

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF WRENTHAM, MASSACHUSETTS**

Basic Financial Statements  
and Additional Information

Year Ended June 30, 2021



# TOWN OF WRENTHAM, MASSACHUSETTS

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## INDEPENDENT AUDITORS' REPORT

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

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Restatement

We audited the Town's basic financial statements for the year ended June 30, 2020, for which we issued an unmodified opinion dated March 10, 2021. As discussed in note V to the financial statements, the Town adopted Statement of Governmental Accounting Standards No. 84, *Fiduciary Activities*, in fiscal year 2021. In connection with the adoption of this accounting standard, previously reported total net position in the Statement of Net Position and fund balances in the Statement of Revenues, Expenditures and Changes in Fund Balances were restated. Our opinion was not modified with respect to the matter.

## Other Matters

### *Required Supplementary Information*

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants  
Woburn, Massachusetts  
February 2, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Wrentham, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

### **Financial Highlights**

- The Town's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by over \$5.3 million. The Town reported an approximate \$19.1 million deficit net position in its governmental activities and an approximate \$13.8 million positive net position in its water enterprise. Included in the Town's unrestricted net position (deficit) in its governmental activities is approximately \$72.9 million in liabilities associated with the Town's net pension and net other postemployment benefits, or OPEB, liabilities.
- The Town's total net position deficit decreased over \$1.4 million in fiscal year 2021. The Town reported an approximately \$0.4 million decrease in net position in its governmental activities, which was offset by a nearly \$1.9 million increase in its net position in its business-type activities. Noncash personnel benefits related to pension and OPEB totaled over \$4.3 million in the Town's governmental activities in fiscal year 2021, which was the primary cause of the overall decrease in net position in the Town's governmental activities.
- At June 30, 2021, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$13.3 million, which was approximately \$1.6 million higher than the prior year.
- Of the ending fund balance in the Town's governmental funds, approximately \$4.3 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.
- At June 30, 2021, the unassigned fund balance for the general fund was over 9% of fiscal year 2021 total general fund expenditures and the total general fund balance was approximately 16% of that figure.
- The Town's total long-term debt increased by nearly \$2.7 million in 2021 to nearly \$8.0 million. The Town completed the issuance of over \$3.6 million in general obligation bond issuances in fiscal year 2021. Additionally, the Town refunded approximately \$0.7 million in previously issued general obligation bonds in connection its new general obligation bond issuance, which resulted in an approximate \$49,000 savings on future debt service.
- The Town received approximately \$629,000 from the federal government under the American Rescue Plan Act ("ARPA") coronavirus local fiscal recovery fund in late fiscal year 2021. This was the first installment of approximately \$3.5 million in eligible ARPA monies to the Town from this fund. The use of these monies is less limited than the funding the Town received under the CARES Act and based on current guidance must be obligated by December 31, 2024 and expended by December 31, 2026.

## **Overview of the Financial Statements**

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

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

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

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation 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 through a regional district, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its water 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.

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

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

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

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

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

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

**Proprietary Funds** – Proprietary funds are used to account for a government’s ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water activities.

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

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

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

## Government-Wide Financial Analysis

Condensed comparative statements of net position for the two most recent years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020 (a)	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020 (a)
<b>Assets:</b>						
Current and other assets	\$ 18,603,771	\$ 17,772,533	\$ 6,695,962	\$ 7,389,506	\$ 25,299,733	\$ 25,162,039
Capital assets, net	36,836,125	34,480,779	15,045,181	13,624,860	51,881,306	48,105,639
<b>Total Assets</b>	<b>55,439,896</b>	<b>52,253,312</b>	<b>21,741,143</b>	<b>21,014,366</b>	<b>77,181,039</b>	<b>73,267,678</b>
Deferred Outflows of Resources	13,273,238	17,238,936	327,527	443,692	13,600,765	17,682,628
<b>Liabilities:</b>						
Long-term liabilities	75,976,695	74,558,022	7,138,876	4,205,932	83,115,571	78,763,954
Other liabilities	4,053,450	4,988,933	921,705	5,106,660	4,975,155	10,095,593
<b>Total Liabilities</b>	<b>80,030,145</b>	<b>79,546,955</b>	<b>8,060,581</b>	<b>9,312,592</b>	<b>88,090,726</b>	<b>88,859,547</b>
Deferred Inflows of Resources	7,798,558	8,629,655	201,664	208,144	8,000,222	8,837,799
<b>Net Position:</b>						
Net investment in capital assets	31,028,666	31,028,666	9,349,473	7,540,373	40,378,139	38,569,039
Restricted	8,776,342	7,017,437	-	-	8,776,342	7,017,437
Unrestricted	(58,920,577)	(56,730,465)	4,456,952	4,396,949	(54,463,625)	(52,333,516)
<b>Total Net Position</b>	<b>\$ (19,115,569)</b>	<b>\$ (18,684,362)</b>	<b>\$ 13,806,425</b>	<b>\$ 11,937,322</b>	<b>\$ (5,309,144)</b>	<b>\$ (6,747,040)</b>

(a) As restated to account for the effects of adoption of GASB Statement No. 84; refer to Note V.

The Town's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by over \$5.3 million (deficit net position). The Town continues to report a deficit in its unrestricted net position in its governmental activities, which totaled approximately \$58.9 million at June 30, 2021. Included in this deficit is approximately \$14.0 million and \$59.0 million, respectively, of net pension and net other postemployment liabilities at June 30, 2021. These noncash personnel benefit liabilities are the primary contributors to these reported deficits.

The largest portion (approximately \$40.4 million) of the Town's net position reflects its net investment in capital assets. 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, it should be noted that 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 (nearly \$8.8 million) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position is in deficit by approximately \$54.5 million. As previously noted, this deficit net position is primarily the result of the Town's recording of its net pension and net OPEB liabilities.



Condensed comparative statements of activities for the two most recent years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 4,322,235	\$ 3,371,915	\$ 3,632,365	\$ 2,736,374	\$ 7,954,600	\$ 6,108,289
Operating grants and contributions	10,366,209	8,801,133	-	-	10,366,209	8,801,133
Capital grants and contributions	3,209,072	276,797	935,413	645,656	4,144,485	922,453
General revenues:						
Property taxes	36,630,270	34,991,036	-	-	36,630,270	34,991,036
Excise taxes	2,532,236	2,457,365	-	-	2,532,236	2,457,365
Intergovernmental	1,015,125	990,025	-	-	1,015,125	990,025
Other	381,952	394,521	-	-	381,952	394,521
Total Revenues	<u>58,457,099</u>	<u>51,282,792</u>	<u>4,567,778</u>	<u>3,382,030</u>	<u>63,024,877</u>	<u>54,664,822</u>
Expenses:						
General government	4,484,229	3,930,722	-	-	4,484,229	3,930,722
Public safety	11,024,169	10,152,115	-	-	11,024,169	10,152,115
Education	37,196,305	35,348,620	-	-	37,196,305	35,348,620
Public works	3,519,990	3,249,360	-	-	3,519,990	3,249,360
Health and human services	1,274,822	987,863	-	-	1,274,822	987,863
Culture and recreation	1,318,034	1,345,476	-	-	1,318,034	1,345,476
Interest expense	70,757	121,793	-	-	70,757	121,793
Water services	-	-	2,698,675	2,682,043	2,698,675	2,682,043
Total Expenses	<u>58,888,306</u>	<u>55,135,949</u>	<u>2,698,675</u>	<u>2,682,043</u>	<u>61,586,981</u>	<u>57,817,992</u>
Change in Net Position	<u>(431,207)</u>	<u>(3,853,157)</u>	<u>1,869,103</u>	<u>699,987</u>	<u>1,437,896</u>	<u>(3,153,170)</u>
Net Position:						
Beginning of year	(18,684,362)	(14,798,816)	11,937,322	11,237,335	(6,747,040)	(3,561,481)
Restatement (refer to Note V)	-	(32,389)	-	-	-	(32,389)
End of year	<u>\$ (19,115,569)</u>	<u>\$ (18,684,362)</u>	<u>\$ 13,806,425</u>	<u>\$ 11,937,322</u>	<u>\$ (5,309,144)</u>	<u>\$ (6,747,040)</u>

**Governmental Activities** – Total revenues increased nearly \$7.2 million, or 14%, year-over-year. Increases of approximately \$2.9 million in capital grants and contributions as well as approximate \$1.6 million increased in both in property tax revenues and operating grants and contributions were the primary contributors to this increase. The increase in capital grants and contributions was due primarily to the Town’s acceptance of certain roadway infrastructure from a private developer as well as an increase in state-funded roadway improvement revenues, commonly referred to as Chapter 90 funds in the Commonwealth. The increase in operating grants and contributions was primarily the result of COVID-19 relief received from federal and state agencies. Property tax revenues increased approximately 4.7% year-over-year due to new growth and standard property tax increases afforded to the Town under Proposition 2 ½.

