,683,733	\$ 13,820,449		\$ 13,820,449	\$ 136,716
Intergovernmental	13,908,373	13,908,373	14,056,215		14,056,215	147,842
Motor vehicle and other excise	1,300,004	1,300,004	1,396,469		1,396,469	96,465
Departmental and other revenue	875,979	875,979	1,232,492		1,232,492	356,513
Licenses and permits	150,594	150,594	235,152		235,152	84,558
Fines and forfeitures	20,000	20,000	26,667		26,667	6,667
Penalties and interest on taxes	161,600	161,600	208,607		208,607	47,007
Investment income	30,000	30,000	22,192		22,192	(7,808)
Total Revenues	30,130,283	30,130,283	30,998,243		30,998,243	867,960
Expenditures:						
General government	2,016,915	1,945,172	1,761,349	\$ 33,176	1,794,525	150,647
Public safety	3,549,758	3,552,775	3,447,873	19,772	3,467,645	85,130
Education	17,493,254	16,886,979	15,922,223	868,627	16,790,850	96,129
Public works	1,378,000	1,828,705	1,808,695	984	1,809,679	19,026
Health and human services	687,647	529,200	499,406	150	499,556	29,644
Culture and recreation	239,412	240,762	232,122	5,083	237,205	3,557
Pension and fringe benefits	4,345,573	4,243,553	4,149,818	-	4,149,818	93,735
State and county tax assessments	1,223,049	1,223,049	1,136,862	-	1,136,862	86,187
Debt service	719,704	719,704	708,337	-	708,337	11,367
Total Expenditures	31,653,312	31,169,899	29,666,685	927,792	30,594,477	575,422
Other Financing Sources (Uses):						
Transfers in	842,790	347,790	347,790		347,790	-
Transfers out	(865,349)	(1,462,779)	(1,462,779)		(1,462,779)	-
Total Other Financing Sources (Uses)	(22,559)	(1,114,989)	(1,114,989)		(1,114,989)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(1,545,588)</u>	<u>(2,154,605)</u>	<u>\$ 216,569</u>		<u>\$ (711,223)</u>	<u>\$ 1,443,382</u>
Other Budgetary Items:						
Prior year encumbrances	796,916	796,916				
Undesignated surplus (free cash)	853,763	1,462,780				
Other items	(105,091)	(105,091)				
Total other budgetary items	<u>1,545,588</u>	<u>2,154,605</u>				
NET BUDGET	<u>\$ -</u>	<u>\$ -</u>				

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF WINCHENDON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and the Enterprise Fund. The budget is initiated by department heads and finalized by the Town Manager as a proposed budget for Town Meeting. The Finance Committee and the Board of Selectmen give recommendations for Town meeting to consider prior to final approval. It is then presented to Town Meeting for final approval, annually in May. Expenditures may legally exceed appropriations at the department level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance. During fiscal year 2021, the final approved budget did not vary materially from the original approved budget. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town's accounting system.

Budgetary-to-GAAP Reconciliation – The Town's general fund is prepared on a basis other than GAAP 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, 2022, is as follows:

	Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 30,998,243
MTRS on-behalf payments	\$ 1,950,407	\$ -	1,950,407
Revenue recognition	(176,645)	-	(176,645)
Stabilization investment income	-	19,697	19,697
Revenues on a GAAP basis	<u>\$ 1,773,762</u>	<u>\$ 19,697</u>	<u>\$ 32,791,702</u>
Expenditures on a budgetary basis			\$ 29,666,685
MTRS on-behalf payments	\$ 1,950,407	\$ -	1,950,407
Debt payments transferred to water	-	(18,575)	(18,575)
Debt payments transferred to sewer	-	(223,879)	(223,879)
Indirect cost accounting treatment	(307,599)	-	(307,599)
Expenditures on a GAAP basis	<u>\$ 1,642,808</u>	<u>\$ (242,454)</u>	<u>\$ 31,067,039</u>
Net transfers on a budgetary basis			\$ (1,114,989)
Stabilization transfers	\$ -	\$ 110,000	110,000
Debt payments transferred to water	-	(18,575)	(18,575)
Debt payments transferred to sewer	-	(223,879)	(223,879)
Indirect cost accounting treatment	(307,599)	-	(307,599)
Net transfers on a GAAP basis	<u>\$ (307,599)</u>	<u>\$ (132,454)</u>	<u>\$ (1,555,042)</u>