Property tax Property taxes continue to represent the majority of the Town’s total revenues. In fiscal year 2021, property taxes represented approximately 63% of total revenues, which was a decrease from the prior year’s ratio of 68%. Operating grants represented approximately 18% and 17% of fiscal year 2021 and 2020 total revenues, respectively. No other revenue source exceeded 10% in either fiscal year 2021 or 2020.

Total expenses increased nearly \$3.8 million, or 7%, in fiscal year 2021 from the prior year. The largest increase was reported in education expenses, which increased over \$1.8 million, or 5%, year-over-year. Education continues to be the Town’s largest expense category; education expenses totaled approximately 63% and 64% of fiscal year 2021 and 2020 total expenses, respectively. Public safety expenses

represented approximately 19% and 18% of fiscal year 2021 and 2020 total expenses, respectively. No other expense categories were greater than 10% in fiscal years 2021 or 2020.

**Business-Type Activities** – User charges represent the majority of the reported revenues in both fiscal years 2021 and 2020. User charges increases significantly in fiscal year 2021 due to rate increases as well as increased consumption. Capital grants and contributions increased over \$0.9 million in water mains acquired through the Town’s acceptance of the public works infrastructure of a residential housing development. Expenses in the business-type activities were consistent year-over-year.

### **Governmental Funds Financial Analysis**

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance surplus of over \$13.3 million, which was over \$1.6 million higher than the prior year. The Town reported positive changes in fund balance in its general fund, community preservation fund and nonmajor governmental funds; these were offset by a modest decline in the capital projects fund. Of the ending fund balance, approximately \$4.3 million is available for spending at the government’s discretion as unassigned fund balance. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was approximately \$4.6 million, while total fund balance was over \$8.1 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents over 9% of total 2021 general fund expenditures, while total fund balance represents approximately 16% of that same amount.

The Town established a community preservation fund in fiscal year 2018. This fund is restricted for historical preservation and conservation of open space. At June 30, 2021, the community preservation fund balance totaled nearly \$1.2 million.

The Town maintains a capital projects fund, which is restricted for town-wide capital items. At June 30, 2021, the fund balance in the capital projects fund approached \$213,000.

The Town reports approximately \$3.8 million in fund balances in its nonmajor governmental funds due to constraints placed externally by third-parties. The aggregate nonmajor governmental fund operations were reasonably consistent with the prior year.

**Proprietary Funds** – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2021, the net position in the water enterprise exceeded \$13.8 million.

## **General Fund Budgetary Highlights**

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

## **Capital Asset and Debt Administration**

**Capital Assets** – As of June 30, 2021, the Town’s investment in capital assets for its governmental and business-type activities approximated \$36.8 million and \$15.0 million, respectively. In total, net capital assets increased nearly \$3.8 million year-over-year as current year additions exceeded depreciation expense.

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

**Long-Term Debt** – At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of nearly \$8.0 million. The Town’s total long-term bonded debt increased by nearly \$2.7 million during the current fiscal year. In October 2020, the Town issued over \$3.6 million in general obligation bonds, primarily in its business-type activities. Additionally, the Town refunded approximately \$0.7 million in previously issued general obligation bonds in connection its new general obligation bond issuance, which resulted in an approximate \$49,000 savings on future debt service.

In connection with the October 2020 general obligation bond issuances, Standard and Poor’s Financial Services LLC affirmed the Town’s “AA+” rating.

Additional information on the Town’s debt can be found in the notes to the financial statements.

## **Economic Factors and Next Year’s Budgets and Rates**

- Net state audit for fiscal year 2022 is expected to decrease to approximately \$3,798,000.
- The Town enters fiscal year 2022 with approximately \$2.3 million in certified free cash and approximately \$2.4 million in stabilization funds available to assist in funding its fiscal year 2022 budget.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2021 are approximately 76% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2.5% of the previous year’s tax levy.
- The Town continues to experience growth in new home construction.

Each of these factors were considered in preparing the Town’s budget for the 2022 fiscal year, which was adopted at Town Meeting in June 2021. The Town set its 2022 tax rate on December 1, 2021.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, 79 South Street, Wrentham, MA 02093.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 13,206,869	\$ 5,178,882	\$ 18,385,751
Investments	2,988,047	-	2,988,047
Receivables, net of allowances:			
Property taxes	1,206,047	-	1,206,047
Excise taxes	232,800	-	232,800
Departmental, user charges and other	739,743	1,312,563	2,052,306
Intergovernmental	230,265	204,517	434,782
Land	4,631,656	645,101	5,276,757
Construction in-progress	-	149,689	149,689
Depreciable capital assets, net	<u>32,204,469</u>	<u>14,250,391</u>	<u>46,454,860</u>
<b>Total Assets</b>	<u>55,439,896</u>	<u>21,741,143</u>	<u>77,181,039</u>
<b>Deferred Outflows of Resources:</b>			
Other postemployment benefits	12,237,497	276,561	12,514,058
Pensions	<u>1,035,741</u>	<u>50,966</u>	<u>1,086,707</u>
<b>Total Deferred Outflows of Resources</b>	<u>13,273,238</u>	<u>327,527</u>	<u>13,600,765</u>
<b>Liabilities:</b>			
Warrants and accounts payable	1,011,738	282,048	1,293,786
Accrued payroll and withholdings	1,235,866	9,306	1,245,172
Retainage payable	-	38,463	38,463
Accrued interest	20,607	41,021	61,628
Unearned revenues	629,215	-	629,215
Deposits and escrows	300,998	-	300,998
Other liabilities	23,345	-	23,345
Noncurrent liabilities:			
Due within one year	831,681	550,867	1,382,548
Due in more than one year	<u>75,976,695</u>	<u>7,138,876</u>	<u>83,115,571</u>
<b>Total Liabilities</b>	<u>80,030,145</u>	<u>8,060,581</u>	<u>88,090,726</u>
<b>Deferred Inflows of Resources:</b>			
Unearned revenues	330,613	-	330,613
Other postemployment benefits	6,231,756	140,834	6,372,590
Pensions	<u>1,236,189</u>	<u>60,830</u>	<u>1,297,019</u>
<b>Total Deferred Inflows of Resources</b>	<u>7,798,558</u>	<u>201,664</u>	<u>8,000,222</u>
<b>Net Position:</b>			
Net investment in capital assets	31,028,666	9,349,473	40,378,139
Restricted for:			
Nonexpendable permanent funds	319,888	-	319,888
Expendable permanent funds	251,804	-	251,804
Community preservation	1,178,180	-	1,178,180
Revolving funds	2,907,690	-	2,907,690
Other purposes	4,118,780	-	4,118,780
Unrestricted	<u>(58,920,577)</u>	<u>4,456,952</u>	<u>(54,463,625)</u>
<b>Total Net Position</b>	<u>\$ (19,115,569)</u>	<u>\$ 13,806,425</u>	<u>\$ (5,309,144)</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 4,484,229	\$ 313,318	\$ 243,798	\$ 13,120	\$ (3,913,993)		\$ (3,913,993)
Public safety	11,024,169	2,857,258	439,174	174,831	(7,552,906)		(7,552,906)
Education	37,196,305	430,450	8,619,567	253,702	(27,892,586)		(27,892,586)
Public works	3,519,990	145,411	5,842	2,767,419	(601,318)		(601,318)
Health and human services	1,274,822	302,306	1,008,499	-	35,983		35,983
Culture and recreation	1,318,034	273,492	49,329	-	(995,213)		(995,213)
Interest expense	70,757	-	-	-	(70,757)		(70,757)
<b>Total Governmental Activities</b>	<b>58,888,306</b>	<b>4,322,235</b>	<b>10,366,209</b>	<b>3,209,072</b>	<b>(40,990,790)</b>		<b>(40,990,790)</b>
<b>Business-Type Activities:</b>							
Water	2,698,675	3,632,365	-	935,413		\$ 1,869,103	1,869,103
<b>Total Primary Government</b>	<b>\$ 61,586,981</b>	<b>\$ 7,954,600</b>	<b>\$ 10,366,209</b>	<b>\$ 4,144,485</b>			<b>(39,121,687)</b>
<b>General Revenues:</b>							
Property taxes					36,630,270	-	36,630,270
Motor vehicle and other excise taxes					2,532,236	-	2,532,236
Grants and contributions not restricted to to specific programs					1,015,125	-	1,015,125
Penalties and interest on taxes					202,133	-	202,133
Investment income					142,319	-	142,319
Other income					37,500	-	37,500
<b>Total General Revenues and Transfers</b>					<b>40,559,583</b>	<b>-</b>	<b>40,559,583</b>
<b>Change in Net Position</b>					<b>(431,207)</b>	<b>1,869,103</b>	<b>1,437,896</b>
<b>Net Position:</b>							
Beginning of year (as restated; refer to Note V)					(18,684,362)	11,937,322	(6,747,040)
End of year					\$ (19,115,569)	\$ 13,806,425	\$ (5,309,144)

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 7,824,083	\$ 1,182,159	\$ 212,512	\$ 3,988,115	\$ 13,206,869
Investments	2,843,607	-	-	144,440	2,988,047
Receivables, net of allowances:					
Property taxes	1,201,809	4,238	-	-	1,206,047
Excise taxes	232,800	-	-	-	232,800
Departmental, user charges and other	5,127	-	-	734,616	739,743
Intergovernmental	-	-	-	230,265	230,265
<b>Total Assets</b>	<u>12,107,426</u>	<u>1,186,397</u>	<u>212,512</u>	<u>5,097,436</u>	<u>18,603,771</u>
<b>Total Deferred Outflows of Resources</b>	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 12,107,426</u>	<u>\$ 1,186,397</u>	<u>\$ 212,512</u>	<u>\$ 5,097,436</u>	<u>\$ 18,603,771</u>
<b>Liabilities:</b>					
Warrants and accounts payable	\$ 881,520	\$ 7,275	\$ -	\$ 122,942	\$ 1,011,737
Accrued payroll and withholdings	1,232,506	-	-	3,360	1,235,866
Unearned revenues	-	-	-	629,215	629,215
Deposits and escrows	300,998	-	-	-	300,998
Other liabilities	23,345	-	-	-	23,345
<b>Total Liabilities</b>	<u>2,438,369</u>	<u>7,275</u>	<u>-</u>	<u>755,517</u>	<u>3,201,161</u>
<b>Deferred Inflows of Resources:</b>					
Unearned revenues - prepaid property taxes	327,909	2,704	-	-	330,613
Unavailable revenues - property taxes	991,217	4,238	-	-	995,455
Unavailable revenues - excise taxes	232,800	-	-	-	232,800
Unavailable revenues - other	-	-	-	505,915	505,915
<b>Total Deferred Inflows of Resources</b>	<u>1,551,926</u>	<u>6,942</u>	<u>-</u>	<u>505,915</u>	<u>2,064,783</u>
<b>Fund Balances:</b>					
Nonspendable	-	-	-	319,888	319,888
Restricted	-	1,172,180	212,512	3,754,173	5,138,865
Committed	769,967	-	-	-	769,967
Assigned	2,785,680	-	-	-	2,785,680
Unassigned	4,561,484	-	-	(238,057)	4,323,427
<b>Total Fund Balances</b>	<u>8,117,131</u>	<u>1,172,180</u>	<u>212,512</u>	<u>3,836,004</u>	<u>13,337,827</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 12,107,426</u>	<u>\$ 1,186,397</u>	<u>\$ 212,512</u>	<u>\$ 5,097,436</u>	<u>\$ 18,603,771</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

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Total Governmental Fund Balances	\$ 13,337,827
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.	36,836,125
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.	1,734,169
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows of resources - other postemployment benefits	12,237,497
Deferred outflows of resources - pensions	1,035,741
Deferred inflows of resources - other postemployment benefits	(6,231,756)
Deferred inflows of resources - pensions	<u>(1,236,189)</u>
Net effect of reporting deferred outflows and inflows of resources	5,805,293
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.	(20,607)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:	
Net other postemployment benefits liability	(58,971,871)
Net pension liability	(13,971,652)
Compensated absences	(302,260)
Capital lease obligations	(769,033)
Bonds and notes payable	<u>(2,793,560)</u>
Net effect of reporting long-term liabilities	<u>(76,808,376)</u>
Net Position — Governmental Activities	<u>\$ (19,115,569)</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Property taxes, net of tax refunds	\$ 36,568,602	\$ 290,807	\$ -	\$ -	\$ 36,859,409
Intergovernmental	8,927,460	79,126	-	3,383,641	12,390,227
Motor vehicle and other excise taxes	2,505,744	-	-	-	2,505,744
Licenses and permits	661,977	-	-	-	661,977
Penalties and interest on taxes	201,751	382	-	-	202,133
Fines and forfeitures	63,567	-	-	-	63,567
Departmental and other revenues	555,912	-	-	2,949,347	3,505,259
Contributions and donations	-	-	1,920,000	280,179	2,200,179
Investment income	98,896	358	-	43,065	142,319
<b>Total Revenues</b>	<b>49,583,909</b>	<b>370,673</b>	<b>1,920,000</b>	<b>6,656,232</b>	<b>58,530,814</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	3,100,781	-	-	231,259	3,332,040
Public safety	6,267,813	-	266,917	1,890,583	8,425,313
Education	28,299,922	-	-	1,602,962	29,902,884
Public works	2,261,223	-	1,990,037	869,603	5,120,863
Health and human services	442,526	-	-	517,771	960,297
Culture and recreation	457,146	262,434	-	280,753	1,000,333
Pension and fringe benefits	7,085,477	-	-	-	7,085,477
State and county charges	1,199,374	-	-	-	1,199,374
<b>Debt service:</b>					
Principal	564,972	-	-	-	564,972
Interest	91,358	13,345	-	-	104,703
<b>Total Expenditures</b>	<b>49,770,592</b>	<b>275,779</b>	<b>2,256,954</b>	<b>5,392,931</b>	<b>57,696,256</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(186,683)</b>	<b>94,894</b>	<b>(336,954)</b>	<b>1,263,301</b>	<b>834,558</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from general obligation bonds	-	399,000	-	-	399,000
Premiums from issuance of general obligation bonds	-	58,774	-	68,488	127,262
Proceeds from capital lease	-	-	266,917	-	266,917
Transfers in	794,690	-	-	-	794,690
Transfers out	-	-	-	(794,690)	(794,690)
<b>Total Other Financing Sources (Uses)</b>	<b>794,690</b>	<b>457,774</b>	<b>266,917</b>	<b>(726,202)</b>	<b>793,179</b>
<b>Change in Fund Balances</b>	<b>608,007</b>	<b>552,668</b>	<b>(70,037)</b>	<b>537,099</b>	<b>1,627,737</b>
<b>Fund Balances:</b>					
Beginning of the year (as restated; refer to Note V)	7,509,124	619,512	282,549	3,298,905	11,710,090
End of the year	<u>\$ 8,117,131</u>	<u>\$ 1,172,180</u>	<u>\$ 212,512</u>	<u>\$ 3,836,004</u>	<u>\$ 13,337,827</u>

See accompanying notes to basic financial statements.



**TOWN OF WRENTHAM, MASSACHUSETTS**

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

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Change in Fund Balances — Total Governmental Funds	\$	1,627,737
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:		
Capital asset additions	4,567,842	
Depreciation expense	<u>(2,212,496)</u>	
Net effect of reporting capital activity		2,355,346
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
		(73,715)
 The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:		
Issuance of long-term debt	(399,000)	
Issuance of capital lease obligations	(266,917)	
Premiums received on long-term borrowings	(127,262)	
Repayments of long-term debt	564,972	
Repayments of capital lease obligations	177,157	
Amortization of bond premiums	<u>33,233</u>	
Net effect of reporting long-term debt activity		(17,817)
 Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:		
Net other postemployment benefits liability	(4,701,140)	
Net pension liability	366,753	
Compensated absences	(8,209)	
Accrued interest	<u>19,838</u>	
Net effect of reporting long-term liabilities		<u>(4,322,758)</u>
Change in Net Position — Governmental Activities	\$	<u>(431,207)</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

	Business-Type Activities
	Water
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 5,178,882
Receivables, net of allowances:	
User charges and other	1,312,563
Intergovernmental	63,881
Total Current Assets	6,555,326
Noncurrent Assets:	
Intergovernmental receivables	140,636
Land	645,101
Construction in-progress	149,689
Depreciable capital assets, net	14,250,391
Total Noncurrent Assets	15,185,817
Total Assets	21,741,143
Deferred Outflows of Resources:	
Other postemployment benefits	276,561
Pensions	50,966
Total Deferred Outflows of Resources	327,527
Liabilities:	
Current Liabilities:	
Warrants and accounts payable	282,048
Accrued payroll and withholdings	9,306
Retainage payable	38,463
Accrued interest	41,021
Compensated absences	3,063
Current portion of long-term debt	547,804
Total Current Liabilities	921,705
Noncurrent liabilities:	
Compensated absences	9,188
Net other postemployment benefits liability	1,332,732
Net pension liability	687,515
Long-term debt	5,109,441
Total Noncurrent Liabilities	7,138,876
Total Liabilities	8,060,581
Deferred Inflows of Resources:	
Other postemployment benefits	140,834
Pensions	60,830
Total Deferred Inflows of Resources	201,664
Net Position:	
Net investment in capital assets	9,349,473
Unrestricted	4,456,952
Total Net Position	\$ 13,806,425

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

	<u>Business-Type Activities</u>
	<u>Water</u>
Operating Revenues:	
Charges for services	\$ 3,626,149
Other operating revenues	<u>6,216</u>
Total Operating Revenues	<u>3,632,365</u>
Operating Expenses:	
Payroll and personnel costs	984,345
Operating costs	932,359
Depreciation	<u>599,629</u>
Total Operating Expenses	<u>2,516,333</u>
Operating Income	<u>1,116,032</u>
Nonoperating Expenses:	
Interest expenses	<u>182,342</u>
Total Nonoperating Expenses	<u>182,342</u>
Income Before Capital Contributions	<u>933,690</u>
Capital Contributions:	
Intergovernmental capital contributions	25,413
Private developer contributed capital	<u>910,000</u>
Total Capital Contributions	<u>935,413</u>
Change in Net Position	1,869,103
Net Position:	
Beginning of the year	<u>11,937,322</u>
End of the year	<u>\$ 13,806,425</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

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	Business-Type Activities
	<u>Water</u>
Cash Flows from Operating Activities:	
Receipts from user charges	\$ 3,445,021
Receipts from other operating revenues	6,216
Payments to employees	(915,847)
Payments to vendors	<u>(1,889,618)</u>
Net Cash Provided By Operating Activities	<u>645,772</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital grants	86,003
Proceeds from the issuance of long-term debt	3,233,500
Premiums received on debt issuances	278,053
Acquisition and construction of capital assets	(1,109,950)
Principal repayments on long-term debt	(347,694)
Repayments on short-term debt	(3,418,000)
Interest payments	<u>(181,766)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(1,459,854)</u>
Change in Cash and Cash Equivalents	(814,082)
Cash and Cash Equivalents:	
Beginning of the year	<u>5,992,964</u>
End of the year	<u>\$ 5,178,882</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 1,116,032
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation expense	599,629
Changes in assets, deferred outflows (inflows) of resources and liabilities:	
Receivables and other current assets	(181,128)
Warrants payable and other current liabilities	(977,256)
Accrued and deferred benefits payable	<u>88,495</u>
Net Cash Provided By Operating Activities	<u>\$ 645,772</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

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	<u>OPEB Trust</u>
Assets:	
Cash and cash equivalents	\$ 8,297
Investments in mutual funds at fair value	<u>525,805</u>
Total Assets	<u>534,102</u>
Liabilities:	
Warrants and accounts payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Position:	
Restricted for other postemployment benefits	<u>534,102</u>
Total Net Position	<u>\$ 534,102</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**JUNE 30, 2021**

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	OPEB Trust
Additions:	
Employer contributions	\$ 1,255,863
Investment income:	
Interest and dividends	16,378
Net depreciation in fair value of investments	100,564
Less investment management fees	(1,680)
Total net investment income	115,262
Total Additions	1,371,125
Deductions:	
Benefits to retirees and survivors	1,255,863
Total Deductions	1,255,863
Change in Net Position	115,262
Net Position:	
Beginning of the year	418,840
End of the year	\$ 534,102

See accompanying notes to basic financial statements.

# TOWN OF WRENTHAM, MASSACHUSETTS

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

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### **I. Summary of Significant Accounting Policies**

The accompanying basic financial statements of the Town of Wrentham (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 accounting policies and practices used by the Town.

#### **A. Reporting Entity**

The Town, which is located in Norfolk County, is centrally located between the cities of Boston and Worcester, Massachusetts and Providence, Rhode Island. The Town borders the state of Rhode Island. The Town was incorporated in 1673.

The governing structure utilizes an open town meeting format with a five-member elected Board of Selectmen and an appointed Town Administrator who oversees the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education, library, water services, street maintenance, veterans’ services, parks and recreational facilities. The Town provides elementary education for grades kindergarten to six; secondary education is provided through the King Phillip Regional School District. The water services are self-funded and reported as business enterprises.

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

The King Phillip Regional School District is a joint venture between the Town and towns of Norfolk and Plainville. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town’s assessment was \$11,245,600. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the King Phillip Regional School District’s administrative office located at 18 King Street, Norfolk, Massachusetts 02056.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of material interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by user fees.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

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

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

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

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

The 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, and 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 the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

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

The Town reports the following major governmental funds:

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

Community Preservation Fund – is a special revenue fund used to account for the accumulation of resources to purchase open space, provided for affordable housing or preservation of historical property under the guidelines of the Community Preservation Act of the Massachusetts General Laws (“MGL”). This fund was established in fiscal year 2018.

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

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

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

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

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

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

The Town reports its water operations as a major proprietary fund.

Fiduciary fund financial statements are reported using the economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs. The Town reports its other postemployment benefits (“OPEB”) trust fund in its fiduciary funds. The OPEB trust fund is used to account for funds accumulated by the Town to assist it in its future payments of OPEB for retirees, such as health and life insurance.

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

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

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent semiannually with quarterly payments due on August 1, November 1, February 1, and May 1. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. User charges receivables represent amounts billed for water usage and are billed semiannually.

Real estate taxes, water and user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

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, if material, are recorded as prepaid items within other current assets in both government-wide and governmental fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases of machinery, equipment and vehicles as well as construction costs exceeding \$10,000 are capitalized at the date of acquisition or construction if their expected lives are greater than four years. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Building and improvements	10 to 40 years
Infrastructure	20 to 40 years
Machinery and equipment	5 to 25 years
Vehicles	5 to 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 retained by the respective funds.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and sick-pay benefits. 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.

Unearned Revenues – Amounts collected in advance from federal and state grants are reported as unearned revenues.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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

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

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources in its government-wide financial statements relative to other postemployment and pension-related transactions. The Town expects to recognize the reported deferred outflows of resources relative to these personnel-related transactions over the next five years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to prepaid taxes, other postemployment and pension-related transactions and expects to recognize these amounts over the next five years. The Town reports unavailable revenues and prepaid taxes as deferred inflows of resources in its governmental funds financial statements. These amounts are expected to be recognized as an inflow of resources in the period in which the amounts become available.

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

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position restrictions are presented as follows:

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

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

*Community preservation funds* represent financial resources accumulated for community and historical preservation projects.

*Revolving funds* represent funds generated from activities, programs, governmental grants or services outside the general fund and must be expended on the activities, programs or services that generated the revenue.

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

*Fund Equity* – The Town presents fund balances in its governmental funds using 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 (i) not in spendable form (i.e., inventory or prepaid items) or (ii) legally or contractually required to be maintained intact such as the corpus of an endowment.

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

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

*Assigned* represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The 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 Town's governmental funds, primarily its general fund.

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.

## **E. Use of Estimates**

he preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows 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.

MGL requires the Town to invest funds only in preapproved 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, which is administered by the Massachusetts Municipal Depository Trust ("MMDT"). In addition, MGL imposes various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

*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. The Town relies on depository insurance at its banking institutions to mitigate this risk. At June 30, 2021, \$8,457,896 in Town deposits were not subject to depository insurance from the Federal Deposit Insurance Corporation or other depository insurance programs and were therefore exposed to custodial credit risk.

*Custodial Credit Risk: Investments* – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. In practice, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository. All of the Town's investments, while held by a counterparty, are registered in the Town's name and cannot be pledged or assigned. As a result, the Town is not exposed to custodial credit risk.

*Fair Value Measurements: Investments* – The following table presents the Town’s investments carried at fair value on a recurring basis at June 30, 2021:

Investments by Fair Value Level	June 30, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 331,587	\$ 331,587	\$ -	\$ -
U.S. Governmental agency notes	254,475	-	254,475	-
Corporate bonds	1,416,348	-	1,416,348	-
Total debt securities	<u>2,002,410</u>	<u>331,587</u>	<u>1,670,823</u>	<u>-</u>
Equity securities	394,248	394,248	-	-
Mutual funds	724,201	-	724,201	-
Total investments by fair value level	<u>3,120,859</u>	<u>\$ 725,835</u>	<u>\$ 2,395,024</u>	<u>\$ -</u>
Investments measured at amortized cost:				
MMDT	<u>392,993</u>			
Total investments	<u>\$ 3,513,852</u>			

Short-term investments in the MMDT are measured at amortized cost, which approximates fair value.

*Concentration of Credit Risk: Investments* – The Town’s investments in U.S. Treasury notes and the MMDT represented approximately 17% and 11%, respectively, of the Town’s total investments at June 30, 2021. No other individual investment exceeded 5% of total investments.

*Interest Rate Risk: Investments* – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. In practice, the Town mitigates this risk through diversification and managing the duration of its investments.

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

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government and agency obligations	\$ 586,062	\$ 251,952	\$ 334,110	\$ -
Corporate bonds	1,416,348	-	1,327,586	88,762
Total investments with maturities	<u>2,002,410</u>	<u>\$ 251,952</u>	<u>\$ 1,661,696</u>	<u>\$ 88,762</u>
Other investments:				
Equity securities	394,248			
Mutual funds	724,201			
MMDT	<u>392,993</u>			
Total investments	<u>\$ 3,513,852</u>			

*Credit Risk: Investments* – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table summarizes the credit ratings assigned by Moody’s Investor Services for Town investments in fixed income securities at June 30, 2021:

Moody's Rating	U.S.	
	Government and Agency Obligations	Corporate Bonds
Aaa	\$ 586,062	\$ -
A1	-	159,567
A2	-	350,863
Baa1	-	583,116
Baa2	-	322,802
	<u>\$ 586,062</u>	<u>\$ 1,416,348</u>

**B. Receivables**

Receivables as of June 30, 2021 for the Town’s major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate taxes	\$ 419,185	\$ -	\$ 419,185
Personal property taxes	68,411	(26,000)	42,411
Tax liens	744,451	-	744,451
Motor vehicle and other excise taxes	309,800	(77,000)	232,800
Ambulance user charges	1,440,544	(1,183,000)	257,544
Other departmental	482,199	-	482,199
Intergovernmental	230,265	-	230,265
	<u>\$ 3,694,855</u>	<u>\$ (1,286,000)</u>	<u>\$ 2,408,855</u>

Receivables as of June 30, 2021 for the water enterprise fund were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 1,312,563	\$ -	\$ 1,312,563
Intergovernmental	204,517	-	204,517
	<u>\$ 1,517,080</u>	<u>\$ -</u>	<u>\$ 1,517,080</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:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Real estate and personal property taxes	\$ 246,766	\$ 4,238	\$ -	\$ 251,004
Tax liens	744,451	-	-	744,451
Motor vehicle and other excise taxes	232,800	-	-	232,800
Ambulance user charges	-	-	257,544	257,544
Other departmental	-	-	248,371	248,371
	<u>\$ 1,224,017</u>	<u>\$ 4,238</u>	<u>\$ 505,915</u>	<u>\$ 1,734,170</u>

### C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 4,631,656	\$ -	\$ -	\$ 4,631,656
Construction in-progress	250,790	-	(250,790)	-
Total capital assets not being depreciated	<u>4,882,446</u>	<u>-</u>	<u>(250,790)</u>	<u>4,631,656</u>
Capital assets being depreciated:				
Buildings and improvements	38,535,904	1,099,802	-	39,635,706
Infrastructure	15,153,715	2,573,059	-	17,726,774
Machinery and equipment	7,399,919	527,793	(423,000)	7,504,712
Vehicles	2,285,961	617,978	(115,600)	2,788,339
Total capital assets being depreciated	<u>63,375,499</u>	<u>4,818,632</u>	<u>(538,600)</u>	<u>67,655,531</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,534,606)	(1,058,125)	-	(19,592,731)
Infrastructure	(9,464,863)	(459,413)	-	(9,924,276)
Machinery and equipment	(4,594,877)	(486,198)	423,000	(4,658,075)
Vehicles	(1,182,820)	(208,760)	115,600	(1,275,980)
Total accumulated depreciation	<u>(33,777,166)</u>	<u>(2,212,496)</u>	<u>538,600</u>	<u>(35,451,062)</u>
Total capital assets being depreciated, net	<u>29,598,333</u>	<u>2,606,136</u>	<u>-</u>	<u>32,204,469</u>
Total governmental activities capital assets, net	<u>\$ 34,480,779</u>	<u>\$ 2,606,136</u>	<u>\$ (250,790)</u>	<u>\$ 36,836,125</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 645,101	\$ -	\$ -	\$ 645,101
Construction in-progress	3,246,453	65,785	(3,162,549)	149,689
Total capital assets not being depreciated	3,891,554	65,785	(3,162,549)	794,790
Capital assets being depreciated:				
Buildings and improvements	148,502	-	-	148,502
Infrastructure	16,458,547	5,116,714	-	21,575,261
Machinery and equipment	163,342	-	-	163,342
Vehicles	990,558	-	-	990,558
Total capital assets being depreciated	17,760,949	5,116,714	-	22,877,663
Less accumulated depreciation for:				
Buildings and improvements	(120,077)	(2,450)	-	(122,527)
Infrastructure	(7,371,215)	(491,551)	-	(7,862,766)
Machinery and equipment	(94,600)	(16,334)	-	(110,934)
Vehicles	(441,751)	(89,294)	-	(531,045)
Total accumulated depreciation	(8,027,643)	(599,629)	-	(8,627,272)
Total capital assets being depreciated, net	9,733,306	4,517,085	-	14,250,391
Total business-type activities capital assets, net	<u>\$ 13,624,860</u>	<u>\$ 4,582,870</u>	<u>\$ (3,162,549)</u>	<u>\$ 15,045,181</u>

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

General government	\$ 185,942
Public safety	551,600
Education	671,212
Public works	638,087
Health and human services	6,152
Culture and recreation	159,503
	<u>\$ 2,212,496</u>

#### D. Interfund Transfers

In fiscal year 2021, transfers of \$677,257 from receipts reserved funds to the general fund were made to supplement the budget and budget articles. Additionally, \$117,433 was transferred from closed special revenue funds to the general fund.

## E. Temporary Debt

The Town is authorized to borrow on a temporary basis or short-term basis to fund the following:

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

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

Temporary notes activity for the year ended June 30, 2021 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
BAN	2.0%	matured	\$ 3,863,315	\$ -	\$ (3,863,315)	\$ -

## F. Long-Term Obligations

The Town issues general obligation bonds and notes and capital leases 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. In addition, the Town incurs various other long-term obligations relative to personnel costs.

The following reflects the fiscal year 2021 activity in the Town’s long-term liability accounts:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 2,700,000	\$ 1,086,500	\$ (1,270,000)	\$ 2,516,500	\$ 491,500
Unamortized bond premium	106,117	127,262	(33,233)	200,146	49,144
Direct borrowings and placements	96,886	-	(19,972)	76,914	20,203
Capital lease obligations	679,273	266,917	(177,157)	769,033	195,269
Compensated absences	294,051	8,209	-	302,260	75,565
Net OPEB liability	55,433,103	26,204,334	(22,665,566)	58,971,871	-
Net pension liability	16,033,582	3,398,333	(5,460,263)	13,971,652	-
<b>Total Governmental Activities</b>	<b>\$ 75,343,012</b>	<b>\$ 31,091,555</b>	<b>\$ (29,626,191)</b>	<b>\$ 76,808,376</b>	<b>\$ 831,681</b>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	\$ 1,600,000	\$ 3,233,500	\$ (130,000)	\$ 4,703,500	\$ 298,500
Unamortized bond premium	-	278,053	(9,540)	268,513	31,240
Direct borrowings and placements	893,386	-	(208,154)	685,232	218,154
Compensated absences	11,952	299	-	12,251	3,063
Net OPEB liability	1,252,758	592,203	(512,229)	1,332,732	-
Net pension liability	788,978	167,226	(268,689)	687,515	-
<b>Total Business-Type Activities - Water</b>	<b>\$ 4,547,074</b>	<b>\$ 4,271,281</b>	<b>\$ (1,128,612)</b>	<b>\$ 7,689,743</b>	<b>\$ 550,957</b>

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

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

Description of Issue	Interest Rates	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00% - 5.25%	\$ 2,700,000	\$ 1,086,500	\$ (1,270,000)	\$ 2,516,500
MCWT notes payable	2.00%	96,886	-	(19,972)	76,914
Total Governmental Activities		<u>\$ 2,796,886</u>	<u>\$ 1,086,500</u>	<u>\$ (1,289,972)</u>	<u>\$ 2,593,414</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.00% - 4.00%	\$ 1,600,000	\$ 3,233,500	\$ (130,000)	\$ 4,703,500
MCWT notes payable	2.00%	893,386	-	(208,154)	685,232
Total Business-Type Activities - Water		<u>\$ 2,493,386</u>	<u>\$ 3,233,500</u>	<u>\$ (338,154)</u>	<u>\$ 5,388,732</u>

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

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 491,500	\$ 88,224	\$ 20,203	\$ 765
2023	490,000	66,794	20,203	255
2024	295,000	50,419	10,000	-
2025	255,000	39,319	10,000	-
2026	255,000	29,369	10,000	-
2027 - 2031	485,000	72,748	6,508	-
2032 - 2036	175,000	23,625	-	-
2037 - 2038	70,000	2,100	-	-
	<u>\$ 2,516,500</u>	<u>\$ 372,598</u>	<u>\$ 76,914</u>	<u>\$ 1,020</u>

Year Ended June 30,	Business-Type Activities: Water			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 298,500	\$ 140,770	\$ 218,154	\$ 21,634
2023	295,000	129,925	223,154	10,604
2024	295,000	119,150	228,154	-
2025	295,000	108,375	3,154	-
2026	295,000	97,325	12,616	-
2027 - 2031	1,400,000	330,750	-	-
2032 - 2036	1,025,000	135,750	-	-
2037 - 2041	800,000	40,000	-	-
	<u>\$ 4,703,500</u>	<u>\$ 1,102,045</u>	<u>\$ 685,232</u>	<u>\$ 32,238</u>

*Current Refunding* – In October 2020, the Town issued general obligation bonds of \$687,500 (par value) with variance interest rates of between 2.0% and 4.0%; the proceeds of which were used to refund previously issued general obligation bonds with par values of \$725,000. As a result of this current refunding, the Town reduced its total debt service requirements by \$49,140.

*Authorized and Unissued Debt* – At June 30, 2021, the Town authorized \$1,950,000 in long-term debt for water meter replacements for which is had not yet issued this debt.

**G. Capital Lease Obligations**

The Town is party to noncancellable leases for the purchase of certain fire safety equipment. For financial reporting purposes, this lease is accounted for as a capital lease. Future minimum lease payments on this lease as of June 30, 2021 were as follows:

<u>Fiscal Year Ended June 30,</u>	
2022	\$ 196,282
2023	196,282
2024	140,889
2025	140,890
2026	83,632
2027	<u>83,632</u>
Total minimum lease payments	841,607
Less amount representing interest	<u>(72,574)</u>
Total capital lease obligation	<u>\$ 769,033</u>

Assets purchased through capital leases were comprised of the following:

Fire engine	\$ 615,827
Ambulance	266,917
SCBA equipment	<u>266,625</u>
Leased assets at cost	1,149,369
Less accumulated depreciation	<u>(126,189)</u>
Leased assets, net	<u>\$ 1,023,180</u>

**H. Tax Abatements**

The Town may enter into property tax abatements with local business as an incentive for economic growth. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under MGL, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. The Town’s Board of Selectmen must approve all TIF agreements.

At June 30, 2021, the Town had a single ten-year TIF agreement in place with a manufacturer that was initiated in fiscal year 2018. Under the terms of the TIF agreement, the manufacturer was provided a 100% property tax abatement on the value of the improved real property, which phases down 10% each year. The property owner committed to additional hiring (with a

preference to qualified Town residents, retention of its current employment base, an investment of approximately \$2 million to the property and the timely payment of all taxes owed to the Town. In fiscal year 2021, the Town abated \$12,890 related to this TIF agreement.

**I. Fund Balances**

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2021 were as follows:

	General	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 319,888	\$ 319,888
Restricted:					
Expendable permanent funds	-	-	-	251,805	251,805
General government	-	-	-	471,718	471,718
Public safety	-	-	-	1,453,980	1,453,980
Education	-	-	-	1,016,637	1,016,637
Public works	-	-	197,791	157,797	355,588
Community preservation	-	1,172,180	-	-	1,172,180
Other purposes	-	-	14,721	402,236	416,957
Committed:					
General government	149,750	-	-	-	149,750
Public works	115,685	-	-	-	115,685
Capital improvements stabilization	504,532	-	-	-	504,532
Assigned:					
General government	267,793	-	-	-	267,793
Public safety	22,524	-	-	-	22,524
Other purposes	398,337	-	-	-	398,337
Subsequent year's budget	2,097,026	-	-	-	2,097,026
Unassigned:					
General stabilization	1,907,796	-	-	-	1,907,796
Unrestricted	2,653,688	-	-	(238,057)	2,415,631
	<u>\$ 8,117,131</u>	<u>\$ 1,172,180</u>	<u>\$ 212,512</u>	<u>\$ 3,836,004</u>	<u>\$ 13,337,827</u>

Stabilization Funds – The Town maintains two stabilization funds. The general stabilization fund may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The capital improvements stabilization fund may be used for capital items upon a two-thirds vote of the Town Meeting. The general stabilization fund is reported as a component of unassigned fund balance while the capital improvements stabilization fund is reported as committed.

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, approved 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.

**J. Fund Deficits and Excess of Expenditures over Appropriations**

The Town reported \$238,057 in material deficits in its nonmajor governmental funds at June 30, 2021. The Town expects to cure these deficits through the future receipt of federal and state grant awards.

The Town expended \$52,148 in excess of appropriations in fiscal year 2021 in its public safety budget. This was due primarily to an approximate \$192,000 snow and ice deficit. The Town will raise this deficit in its fiscal year 2022 property taxes.

**III. Other Information**

**A. Retirement System**

*Pension Plan Description* – The Town contributes to the Norfolk County Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of MGL. The Retirement System is administered by the Norfolk County Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2020 were issued and are available by submitting a request to the Retirement System at 480 Neponset Street, Building No. 15, Canton, Massachusetts 02021.

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

Active members	5,963
Inactive members entitled to, but not receiving benefits	3,394
Inactive members (or beneficiaries) receiving benefits	<u>3,612</u>
	<u><u>12,969</u></u>

*Benefit Terms* – Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform throughout the Commonwealth. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification. The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of creditable 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 creditable service, average compensation and veteran status.
- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

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

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2021.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Town contributed \$2,298,647 to the Retirement System in fiscal year 2021, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 24% in fiscal year 2021.

Net Pension Liability – At June 30, 2021, the Town reported a liability of \$14,659,167 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2020, the measurement date. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no material changes in assumption made in this update to from the full 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 Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 2.870% at December 31, 2020, which was slightly higher than its proportionate share at December 31, 2019 (2.865%).

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

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers



and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$1,913,848 in pension expense in the statement of activities in fiscal year 2021.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 741,030	\$ -
Changes of assumptions	65,710	-
Net difference between projected and actual earnings	-	1,277,631
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>279,967</u>	<u>19,388</u>
	<u>\$ 1,086,707</u>	<u>\$ 1,297,019</u>

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

<u>Year ended June 30,</u>	
2022	\$ 61,272
2023	132,290
2024	(299,028)
2025	<u>(104,846)</u>
	<u>\$ (210,312)</u>

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

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Investment rate of return	7.75% per annum
Projected salary increases	3.50 to 5.50% per annum
Inflation	3.0% per annum
Cost of living increases	3.00% on first \$18,000 of retirement income
Mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2014

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

Asset Class	Target	Long-Term
	Policy Range	Expected Real Rate of Return
Domestic equity	30.5%	6.6%
International equity	15.5%	8.0%
Fixed income	20.5%	3.8%
Real estate	9.5%	8.2%
Private equity	10.0%	9.9%
Hedge funds	11.5%	7.2%
Real assets	2.5%	8.2%

*Discount Rate* – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity Analysis* – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.75%	\$ 19,735,126	\$ 14,659,167	\$ 10,271,229

## 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 MGL. 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 under GAAP.

For the year ended June 30, 2021, the Commonwealth contributed \$1,646,701 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 0.106%, 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 net pension liability assumed by the Commonwealth on behalf of the Town at June 30, 2021 was \$30,258,6809. The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2021 was \$3,737,380. The Town recognized \$3,737,380 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](http://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**

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2021:

Inactive employees or beneficiaries receiving benefits	152
Active employees	<u>166</u>
	<u><u>318</u></u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 25% of the calculated health and life insurance premiums; the remainder is paid by the Town. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019.

The components of the net OPEB Liability of the Town at June 30, 2021 were as follows:

Total OPEB liability	\$ 60,838,826
Plan fiduciary net position	<u>(534,223)</u>
Net OPEB liability	<u>\$ 60,304,603</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.9%

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

Valuation date	June 30, 2019
Measurement date	June 30, 2021
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Healthcare cost trend rates	Non-Medicare: 5.45% for year 1, then 6.50% decreasing by 0.25% for 8 years to an ultimate level of 4.5%
	Medicare: 1.62% for year 1, then 6.50% decreasing by 0.25% for 8 years to an ultimate level of 4.5%
Salary increases	3.00% per annum
Investment rate of return	6.75%
Discount rate	2.16% (previously 2.21%)
Mortality rates	Pre-retirement (non-teachers): RP-2014 Blue Collar Employee Mortality Table projected generationally with scale MP-2017
	Healthy retiree (non-teachers): RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2017
	Disabled retiree (non-teachers): RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with scale MP-2017
	Pre-retirement (teachers): RP-2014 White Collar Employee Mortality Table projected generationally with scale MP-2019
	Healthy retiree and disabled (teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2019

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap	65.0%	6.28%
International equity - developed markets	9.0%	7.00%
International equity - emerging markets	3.0%	8.82%
Core fixed income	15.0%	0.38%
High-yield fixed income	6.0%	2.97%
Cash	2.0%	0.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 2.16% (previously 2.21%), which represents the yield or index rate for twenty-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher at June 30, 2021 as shown in the Bond Buyer 20-Bond General Obligation Index.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at June 30, 2020	\$ 57,104,823	\$ 418,962	\$ 56,685,861
Changes for the year:			-
Service cost	3,154,331	-	3,154,331
Interest	1,317,926	-	1,317,926
Changes in assumptions	517,609	-	517,609
Employer contributions	-	1,255,863	(1,255,863)
Net investment income	-	115,261	(115,261)
Benefit payments	(1,255,863)	(1,255,863)	-
Net changes	3,734,003	115,261	3,618,742
Balances at June 30, 2021	\$ 60,838,826	\$ 534,223	\$ 60,304,603

The most notable change in actuarial assumption in fiscal year 2020 was the reduction in discount rate to 2.16% from 2.21%.

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current discount rate:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
2.16%	\$ 72,148,859	\$ 60,304,603	\$ 51,058,124

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 healthcare cost trend rates that are 1% lower or higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
Ultimate Rate of 4.5%	\$ 48,863,692	\$ 60,304,603	\$ 75,653,190

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the Town recognized OPEB expense of \$6,063,244. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,308,241	\$ 4,983,672
Changes of assumptions	11,205,817	1,326,429
Net difference between projected and actual earnings on OPEB plan investments	-	62,489
	<u>\$ 12,514,058</u>	<u>\$ 6,372,590</u>

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

Year ended June 30,

2022	\$ 1,619,267
2023	1,619,032
2024	1,628,845
2025	1,188,056
2026	86,268
	<u>\$ 6,141,468</u>

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established under MGL. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

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

*Investment Rate of Return* – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was approximately 27.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### **D. Risk Financing**

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town's experience history. All insurance except health (see below) is carried through conventional, commercial carriers.

The Town is a member of the West Suburban Health Group ("WSHG"), a public entity risk pool established in accordance with MGL. WSHG is a common risk management and insurance program servicing thirteen towns, two educational collaborative and one school district. The Town pays a monthly premium to WSHG for its health insurance coverage for all active and retired employees. The Municipal Health Group Agreement for Joint Negotiation and Purchase of Health Coverage provides that WSHG will be self-insured through member assessments and will reinsure through commercial companies for claims in excess of \$100,000 per individual policy year. Town management and WSHG believe that member assessments are adequate to meet all claims incurred but not reported as of June 30, 2021.

#### **E. Commitments and Contingencies**

*Litigation* – 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, 2021, 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, 2021.

*Appellate Tax Board* – From time to time, the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts ("ATB"). At June 30, 2021, there were two outstanding cases at ATB. The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers' success at the ATB. Therefore, no such loss provision has been made in the Town's basic financial statements.

*Grant Compliance* – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

#### **F. Economic Dependence**

During the year ended June 30, 2021, approximately 18% of revenues of the general fund were recognized from the Commonwealth and the federal government.

#### **IV. Implementation of New GASB Pronouncements**

##### **A. Current Year Implementations**

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

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

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

##### **B. Future Year Implementations**

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

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

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



In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

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

## **V. Restatement**

The adoption of GASB Statement No. 84 required certain accounts previously reported as agency accounts in the Statement of Fiduciary Activities to be reclassified into nonmajor governmental funds. The Town reduced the beginning balance in its government-wide net position and fund balance in its nonmajor governmental funds \$32,389 in connection with the adoption of this accounting standard.

\* \* \* \* \*

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION PLAN**

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

*(dollar amounts are in thousands)*

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	2.870%	\$ 14,659	\$ 9,435	155.4%	70.2%
2020	2.865%	16,823	9,116	184.5%	64.6%
2019	2.778%	18,085	8,909	203.0%	58.3%
2018	2.773%	15,332	8,608	178.1%	63.5%
2017	2.830%	14,778	8,213	179.9%	61.6%
2016	2.830%	15,379	7,741	198.7%	58.6%
2015	2.810%	14,594	6,914	211.1%	60.1%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN**

*(dollar amounts are in thousands)*

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 2,299	\$ 2,299	\$ -	\$ 9,435	24.4%
2020	2,146	2,146	-	9,116	23.5%
2019	1,944	1,944	-	8,909	21.8%
2018	1,778	1,778	-	8,608	20.7%
2017	1,569	1,569	-	8,213	19.1%
2016	1,423	1,423	-	7,741	18.4%
2015	1,362	1,362	-	6,914	19.7%

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

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM PENSION PLAN**

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

For the Year Ended June 30, *	Commonwealth's Proportion of the MTRS Net Pension Liability	Town's Proportion of the MTRS Net Pension Liability	Commonwealth's Proportionate Share of the MTRS Net Pension Liability On Behalf of the Town	Commonwealth's Actuarially Determined Contribution	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	100%	0%	\$ 30,259	\$ 1,647	50.7%
2020	100%	0%	27,672	1,584	53.9%
2019	100%	0%	25,562	1,417	54.8%
2018	100%	0%	24,726	1,335	54.3%
2017	100%	0%	23,485	1,181	52.7%
2016	100%	0%	16,758	988	55.4%

\* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

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

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

*(dollar amounts are in thousands)*

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total OPEB Liability:					
Service cost	\$ 3,154	\$ 2,010	\$ 1,753	\$ 1,631	\$ 1,788
Interest	1,318	1,724	1,705	1,563	1,350
Changes in benefit terms	-	-	-	(1,721)	-
Experience differences	-	(7,476)	-	3,924	-
Changes in assumptions	518	14,191	2,628	(3,979)	(5,567)
Benefit payments	<u>(1,256)</u>	<u>(1,179)</u>	<u>(1,108)</u>	<u>(1,183)</u>	<u>(1,045)</u>
Net Change in Total OPEB Liability	<u>3,734</u>	<u>9,270</u>	<u>4,978</u>	<u>235</u>	<u>(3,474)</u>
Total OPEB Liability:					
Beginning of year	<u>57,105</u>	<u>47,835</u>	<u>42,857</u>	<u>42,622</u>	<u>46,096</u>
End of year (a)	<u>\$ 60,839</u>	<u>\$ 57,105</u>	<u>\$ 47,835</u>	<u>\$ 42,857</u>	<u>\$ 42,622</u>
Plan Fiduciary Net Position:					
Contributions	\$ 1,226	\$ 1,349	\$ 1,228	\$ 1,283	\$ 1,045
Net investment income	115	9	15	5	-
Benefit payments	<u>(1,226)</u>	<u>(1,179)</u>	<u>(1,108)</u>	<u>(1,183)</u>	<u>(1,045)</u>
Net Change in Plan Fiduciary Net Position	<u>115</u>	<u>179</u>	<u>135</u>	<u>105</u>	<u>-</u>
Plan Fiduciary Net Position:					
Beginning of year	<u>419</u>	<u>240</u>	<u>105</u>	<u>-</u>	<u>-</u>
End of year (b)	<u>\$ 534</u>	<u>\$ 419</u>	<u>\$ 240</u>	<u>\$ 105</u>	<u>\$ -</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 60,305</u>	<u>\$ 56,686</u>	<u>\$ 47,595</u>	<u>\$ 42,752</u>	<u>\$ 42,622</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.88%	0.73%	0.50%	0.25%	0.00%
Covered payroll	N/A	N/A	N/A	N/A	\$ 17,023
Net OPEB Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	250.38%

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

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

	Budgeted Amounts		Actual	Articles and Encumbrances	Actual	Positive (Negative) Variance
	Original Budget	Final Budget	Budgetary Amounts		Budgetary Adjusted	
<b>Revenues:</b>						
Property taxes, net of tax refunds	\$ 36,173,889	\$ 36,173,889	\$ 36,603,105		\$ 36,603,105	\$ 429,216
Intergovernmental	5,102,223	5,102,223	5,190,080		5,190,080	87,857
Motor vehicle and other excise taxes	2,066,400	2,066,400	2,505,744		2,505,744	439,344
Licenses and permits	500,000	500,000	661,977		661,977	161,977
Penalties and interest on taxes	130,000	130,000	201,751		201,751	71,751
Fines and forfeitures	50,000	50,000	63,567		63,567	13,567
Departmental and other revenues	312,650	312,650	491,977		491,977	179,327
Investment income	50,000	50,000	41,469		41,469	(8,531)
<b>Total Revenues</b>	<b>44,385,162</b>	<b>44,385,162</b>	<b>45,759,670</b>		<b>45,759,670</b>	<b>1,374,508</b>
<b>Expenditures:</b>						
General government	3,888,005	3,888,005	3,100,781	\$ 417,543	3,518,324	369,681
Public safety	6,312,987	6,540,133	6,267,813	22,524	6,290,337	249,796
Education	24,938,754	24,938,754	24,562,542	369,237	24,931,779	6,975
Public works	2,238,175	2,353,860	2,261,223	144,785	2,406,008	(52,148)
Health and human services	503,652	503,652	442,526	-	442,526	61,126
Culture and recreation	522,847	522,847	457,146	-	457,146	65,701
Pension and fringe benefits	7,270,982	7,270,982	7,085,477	-	7,085,477	185,505
State and county charges	1,199,374	1,199,374	1,199,374	-	1,199,374	-
Debt service	667,971	667,971	656,330	-	656,330	11,641
<b>Total Expenditures</b>	<b>47,542,747</b>	<b>47,885,578</b>	<b>46,033,212</b>	<b>\$ 954,089</b>	<b>46,987,301</b>	<b>898,277</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	620,000	677,257	858,625		858,625	181,368
<b>Total Other Financing Sources (Uses)</b>	<b>620,000</b>	<b>677,257</b>	<b>858,625</b>		<b>858,625</b>	<b>181,368</b>
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,537,585)	(2,823,159)	\$ 585,083		\$ (369,006)	\$ 2,454,153
<b>Other Budgetary Items:</b>						
Prior year encumbrances	837,451	837,451				
Free cash	1,639,025	1,924,599				
Other items	61,109	61,109				
<b>Total Other Budgetary Items</b>	<b>2,537,585</b>	<b>2,823,159</b>				
<b>Net Budget</b>	<b>\$ -</b>	<b>\$ -</b>				

See notes to required supplementary information.

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

**SCHEDULE OF CONTRIBUTIONS**

*(dollar amounts are in thousands)*

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 2,751	\$ 2,595	\$ 1,381	\$ 2,311	\$ 2,771
Contributions in relation to the actuarially-determined contribution	(1,256)	(1,349)	(1,228)	(1,183)	(1,145)
Contribution deficiency (excess)	<u>\$ 1,495</u>	<u>\$ 1,246</u>	<u>\$ 153</u>	<u>\$ 1,128</u>	<u>\$ 1,626</u>
Covered payroll	N/A	N/A	N/A	N/A	\$ 17,023
Contribution as a percentage of covered payroll	N/A	N/A	N/A	N/A	6.73%

Notes to Schedule:

Valuation date	June 30, 2019
Asset valuation method	Market value as of the reporting/measurement date
Actuarial cost method	Individual entry age normal
Salary increases	3.0% per annum
Investment rate of return	6.75% per annum
Single equivalent discount rate	2.16% (previously 2.21%)

**SCHEDULE OF INVESTMENT RETURNS**

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	27.48%	2.25%	7.06%	5.80%	-0.80%

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

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

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

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An annual budget is legally adopted for the general fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved at the annual Town meeting each spring. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance. Unspent funds from continuing appropriations such as capital articles are carried forward into the subsequent fiscal year and are available for spending.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The Town Accountant is responsible to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town’s accounting system.

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

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues — budgetary basis			\$ 45,759,670
Revenue recognition	\$ (34,503)	\$ -	(34,503)
Stabilization revenue	-	57,427	57,427
Transfer treatment	-	63,935	63,935
MTRS on-behalf pension payments	<u>3,737,380</u>	<u>-</u>	<u>3,737,380</u>
Revenues — GAAP basis	<u>\$ 3,702,877</u>	<u>\$ 121,362</u>	<u>\$ 49,583,909</u>
Expenditures — budgetary basis			\$ 46,033,212
Expense recognition	\$ -	\$ -	-
MTRS on-behalf pension payments	<u>3,737,380</u>	<u>-</u>	<u>3,737,380</u>
Expenditures — GAAP basis	<u>\$ 3,737,380</u>	<u>\$ -</u>	<u>\$ 49,770,592</u>
Other Financing Sources — budgetary basis			\$ 858,625
Transfer treatment	<u>\$ -</u>	<u>\$ (63,935)</u>	<u>(63,935)</u>
Other Financing Sources — GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 794,690</u>